# YOURS

*Always*

Singapore POST

ANNUAL REPORT 2006/07

# Our Vision

**TO BE A WORLD-CLASS PROVIDER OF CONSUMER SERVICES FOCUSING ON MAIL, LOGISTICS AND RETAIL SOLUTIONS IN THE REGION**

Singaporeans have an indelible link to SingPost that goes all the way back to this country's founding. Yet far from taking your business for granted, we strive ceaselessly to earn it. Over the years, we have been steadily expanding our operations beyond postal services, to bring to more areas of your life the reliability and trust you have come to expect of us.

Whatever your expectations, we deliver. *Always.*

**CONTENTS**

# Our
# Services

# Your Smiles

SingPost is regarded as one of the most efficient postal operators in the world because we constantly push the envelope to enhance our service and improve productivity.

With an unrivalled distribution infrastructure, whether you are expecting a postcard vividly expressing the perfect retreat from your friends, or sending a heartfelt letter to your loved one, we will ensure it reaches its destination, always.

After all, it is something that we have been doing day after day, year after year for more than a century.

# Our Commitment

# Your Confidence

With 62 post offices and 68 authorised agents islandwide, it is a breeze to drop off a parcel for delivery. Or to have it picked up from your office or home and taken care of by our network of 300 dedicated professionals and over 250 vehicles. When you entrust a package to us, you know you are leaving it in good hands. Rain or shine, it will always reach its destination safely and on schedule.

At SingPost, trust is never a given. Instead, it is a fundamental cornerstone of our organisation. It is who we are and what we are about.


# Our
# Solutions

# Your Security

Gone are the days when we merely addressed your postal and delivery needs. Now you can bank on SingPost for a loan with or without collateral. Secure peace of mind for you and your family with our variety of financial services such as *Care for Life, ezyCash, James, CASHOME* and *SpeedCash*. We also offer Post*REALTY,* a real estate service, as well as remittance and unit trusts services.

Whether it is a dream you would like to pursue, or loved ones you wish to shelter from the uncertainties of life...at SingPost, we have got you fully covered.


Medium
Speedpost
by Singapore Post
Yours Always


SINGAPORE POST CENTRE


Hawaii


S.A.M. PLUS

# Our
# All

# *Yours Always*

An organisation, and its brand, is only as strong as the products, services, and people who support it. Our inimitable brand has been one of our greatest assets for more than a century and it will continue to resonate with trust, integrity and reliability.

Generations of Singaporeans have trusted us to provide vital services as efficiently and economically as we know how. And we know that generations more will do likewise.

# Letter to Shareholders

**Dear Shareholder,**
SingPost is a different company from when it was listed in 2003. Our good results in FY2006/07 are a consequence of SingPost's continued transformation.

In my letters to you over the last few years, I have shared with you the strategies we have taken for the Group to improve shareholder value. We have been enhancing the core business of Mail and Logistics, and leveraging our assets by offering higher value products and services through our Retail network.

## GROWTH ACROSS THE BOARD IN FY2006/07

In the financial year ended 31 March 2007, we achieved business growth across all segments of our business. The Group's revenue was S$436.0 million, up 5.6 per cent or S$23.2 million, as Mail, Logistics and Retail achieved improvements in performance. Net profit was S$139.8 million, an increase of 13.3 per cent or S$16.4 million. Excluding gains from sale of properties and the one-off impact of the tax rate reduction on deferred taxes, our underlying net profit rose 7.0 per cent from S$123.5 million to S$132.2 million.

Cashflow generation was robust, with net operating cashflow of S$160.9 million recorded. We generated a return on average invested capital of 28 per cent and a return on average equity of 84.2 per cent for the year ended 31 March 2007.

## HIGHER DIVIDENDS

The good news therefore is that these financial results enable us to recommend a higher dividend payout for FY2006/07. The Board of Directors is proposing a final dividend of 2.5 cents per share. This will bring the total dividend for FY2006/07 to 6.25 cents per share, representing a payout of 85.6 per cent of net profit. The proposed total dividend of 6.25 cents per share is 25 per cent higher than the minimum annual dividend of 5 cents per share that the Group has indicated that it would pay out. It is also an increase of 13.6 per cent over the annual dividend of 5.5 cents for FY2005/06.

Total shareholder's return (TSR) since the Group's initial public offering four years ago amounted to approximately 144 per cent at end March 2007. The one-year TSR for FY2006/07 was approximately 25 per cent.

## REAPING THE FRUIT OF SUCCESSFUL STRATEGIES

SingPost's strategic thrust has been to grow and extend its core competencies, both locally and regionally. Our biggest challenge over the last decade has been structural changes – e-substitution and cost-cutting measures by our customers, the Government and companies. This is a similar trend world-wide: mail volumes in many countries have seen a declining trend as a result of e-substitution.

Recognising such changes, the Group focused on growth areas within its existing businesses while diversifying into new areas. The challenge was to increase revenues while minimising risks and staying within our core competencies.

Through aggressive efforts in growing other mail business segments such as direct mail and international outgoing mail, and investing in upstream mail activities, we have bucked the global trend of declining mail volumes in our traditional business. In FY2006/07, Mail business recorded growth of 4.4 per cent in revenue from S$324.2 million to S$338.4 million and a 4.6 per cent increase in operating profit from S$128.7 million to S$134.6 million, underpinned by the good performances of its business lines.

In December 2006, postage rates for domestic mail and international airmail services were effectively increased, the first increase since 1995. This was done to help offset increases in costs, which the Group has worked diligently to keep in check over the years, with investments in innovation and continuous process improvements.

In Logistics, revenue increased 5.7 per cent from S$60.8 million to S$64.3 million in FY2006/07. Operating profit growth was strong at 11.5 per cent, raising Logistics operating profit from S$9.3 million to S$10.4 million.

The strategy of leveraging the Group's retail network by introducing high-value products and services with minimal capital investments has been successful. In FY2006/07, financial services revenue increased from S$7.9 million to S$14.9 million as the business gained traction. This contributed to the 12.1 per cent growth in Retail revenue from S$49.6 million to S$55.6 million and 40.1 per cent increase in Retail operating profit from S$6.8 million to S$9.5 million in FY2006/07.

In addition to driving growth in the financial products and services offered at the Retail network, the Group, together with our partners, continued to introduce other high-value products and services such as unit trusts and Post*REALTY* during the year.

## GROWING REGIONALLY

During the year, we expanded the footprint of the hybrid mail business under DataPost, with the setting up of a subsidiary in Hong Kong. We have also recently entered into a joint venture to offer print-on-demand services in the region. The Group's e-business, under *vPOST,* also extended its regional reach. The internet portal was launched in Thailand and Malaysia, tapping the fast-growing numbers of online shoppers in the region.

SingPost's relationship with postal administrations in the region has always been close and cordial. In FY2006/07, this was taken to a higher level. We signed a collaboration agreement with Pos Indonesia to leverage each other's strengths and tap opportunities in direct mail, express courier service, channelling services and remittances. We also launched a joint promotion on cross-border business mail with Pos Malaysia. In addition, first-ever joint stamp issues were launched with Japan Post, Korea Post and the Holy See.

## REGULATORY DEVELOPMENTS

On the regulatory front, the framework for the liberalisation of the basic mail services ("BMS") market from 1 April 2007 was made known by the Infocomm Development Authority of Singapore ("IDA"). SingPost has been designated the Public Postal Licensee and will continue to undertake the universal service obligation to meet the needs of postal users in Singapore.

We have been preparing ourselves to address the potential challenges arising from the liberalisation of this market segment. We have invested in people and infrastructure and diversified our business over the years. We believe we are well-positioned to compete in a liberalised market and we aim to remain the dominant mail service provider in Singapore.

## BUILDING ON OUR STRENGTHS

We value our long established tradition of trust and reliability. We will work hard to maintain the high quality and cost effective service that our customers have come to know and trust.

We will continue to drive growth in our core business of Mail and Logistics and leverage our Retail network in Singapore. Concurrently, we will further expand and grow our businesses regionally. We are excited by the prospects of tapping into the fast-growing Asia Pacific market and will extend our core competencies to create a regional presence for our operations.

In addition to organic growth, the Group will also explore mergers and acquisitions opportunities that will complement and enhance our core strengths and businesses.

We will continue to strengthen our management team and beef up resources within the organisation to support the Group as it expands. New talent will be recruited to augment the existing team to ensure that we have a good mix of expertise and experience as the Group goes into the next phase of growth. In this regard, in April 2007, we appointed a Chief Operating Officer with primary responsibility initially for Logistics and e-Business to drive growth in these two divisions.

## ACKNOWLEDGEMENTS

The success of SingPost would not have been possible, without the support of our partners, customers and staff. I would like to take this opportunity to assure all our partners and customers of our commitment, reliability and quality of service, and to thank them for their continued support. I also thank the Management and staff for their dedication and hard work.

I would like to express my gratitude to the directors for their dedication and valuable contributions. We welcome on board Messrs Lee Chong Kwee and Timothy Chia. We are confident that we will benefit from their insights and experience.

I would like to thank Mr Phua Kok Kim, who stepped down on 1 August 2006, for his significant contribution during his time with the SingPost Board.

Mr Lee Hsien Yang, who joined the Board on 1 May 1995 and is the longest serving Board member to date, is stepping down as a director at the 15th Annual General Meeting on 29 June 2007. I wish to thank him for his counsel and immense contribution to the Board and Management for the past 12 years, and especially his invaluable guidance during the major transformation of SingPost over these past 4 years.

Finally, I thank you, our shareholder, for your continued support of SingPost.

**Lim Ho Kee**
Chairman
9 May 2007

# Board of Directors

LIM HO KEE

LAU BOON TUAN

TIMOTHY CHIA CHEE MING

LEE CHONG KWEE

KENNETH MICHAEL TAN WEE KHENG

LEE HSIEN YANG

TAN YAM PIN

ONG AH HENG

KEITH TAY AH KEE

# Corporate Calendar

FY2006/07 was another busy year as SingPost continued to grow the business and to create more value for all its stakeholders.



**APRIL 2006**

*CASHOME*, SingPost's remittance service to the Philippines, was offered through selected Self-service Automated Machines, thus giving customers another fast, reliable and convenient way to remit money.

**JUNE 2006**

SingPost and Pos Malaysia launched a year-long joint promotion on cross border mail, targeted at business customers in Singapore and Malaysia.

**JULY 2006**

SingPost opened up another channel for the booking of Jetstar Asia's tickets through our wide network of conveniently-located post offices.

**AUGUST 2006**

*Friday Mailbox Surprise* celebrated its first anniversary.

SingPost marked Singapore's 41st birthday with a set of four vibrant stamps on the National Day Parade theme, "Our Global City, Our Home".

With the launch of Visa Bill Pay, Visa cardholders in Singapore could conveniently pay their bills with their Visa cards through *vPOST*, SingPost's internet portal.

**SEPTEMBER 2006**

SingPost shared Singapore's pride in hosting the annual meetings of the Board of Governors of the International Monetary Fund and World Bank Group by issuing a series of specially-designed commemorative stamps.

Customers were able to enjoy more online shopping services via SingPost's new shopping sites, namely *Shop@Korea* and *Shop@New Zealand*.



**OCTOBER 2006**
SingPost and Japan Post rolled out their first joint stamp issue to celebrate the blossoming ties between the two postal administrations.

A joint stamp issue was launched to commemorate the 25th anniversary of diplomatic relations between Singapore and the Holy See.

SingPost together with our partner, rolled out Post*REALTY*, a real estate service for the purchase, sale and rental of properties, both commercial and residential, at designated post offices.

**NOVEMBER 2006**
*Shop@China*, another *vPOST* online shopping service, was introduced ahead of the festive season.

SingPost and Pos Indonesia signed a Collaboration Agreement to work together on four initiatives: channelling services, remittances, logistics and direct mail.

SingPost, in a tie-up with Prudential Asset Management Singapore, started distributing unit trusts at designated post offices.

**DECEMBER 2006**
SingPost revised its postage rates for domestic mail and international mail services for selected weight steps.

Customers of selected overseas banks in Thailand and Malaysia could enjoy the benefits of shipping through our *Shop@USA* service.

Suntec City Post Office was opened, further expanding the post office network.

**JANUARY 2007**
SingPost service staff marked the start of the new year with their new uniforms.

SingPost issued a new stamp series to commemorate the Year of the Boar, the last animal of the Chinese Zodiac, as well as the complete collection of Singapore's Zodiac Stamp series.

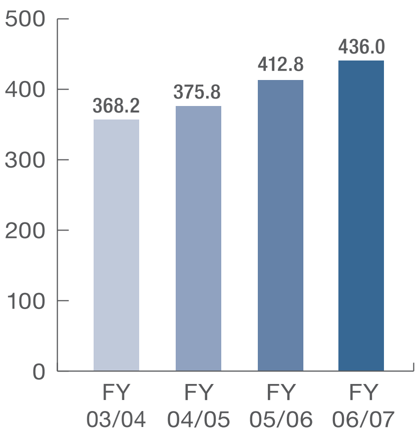
**FEBRUARY 2007**
DataPost Pte. Ltd., a subsidiary of SingPost, incorporated a wholly owned subsidiary company in Hong Kong to provide data printing and enveloping services.

**MARCH 2007**
Budding artists had the opportunity to leave their mark on post boxes through the launch of *STAMP*, the first nation-wide post box public art competition.

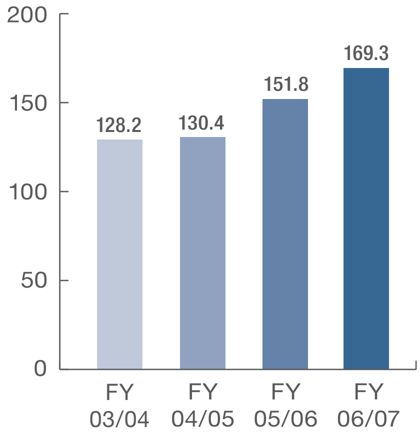
Singapore and Korea released a joint stamp issue which features the traditional wedding costumes of Singapore's four main races and those of Korea during the *Josean* Dynasty.

# Group Financial Highlights

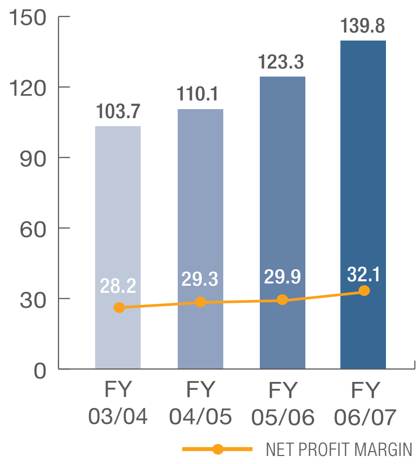
REVENUE (S$M)



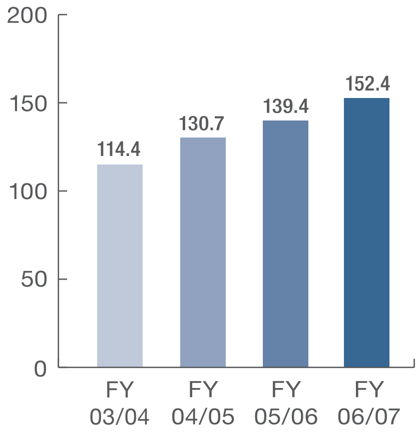

OPERATING PROFIT (S$M)



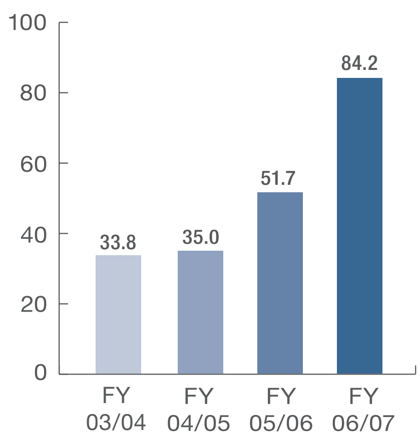

NET PROFIT (S$M)



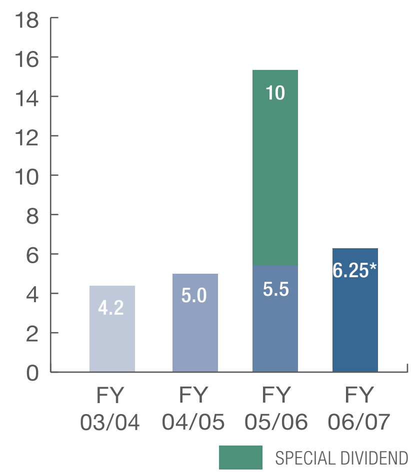

FREE CASH FLOW (S$M)




RETURN ON AVERAGE EQUITY (%)



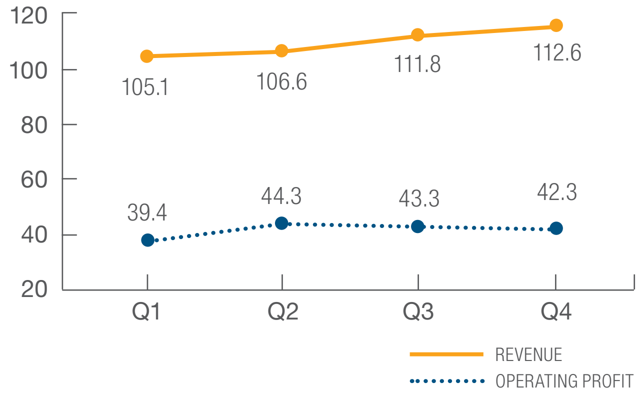

DIVIDEND (CENTS PER SHARE)



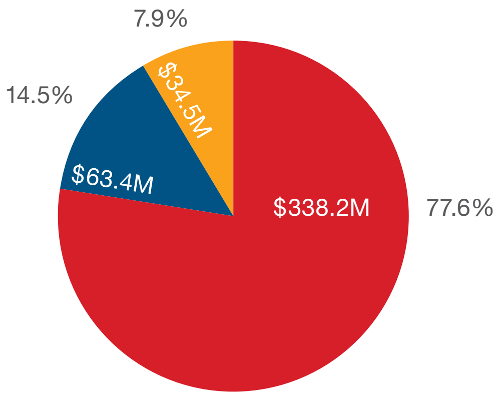

* Including proposed final dividend of 2.5 cents per share to be approved by shareholders at the AGM in June 2007.

The SingPost Group has three main operating divisions: Mail, Logistics and Retail. For the financial year ended 31 March 2007, the Group recorded revenue of S$436 million, of which 77.6 per cent was contributed by the core business of Mail. Logistics comprised 14.5 per cent of Group revenue, while Retail contributed the remaining 7.9 per cent. The Mail Division also accounted for the bulk of Group operating profit, at 79.5 per cent, compared to 6.1 per cent by Logistics and 5.6 per cent by Retail.

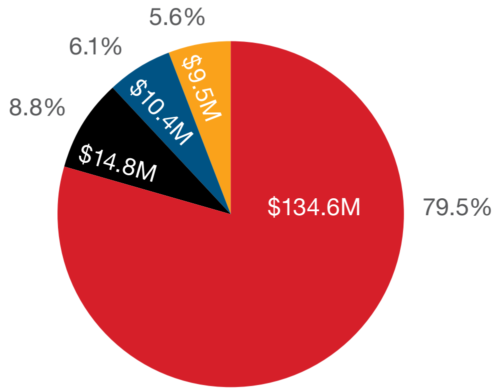
**FY2006/07 QUARTERLY REVENUE AND OPERATING PROFIT (S$M)**




**REVENUE BREAKDOWN**




**OPERATING PROFIT BREAKDOWN**




**MAIL**
- DOMESTIC
- INTERNATIONAL
- HYBRID
- PHILATELIC

**LOGISTICS**
- SPEEDPOST
- WAREHOUSING, FULFILLMENT & DISTRIBUTION

**RETAIL**
- AGENCY SERVICES
- FINANCIAL SERVICES
- vPOST (BILL PRESENTMENT/ PAYMENT)

**OTHERS**
- PROPERTY


SINGPOST POSTAGE RATES
Singapore
POST


SINGAPORE
12 - 04
12 - 06
12 - 08
12 - 10
Singapore
POST

# Mail

As Singapore's leading postal service provider, SingPost has built a strong tradition of trust and reliability, offering high quality service at very competitive rates. Several years ago, we embarked on a diversification and growth strategy as we geared up for the liberalisation of the Basic Mail Services (BMS) market and to counter the effects of e-substitution and cost-cutting by government agencies and companies. Even while making these efforts to remain competitive and relevant, SingPost has continued to stay true to its values and commitment to its customers, maintaining high service standards and providing good value.

## PERFORMANCE REVIEW

Revenue from the Mail Division was strong at S$338.4 million, an increase of 4.4 per cent from S$324.2 million in FY2005/06. The good results were attributed to the contributions from all four business lines, namely, domestic mail, international mail, hybrid mail and Philatelic.

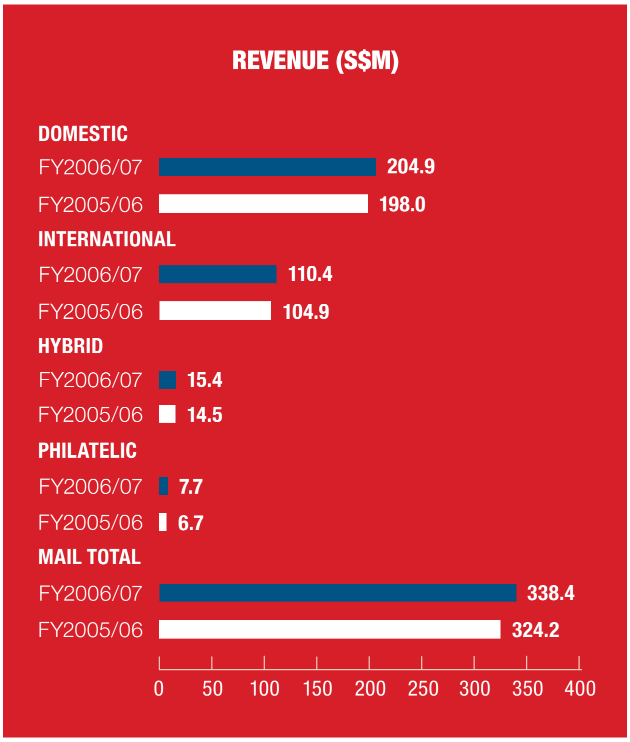
Operating profit rose by a healthy 4.6 per cent from S$128.7 million to S$134.6 million for FY2006/07.

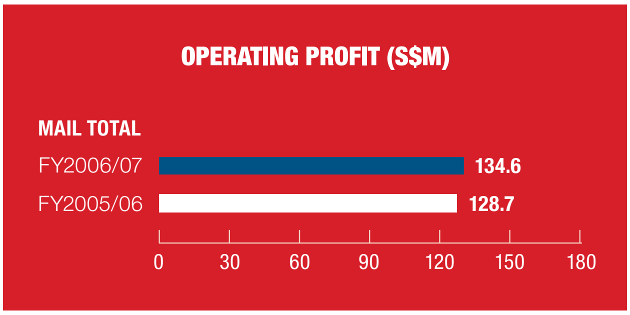
## OPERATIONS REVIEW

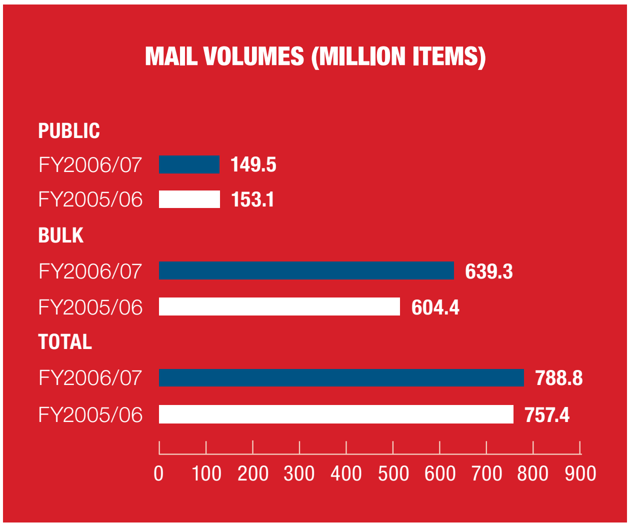
During the year, we continued to provide higher quality, more reliable and efficient services. We also pursued opportunities to grow the mail business locally and regionally as we prepared to enter a more challenging business environment.

In February 2007, the Government announced its decision to liberalise the BMS market with effect from 1 April 2007, following the expiry of SingPost's exclusive licence for letters and postcards on 31 March 2007.

As part of our preparations for the liberalisation of the BMS market, we engaged the services of an international consultant. Workshops were also conducted with postal administrations operating in liberalised markets, providing valuable learning opportunities for us.




Towards the end of 2006, SingPost was granted a postage rate revision to cover the rising costs and increases in international settlement rates. Excluding adjustments due to the Goods and Services Tax (GST) increases, it was the first effective postage rate revision in 11 years for domestic mail and six years for international airmail. The new rates took effect on 18 December 2006.

## GROWING THE CORE BUSINESS

We have made significant progress in enhancing our core mail business, growing in the areas of direct mail, mailroom services, hybrid mail as well as international mail.

To further grow the direct mail business, we introduced another innovative service, *SingPost HomeDirect* service, targeted at condominium dwellers. *SingPost HomeDirect* is a value-added service in partnership with advertisers who wish to provide residents with great offers and surprises.

Following the success of our *Friday Mailbox Surprise* (FMS), which turned a year old in July 2006, *SingPost Mailbox Surprise* was developed to cater to customers seeking an even more affordable mode of advertising mail. This service attracted new and repeat customers including BIG By Safe, ACER and Pioneer Electronics.

To meet the growing demand of customers requesting for database rental, we have tied up with list brokerage companies, to provide a complete suite of direct mail services for our customers, complementing our existing lists which are segmented by demographics and psychographics.

As part of the continuous effort to boost interest and awareness on direct mail as an effective option for marketing, we organised workshops to share with marketing professionals on how to take advantage of direct mail for their campaigns. Our "Pillow Direct Mail" which delivered the message of SingPost's reliability and efficiency in taking care of our customers' business round the clock even while they sleep, was a successful showcase of direct mail as a creative and flexible marketing medium.

We have extended our reach beyond the traditional mail business by capitalising on our strength to provide one-stop mailroom services for corporate customers. In FY2006/07, we have more than doubled the number of customers and we are now the leading mailroom service provider in Singapore.

## EXPANDING OUR REGIONAL REACH

During the year, we continued to extend our core competency into the region, expanding our hybrid mail business under DataPost, with the setting up of a subsidiary in Hong Kong which provides printing and enveloping services.

*Our Friday Mailbox Surprise continues to bring goodies and pleasant surprises to households.*

Our international mail business continued to register a healthy growth this year in spite of the constant pressure from e-substitution and declining public mail. We continued to focus on positioning Singapore as a regional printing and distribution hub. During the year, we successfully attracted international publishers to conduct trials and they are now printing in Singapore for worldwide distribution.

To support business growth, we continued our efforts on improving service quality and developing value-added services. These efforts include online tracking of registered items from mailing to delivery, tracking of mail bags in transit, regular testing and monitoring of service quality as well as active discussions with postal administrations to improve distribution rates and service quality.

Spring, our joint venture with TNT Post and Royal Mail, continued to operate in an increasingly competitive environment, facing pricing pressure and intense competition in the cross border business mail market. In FY2006/07, Spring made concerted efforts to enhance routings and management of product mix.

## ACTIVE PARTICIPATION AT INTERNATIONAL AND REGIONAL POSTAL FORUMS

SingPost, as a member of various international and regional postal organisations, has been actively taking part in meetings to foster closer ties and create partnership opportunities with other postal administrations, while pursuing performance excellence and product development within the postal community.

These meetings included the Universal Postal Union (UPU)'s Postal Operations Council and Council of Administration meetings held in April and October 2006 respectively in Berne, the 2006 Asian Pacific Postal Union (APPU)-Executive Council in Kuala Lumpur in May 2006 and the UPU Strategy Conference in Dubai in November 2006. Within the ASEAN region, we have attended the ASEAN Postal Business Meeting in Myanmar in August 2006 and the ASEAN CEO Roundtable Meeting in Brunei in November 2006.

## PHILATELIC

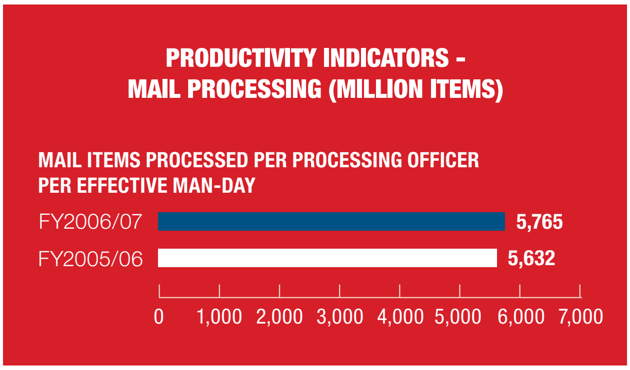
12 new stamp issues were issued in FY2006/07.

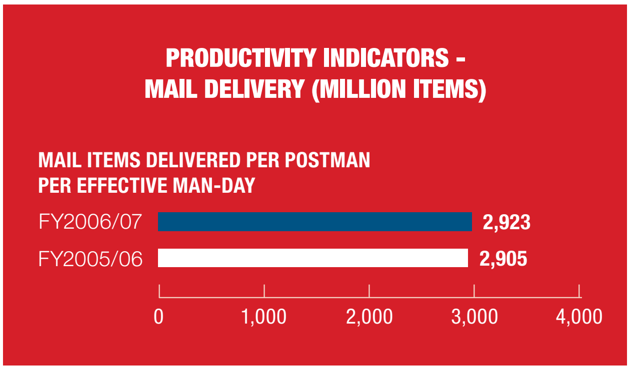
### A Rich Collection of Stamps

In June 2006, a set of stamps was released to mark Singapore's infocomm industry which celebrated 25 years of national computerisation. The futuristic-looking stamp designs reflected the foresight and vision of many who have steered the infocomm industry.

In conjunction with the centennial celebrations of the Singapore Chinese Chamber of Commerce & Industry, SingPost issued a special stamp issue in an elegant design of a traditional Chinese fan, in July 2006.

In September 2006 when the international spotlight was on Singapore which hosted the International Monetary Fund (IMF) and World Bank Group annual meetings, as well as the inaugural Singapore Biennale for international contemporary art, a series of stamps were issued to mark these large-scale international events.




To foster closer bilateral relations with other postal administrations, three joint stamp issues were released. Two were launched in October 2006 to mark the 40th anniversary of the establishment of diplomatic ties between Singapore and Japan and 25 years of diplomatic ties between Singapore and the Holy See. In March 2007, SingPost collaborated with Korea Post to release a set of stamps featuring the traditional wedding costumes of Korea as well as those of the four major races in Singapore.

### More Exciting *MyStamp* Designs

*MyStamp*, which is SingPost's unique stamp personalisation service, was targeted at the tourist market, corporate events and special occasions such as weddings and Valentine's Day.

During the year, we offered a wide variety of themes, generating a buzz of excitement for collectors. These included sports themes such as the FIFA World Cup 2006's winning team, our medalists at the XXIII Commonwealth Games and the 15th Asian Games. Other *MyStamp* themes featured Disney, Superman Returns and X-Men 3.

**STAMPS ISSUED IN FY2006/07**

| Stamp Theme | Date of Issue |
|---|---|
| Festivals | 19 Apr 06 |
| Vanishing Trades | 24 May 06 |
| Celebrating 25 Years of Infocomm | 20 Jun 06 |
| 100th Anniversary of Singapore Chinese Chamber of Commerce & Industry | 19 Jul 06 |
| National Day – Our Global City Our Home | 9 Aug 06 |
| International Monetary Fund and World Bank Group Annual Meetings | 13 Sep 06 |
| Singapore – Japan Joint Issue – "Flowers" | 6 Oct 06 |
| 25th Anniversary of Diplomatic Relations between Singapore and Holy See | 12 Oct 06 |
| Care For Nature Series – Fun with Nature | 31 Oct 06 |
| Zodiac Series – Boar | 19 Jan 07 |
| Greetings – Singapore Kindness Movement | 8 Feb 07 |
| Singapore – Korea Joint Issue – "Traditional Wedding Costumes" | 30 Mar 07 |


*SingPost and Japan Post at the launch of their first joint stamp issue.*

*Signing of MOU between SingPost and Hongkong Post.*

## GREATER EFFICIENCY WITH HIGHER SERVICE STANDARDS

In FY2006/07, SingPost again surpassed the delivery standards set by the Infocomm Development Authority of Singapore (IDA), with more than 99 per cent of mail delivered to the Central Business District (CBD) and over 98 per cent of mail delivered outside the CBD by the next working day.

The productivity of our postmen and mail processing officers continued to improve. Postman productivity increased from 2,905 to 2,923 items delivered per postman per effective man-day, while the productivity of mail processing officers went up from 5,632 to 5,765 items sorted per processing officer per effective man-day.

Throughout the year, we reviewed and fine-tuned our processes to enhance effectiveness and productivity, for example, through the introduction of barcode tracking for postbox collections. Our customers now also enjoy greater convenience with the international on-line status enquiry service for registered mail and the automated Bulk Mail Centre for bulk mail postings.

## OUTLOOK

SingPost is poised to compete in the liberalised BMS market. We will continue to provide our customers with the high standards of mail service that they have come to expect and enjoy. We will provide these at the most competitive rates, as we keep looking for ways to enhance productivity.

We will also continue to build on our reputation of trust and reliability while striving to bring more innovative and value-added services such as one-stop mail room services to our customers. We will be actively pursuing and developing direct mail as a key area of growth.

For our hybrid mail business, our subsidiary in Hong Kong together with our operations in Singapore, Malaysia and the Philippines, will enable us to better serve both local and regional companies in all these territories. As we seek to strengthen the presence of our mail businesses in the region and beyond, we target to reach out to more markets and push for more growth.



# Logistics

SingPost's logistics business provides efficient one-stop logistics solutions for both retail and corporate customers. We offer both local and international express delivery services as well as a wide range of value-added services including warehousing and fulfillment.

As one of the leading players for delivery solutions in Singapore, we aim to help customers maximise every opportunity by supporting them with reliable, on-time and value-for-money services.

## PERFORMANCE REVIEW

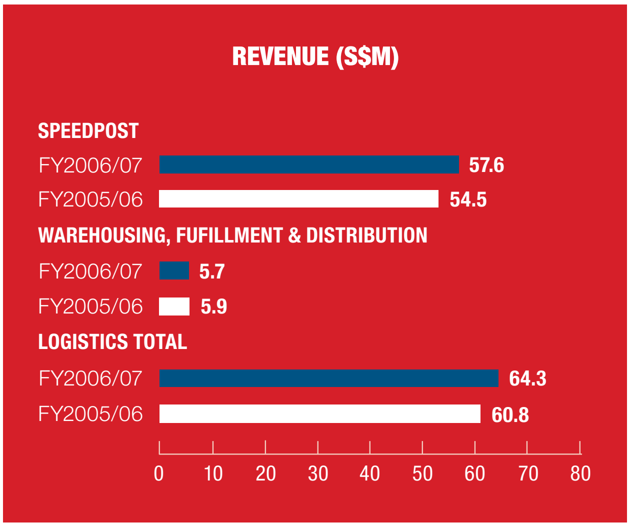
In spite of the intense competition, we recorded a positive growth of 5.7 per cent in logistics revenue from S$60.8 million in FY2005/06 to S$64.3 million in FY2006/07. The improved performance was mainly due to growth in *Speedpost* revenue and contributions from *vPOST* online shopping transactions. Operating profit witnessed a robust growth by 11.5 per cent from S$9.3 million in FY2005/06 to S$10.4 million.

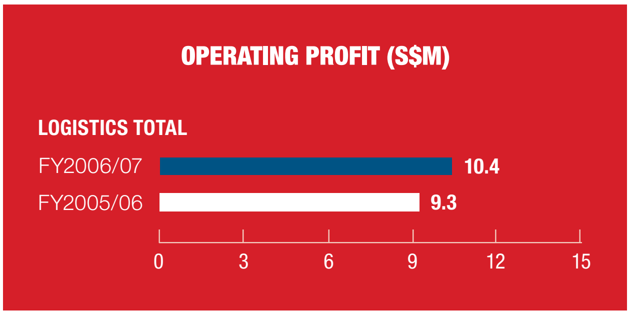
## OPERATIONS REVIEW

### EXECUTION EXCELLENCE

During the year, we embarked on initiatives to enhance productivity and efficiency through manpower optimisation and process streamlining of over-the-counter services. In particular, our manpower productivity has increased significantly with better planning, training and task execution.

We have also improved on our 1.5- and 3-Hour Islandwide Express services with better collection and delivery timing.




*Speedpost Express* which provides convenient, fast and reliable door-to-door delivery to more than 220 countries and territories worldwide, has been well-received by both corporate and retail customers alike. Launched just over a year ago, it has established itself as a highly efficient delivery service offering swift customs clearance and detailed online track-and-trace service which set our customers' minds at ease.

## CUSTOMISED LOGISTICS SOLUTIONS

Our warehousing and fulfillment services continue to complement the *Speedpost* delivery network by providing one-stop logistics solutions for our customers. During the year, we have successfully acquired new customers in the publishing and computer multimedia industries. We have also maintained our 99 per cent service standard for on-time fulfillment and stock accuracy.

## A MORE CUSTOMER-FRIENDLY SPEEDPOST WEBSITE

As part of our initiatives to enhance the quality of service, we revamped the *Speedpost* website in January 2007. The new website offers more user-friendly features with its more comprehensive content and upbeat look and feel. It also features detailed comparison tables on the delivery standards and prices of the various services to help customers make choices that best suit their needs.

## AWARDS AND ACCOLADES

We continued to receive more awards during the year. By maintaining a consistently high delivery standard of above 98 per cent, SingPost was bestowed the Express Mail Service (EMS) Cooperative Certification Gold Level Award for our *Speedpost* Worldwide courier service by the Universal Postal Union (UPU) for the sixth year running since 2001. We are honored to be the first postal administration in the world to achieve this. This award is sponsored and administered by the UPU under the EMS Cooperative Audit and Measurement Programme, which measures good performance in service areas such as quality of service, efficiency in the tracking of data and customer care.

We have also been awarded the Technology Asset Protection Association (TAPA) Class A Certification as well as ISO 9001 Certifications for our warehousing security capabilities and process efficiency respectively. This year, SingPost was also nominated by the EMS Cooperative for the Customer Care Awards, where consistent high quality of service - 95 per cent on-time replies to queries - is the base criterion.

More than 300 dedicated Speedpost professionals providing on-time and value-for-money delivery solutions.


*Our spanking fleet of over 250 vehicles is ready to take care of your delivery needs.*

## OUTLOOK

Moving forward, greater emphasis will be placed on enhancing our international express business as well as perfecting our comprehensive supply chain solutions through the creation of more value-added services. We are constantly evolving to suit the ever-changing needs of both our corporate and retail customers and to enhance their experiences with SingPost.

With good financial performance and the drive towards innovation, we are in a strong position to meet the challenges and to keep growing in this competitive industry.


# Retail

SingPost's extensive tri-channel network of 62 post offices, 248 Self-service Automated Machines (SAM) and SAM$^{PLUS}$, and internet portal, *vPOST*, continued to provide convenient one-stop service to customers for a plethora of products and services, including agency, postal and financial services.

Besides the strategic location of our post offices in the heartlands and commercial centres, our SAM and SAM$^{PLUS}$, along with *vPOST*, provide round-the-clock convenience to customers. Friendly and helpful counter staff at our post offices also provide warm and professional service.

**PERFORMANCE REVIEW**

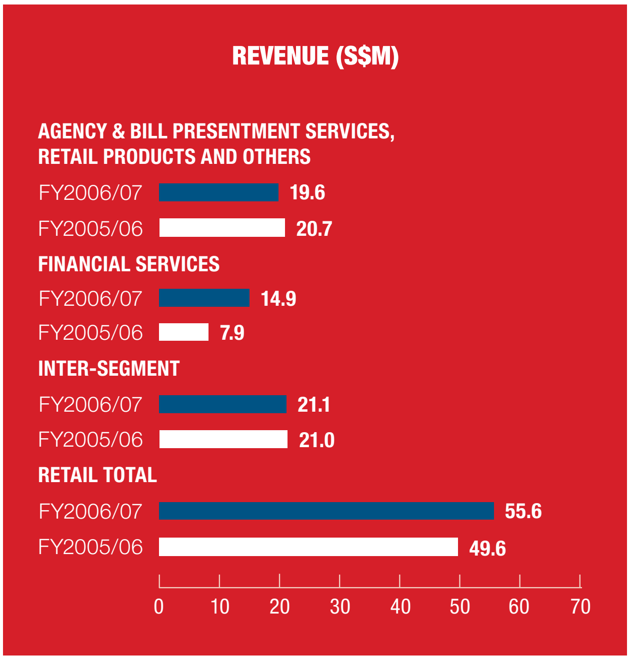
The Retail Division performed well in FY2006/07, with revenue increasing 12.1 per cent, from S$49.6 million to S$55.6 million over the previous year. Growth in financial services revenue offset the decline in contributions from agency and bill presentment services, which faced strong competition and intense pricing pressure. Operating profit grew 40.1 per cent from S$6.8 million to S$9.5 million in this year.

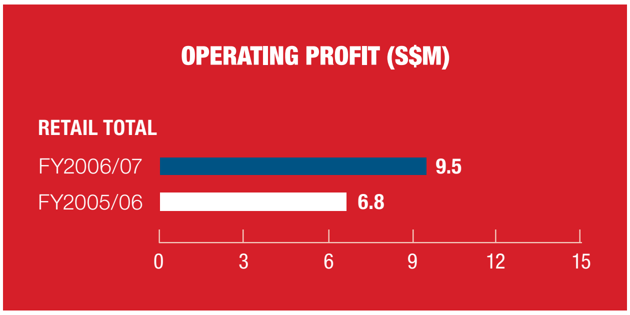
**OPERATIONS REVIEW**

During the year, we leveraged our tri-channel network for growth by collaborating with business partners to offer more value-added services and products to customers. These initiatives further reinforced our position as a comprehensive one-stop shop for customers. We also expanded our e-business by introducing new online shopping services and increasing our customer base as *vPOST* tapped into the regional markets of Thailand and Malaysia.

**MORE PRODUCTS AND SERVICES THROUGH OUR RETAIL NETWORK**

Our distribution network was further strengthened with the addition of a new post office at Suntec City, and the roll-out of more SAM$^{PLUS}$ at condominiums. Following our review of the network optimisation, the Marine Parade Post Office was relocated to provide greater accessibility and convenience to customers.




Through promotional tie-ups with technology solutions providers, customers enjoyed savings on a variety of products when they bought items such as computers and cameras at post offices.

In the year, more services were offered via SAM and SAM$^{PLUS}$ to meet customers' entertainment, leisure and financial needs. These included the booking of *Eng Wah* movie tickets, the payment of *Jetstar Asia* tickets and remitting money via *CASHOME*, our remittance service to the Philippines.

In addition to being 24-hour automated post offices, our SAM and SAM$^{PLUS}$ also offered a convenient shopping experience during the festive period with special Christmas merchandise. Subsequent ongoing promotions were also offered via the SAM and SAM$^{PLUS}$. Thus, customers not only enjoyed fast and fuss-free shopping at anytime of the day or night, they could also look forward to the delivery of their purchased items at their door-step.

## PROVIDING MORE QUALITY FINANCIAL SERVICES

The offering of unit trusts at post offices marked SingPost's foray into the distribution of investment products. The new service is a result of our partnership with Prudential Asset Management Singapore Ltd (PAMS). It is an extension of the *Care for Life* service that was launched at post offices in January 2005 with Prudential Assurance, PAMS' sister company.

Through the partnership, Prudential Financial Consultants are among the first financial advisers in Singapore to adopt paperless "electronic submission" for all its unit trust advisory sales.

With the availability of unit trusts and insurance policies at our post offices, customers now have direct access to Prudential's investment expertise and quality life insurance policies.

We continued to make financial services available at more post offices during the year. *Care for Life* was distributed at two more post offices, bringing the total to 40. *ezyCash* and *James*, personal loan services with our partner GE Money, were available at three additional post offices, bringing the total to 23.

In addition, we partnered ERA Realty Network Pte Ltd, to introduce Post*REALTY,* a one-stop service for the purchase, sale and rental of properties, both residential and commercial, at post offices.

We continued to grow the remittance business under *CASHOME*. With our partnership with Western Union as well as other operators, we offer customers a fast, reliable and convenient way to remit money overseas.


*vPOST expands its regional reach to offer more services to customers.*

## *vPOST* EXPANDS REGIONAL REACH

During the year, online shopping services to new sites such as Korea, New Zealand and China were added to the USA and Japanese sites that are already enjoying good patronage.

*vPOST* also expanded its reach in the region through strategic collaborations with overseas banks in Thailand and Malaysia. The tie-ups enabled their customers to enjoy the benefits of online shopping via our *Shop@USA* service.

Throughout the year, we proactively sourced for value tie-ups with trustworthy and well-established merchants to provide a wide range of exclusive deals to customers. We participated in the Great Singapore Sale by offering good deals and discounts to our customers, enticing them to shop online during this annual shopping spree.

On the online bill payment front, we collaborated with Visa on its Visa Bill Pay service. This online service allows Visa cardholders in Singapore to make hassle-free bill payments online using their Visa card via *vPOST*.

Through our concerted efforts to increase *vPOST* services and promotions, we grew the membership of *vPOST* to more than 285,000. *vPOST* registration is free and anyone can register at *vPOST's* website with two simple clicks.

## OUTLOOK

We will continue to leverage our wide retail network to offer more value-added products and services to our customers. Riding on the growth momentum of *vPOST*, we aim to introduce more online services as well as greater convenience to customers to meet their changing needs.

# Property

During the year, we continued to focus on yield enhancement of our flagship building, Singapore Post Centre (SPC). An additional area of 1,300 square metres was created to expand the office and retail space for commercial lease. SPC continued to enjoy a high occupancy rate of 99.2 per cent as at 31 March 2007.

We also continued to review the optimisation of the post office network. Two HDB shop units were sold – one at Hougang South for S$2.2 million and the other at Marine Parade for S$5.7 million.

**LIST OF MAJOR PROPERTIES**

| | | | | | Land | Building |
|---|---|---|---|---|---|---|
| Name | Address | Title | Yrs | With Effect From | Area (SQ M) | Gross Floor Area (SQ M) |
| Airmail Transit Centre | 21 North Perimeter Road | Leasehold | 30 | 25.09.00 | 2,903 | 8,862 |
| Alexandra Post Office | 110 Alexandra Road | Leasehold | 99 | 31.03.92 | 2,621 | 802 |
| Ayer Rajah Delivery Base | 6 Ayer Rajah Crescent | Leasehold | 30 | 01.02.96 | 4,401 | 10,274 |
| Bukit Panjang Post Office | 10 Choa Chu Kang Track 10 | Leasehold | 99 | 31.03.92 | 3,264 | 2,015 |
| Jurong Delivery Base | 2 Kian Teck Way | Leasehold | 30 | 16.10.95 | 4,016 | 3,574 |
| Kallang Delivery Base | 18 Jalan Lembah Kallang | Leasehold | 30 | 16.09.98 | 2,761 | 6,850 |
| Killiney Road Post Office | 1 Killiney Road | Leasehold | 99 | 31.03.92 | 1,029 | 493 |
| Loyang Delivery Base | 25 Loyang Lane | Leasehold | 30 | 16.10.95 | 3,519 | 3,225 |
| MacPherson Road Post Office | 70 MacPherson Road | Leasehold | 99 | 31.03.92 | 2,074 | 315 |
| Pasir Panjang Post Office | 396 Pasir Panjang Road | Leasehold | 99 | 31.03.92 | 1,726 | 391 |
| Serangoon Garden Post Office | 54 Serangoon Garden Way | Leasehold | 99 | 31.03.92 | 1,215 | 307 |
| Serangoon Road Post Office | 755 Upper Serangoon Road | Leasehold | 99 | 31.03.92 | 1,353 | 3,012 |
| Simpang Bedok Post Office | 350 Bedok Road | Leasehold | 99 | 31.03.92 | 1,134 | 329 |
| Singapore Post Centre | 10 Eunos Road 8 | Leasehold | 99 | 30.08.82 | 32,738 | 137,266 |
| Tanglin Post Office | 56 Tanglin Road | Leasehold | 99 | 31.03.92 | 2,622 | 3,750 |
| Thomson Road Post Office | 246T Upper Thomson Road | Leasehold | 99 | 31.03.92 | 2,753 | 1,793 |
| Woodlands Delivery Base | 9 Woodlands Walk | Leasehold | 30 | 16.10.95 | 3,040 | 2,393 |

# Human Resources

As we continue to expand and grow our business, it is vital that we attract, develop and retain a competent workforce to support this expansion. During the year, we further strengthened the management team by infusing new talents to drive growth in our various businesses. The sales force was similarly expanded to ramp up sales.

## DEVELOPING OUR PEOPLE

Staff training and development efforts continued to be given high priority, with special focus on building a strong culture in customer service as well as sales. Our post office counter staff completed the Singapore 2006 Customer Service Training programme, under the "Go the Extra Mile for Service" (GEMS) initiative. Some of the other training programmes carried out in the year included "Effective Selling Techniques" for customer service executives and "Art of Service Excellence" for the Customer Contact Centre team. Line divisions also conducted training and refresher courses for their staff to hone their service delivery, technical and operational skills.

Managers and executives similarly underwent appropriate training programmes to nurture their managerial and job skills.

## RECOGNISING STAFF FOR EXCELLENT SERVICE

Providing reliable, trusted and good service has always been the hallmark of SingPost's service. To encourage staff to maintain the high level of service, various staff rewards, recognition and incentive programmes are in place. During the year, in a bid to further motivate our staff to provide even better customer service, two new recognition awards were launched – the Commendation Award and the *WOW* Award. These awards were given for good service which resulted in customer compliments.

At the national level, our staff achieved recognition from SPRING Singapore as they continued to render excellent service to our customers. Four of our frontline staff from the business units won the Gold award for the Excellent Service Award (EXSA) while 32 won the Silver award. Another two staff achieved the Star award.

## OPEN COMMUNICATION WITH STAFF

The quarterly communication sessions continued to be the platform for management to share with staff the Company's performance and direction.

At the departmental level, staff dialogues and informal gatherings were conducted regularly to promote information sharing and encourage better teamwork. Other avenues for communication include the staff newsletter and the intranet.

To foster greater teamwork and communication among the leaders of the organisation, an off-site workshop was organised for our managers in May 2006. The managers learnt about the Company's directions and participated actively in the team activities organised for them.

## MAKING THE WORKPLACE MORE CONDUCIVE

Throughout the year, staff activities were conducted to promote a more conducive and fun workplace. The HR team also organised special product promotion events, secured discounted tickets for staff for major events such as the *Disney On Ice* show and arranged for a special performance by Singapore Idol winner Hady Mirza for staff. For better work-life balance, we encouraged staff to go home on time during *Happy Pay Day*.

## CHANGE IN STAFF UNIFORM

About 1,900 frontline and support staff donned new uniforms at the beginning of 2007. The change is part of our regular review of uniform designs to underscore our position as a modern, customer-focused and innovative company. The new uniforms project a more professional, lively and vibrant image, giving a fresh and warm appeal to our staff.

## UNION RELATIONS

Union membership continued to be strong at 80 per cent of total staff strength. In the year, a bowling event and off-site retreat were organised to foster closer ties between the Union and Management. The events were well-attended by key Union officials and representatives from Management.

As a responsible corporate citizen, SingPost remains committed to all our stakeholders, driving initiatives that contribute to the well-being of the community that we serve and the environment that we operate in.

**ENGAGING THE COMMUNITY**

In April 2006, we launched a Schools' Visit programme to reach out to the young community, drawing them into the "postal world". These visits provide our young visitors an insight into Singapore's postal system and the essential and relevant role that we play in Singapore's economy. The visits were well-received, with students particularly enjoying the tours to the automated Mail Processing Centre.

The new student outreach programme complements the existing public awareness and education on stamps and philatelic products through the Singapore Philatelic Museum (SPM). During the year, SingPost contributed S$300,000 to the SPM for the maintenance and preservation of philatelic materials and exhibits of the museum, as well as museum activities.

We also played an integral role in the promotion of design and arts among Singapore's more creative community through the provision of 40 post boxes as the 'canvas' for *STAMP*, a public art competition. *STAMP*, the brainchild of an independent creative interest group, FARM, was endorsed by the Urban Redevelopment Authority (URA). Forty of SingPost's ubiquitous post boxes, in the Chinatown, Orchard Road and Shenton Way belt, were transformed into works of art, immediately invigorating and enlivening the cityscape. In addition to providing the 'canvas', we also supported the programme with sponsorship of prize monies and in-kind contributions.


*Painted post box at Killiney Road Post Office.*

## CULTURE OF GIVING

We continued to promote the culture of giving through our participation in the Care-and-Share programme of Community Chest which has been in place in SingPost since 1994. Staff were encouraged to contribute through payroll giving, with the Company matching staff's contribution dollar-for-dollar.

SingPost staff also showed that they care by supporting the Children's Cancer Foundation (CCF) in its drive to raise funds on its Tulip Hearts Day. The CCF's annual event pays tribute to the courage of children battling cancer. Staff helped to sell miniature hand-made tulips, with many purchasing the tulips themselves to support the meaningful cause.

In support of the Singapore Kindness Movement's Good Neighbour Day (GND), we helped to deliver the spirit of good neighbourliness through our mail delivery service. For the second consecutive year, SingPost delivered GND cards to schools to help inculcate appreciation and concern for one's neighbours.

SingPost continued to provide free mail delivery service to the visually disabled by waiving the postage for the mailing of literature for the blind.

During the year, we continued to leverage our extensive distribution network for a good cause, enabling the public easy access to ballot for Singapore's 41st National Day Parade tickets via our SAM and SAM PLUS located across the island.

The Company also supported worthwhile causes during the year through meaningful sponsorship tie-ups with our business partners and associates.

## PROTECTING THE ENVIRONMENT

Recognising that each and every one of us can make a difference to safeguard the environment, SingPost's staff consciously adopted environment-friendly practices involving energy saving and paper recycling. Recycling receptacles were strategically placed in the offices and facilities to remind staff to recycle used paper.

During the year, we intensified our energy conservation efforts by reviewing and optimising our operations. These included customising and streamlining the operating hours of escalators and cargo lifts across all our facilities as well as optimising the temperature of chiller plants to reduce energy consumption. Other initiatives included fitting offices and meeting rooms with thermostats to better regulate air-conditioning temperatures and also the use of auto-detect lighting systems. Staff were encouraged to use resources prudently. These measures resulted in a further reduction of 16 per cent in energy consumption.

As an environmentally-responsible company, SingPost ensures that our fleet of vehicles meets the emission standards set by the Land Transport Authority. We also conduct a strict maintenance regime to ensure the vehicles' road-worthiness, thereby minimising and mitigating the impact to the environment.

# Investor Relations

We believe in engaging in regular, effective and fair communication with analysts and investors to keep them updated on the Company's developments and address concerns on issues pertaining to the organisation. We are committed to providing timely and transparent information to investors through various channels such as SGXNET, news releases, email alerts and regular meetings.

Half-year and full-year results briefings, chaired by our Group CEO and Chief Financial Officer, are held for the media and analysts. Teleconference briefings are also organised for the first quarter and third quarter results.

SingPost management also conducted regular meetings with analysts and visiting fund managers. During the year, SingPost held a total of 44 one-on-one and 3 group meetings with visiting fund managers from U.S., Europe and Asia. We also conducted site visits to provide them with a better understanding of our operations.

We continued to extend our reach to overseas institutional investors by taking part in investor conferences and roadshows. In FY2006/07, management met up with fund managers in a Europe roadshow. We also participated in the DBS Vickers Singapore Corporate Day in Hong Kong, and local investor conferences such as the DBS Vickers "The Pulse of Asia" Singapore Conference and Morgan Stanley Asia Pacific Summit 2006 in Singapore.

SingPost collaborates with the Securities Investors Association of Singapore (SIAS) to reach out to retail investors. A luncheon presentation cum site tour of SingPost's mail processing facility was organised for SIAS members during the year.

The 14th AGM and EGM, which were held on 30 June 2006, attracted an attendance of more than 230 shareholders. The annual event provides a platform for shareholders to communicate with SingPost's Board and top management.

During the year, SingPost was ranked a joint 6th among 665 SGX-listed companies in the Business Times Corporate Transparency Index (Issue 4), which measures the quality of financial results disclosure as well as how it communicates to the market. SingPost was also one of three runners-up for the "Most Transparent Company Award 2006" in the Services/Utilities/Agriculture Category for the SIAS Investors' Choice Awards.

| INDEX CONSTITUENT |
| --- |
| MSCI Singapore Free Index |
| MSCI Singapore Small Cap Index |
| FTSE All-World Asia Pacific ex Japan Index |
| FTSE Global Islamic Index |
| FTSE/ASEAN Index |
| Straits Times Index |
| All-Singapore Equities Index |
| All-Singapore Equities Transport/Storage/Communications Index |
| Singapore Equities Mainboard Index |

**FINANCIAL CALENDAR**

| Date | Event |
| --- | --- |
| 27 Apr 2006 | FY2005/06 full-year results release<br>Results briefing to analysts and media |
| 30 Jun 2006 | End of Q1 FY2006/07 |
| 30 Jun 2006 | 14th Annual General Meeting<br>Extraordinary General Meeting |
| 18 Jul 2006 | Final dividend payment date |
| 24 Jul 2006 | Q1 FY2006/07 results release |
| 31 Aug 2006 | Q1 interim dividend payment date |
| 30 Sep 2006 | End of Q2 and half-year FY2006/07 |
| 31 Oct 2006 | Q2 FY2006/07 results release |
| 30 Nov 2006 | Q2 interim dividend payment date |
| 31 Dec 2006 | End of Q3 FY2006/07 |
| 30 Jan 2007 | Q3 FY2006/07 results release |
| 28 Feb 2007 | Q3 interim dividend payment date |
| 31 Mar 2007 | End of Q4 and full-year FY2006/07 |
| 27 Apr 2007 | FY2006/07 full-year results release<br>Results briefing to analysts and media |

# Group Five-Year Financial Summary

| | **FY2006/07** | FY2005/06 | FY2004/05 | FY2003/04 | FY2002/03 |
|---|---|---|---|---|---|
| **Income Statement (S$ million)** | | | | | |
| Revenue | **436.0** | 412.8 | 375.8 | 368.2 | 373.0 |
| Operating profit (1) | **169.3** | 151.8 | 130.4 | 128.2 | 135.0 |
| EBITDA (2) | **201.4** | 185.3 | 176.7 | 171.1 | 182.3 |
| Net profit (3) | **139.8** | 123.3 | 110.1 | 103.7 | 108.7 |
| **Balance Sheet (S$ million)** | | | | | |
| Total assets | **719.3** | 710.9 | 823.4 | 772.3 | 828.3 |
| Shareholders' funds | **185.4** | 146.5 | 331.1 | 300.4 | 316.0 |
| Cash and cash equivalents | **69.0** | 53.3 | 159.0 | 98.4 | 113.9 |
| Net debt | **247.3** | 296.2 | 141.0 | 201.6 | 6.1 |
| **Cash Flow (S$ million)** | | | | | |
| Net cash inflow from operating activities | **160.9** | 149.7 | 144.4 | 121.7 | 112.7 |
| Capital expenditure (cash) | **8.5** | 10.3 | 13.8 | 7.3 | 12.2 |
| Free cash flow (4) | **152.4** | 139.4 | 130.7 | 114.4 | 100.5 |
| **Key Ratios** | | | | | |
| EBITDA margin % | **46.2** | 44.9 | 47.0 | 46.5 | 48.9 |
| Net profit margin % | **32.1** | 29.9 | 29.3 | 28.2 | 29.1 |
| Return on average invested capital % | **28.0** | 21.9 | 17.9 | 20.0 | 20.9 |
| Return on average equity % | **84.2** | 51.7 | 35.0 | 33.8 | 23.6 |
| Net debt to equity % | **133.4** | 202.2 | 42.6 | 67.1 | n.m. |
| EBITDA to interest expense (number of times) | **18.6** | 21.3 | 34.3 | 24.2 | n.m. |
| **Per Share Information (cents) (5)** | | | | | |
| Earnings per share - basic | **7.30** | 6.46 | 5.79 | 5.49 | 5.72 |
| Net assets per share | **9.9** | 7.7 | 17.4 | 15.8 | 16.6 |
| Dividend per share - ordinary (6) | **6.25** | 5.5 | 5.0 | 4.2 | 4.2 |
| Dividend per share - special (6) | **n.a.** | 10.0 | n.a. | n.a. | n.a. |

**Notes:**

(1) Operating profit is defined as profit before interest, tax, exceptional items and share of profit of associated company and joint ventures.
(2) EBITDA is defined as profit before interest, tax, depreciation and amortisation.
(3) Net profit is defined as profit after tax and minority interest.
(4) Free cash flow refers to net cash inflow from operating activities less cash capital expenditure.
(5) Computed based on the assumption that the issued share capital of SingPost has been sub-divided into 1.9 billion ordinary shares for the financial year before FY2003/04.
(6) Refers to dividends paid/payable post IPO.

n.m. denotes not meaningful; n.a. denotes not applicable.

# Financial Review

| Group Performance | FY2006/07 S$'000 | FY2005/06 S$'000 | Change % |
|---|---|---|---|
| Revenue | 436,045 | 412,799 | 5.6% |
| Total expenses | 304,102 | 289,750 | 5.0% |
| Share of profit of associated company and joint ventures | 6,554 | 8,349 | -21.5% |
| Net profit | 139,761 | 123,344 | 13.3% |
| Underlying net profit (1) | 132,180 | 123,498 | 7.0% |
| Operating profit | 169,265 | 151,829 | 11.5% |
| EBITDA | 201,394 | 185,266 | 8.7% |

(1) Underlying net profit is defined as profit after tax and minority interest, excluding gain on sale of properties and the one-off effect from the reduction in tax rate from 20% to 18% on opening balances of deferred taxes as at 1 April 2006.

The Group delivered another good set of results in FY2006/07, with revenue improving 5.6% from S$412.8 million to S$436.0 million, as all the business segments maintained their growth momentum.

Rental and property-related income increased 13.4% from S$17.8 million to S$20.2 million in FY2006/07. This was attributed to yield enhancement initiatives undertaken by the Group over the last 2 years. The Group's main building, SingPost Centre, continued to enjoy a high occupancy rate of 99.2% as at 31 March 2007.

Other miscellaneous gains rose 53.9% from S$5.0 million to S$7.7 million. During the year, the Group disposed two properties, recording a gain of S$5.3 million. This offset the decline in interest income and trade-related exchange gains.

The Group continued to keep watch over total expenses, which increased 5.0% from S$289.8 million to S$304.1 million in FY2006/07. Volume-related expenses rose 8.4% from S$97.1 million to S$105.2 million and labour and related costs went up 2.5% from S$112.2 million to S$114.9 million, as a result of increased business activities. Finance expenses increased 22.6% from S$8.7 million to S$10.7 million, due to higher borrowings and higher interest rates.

Share of profit of associated company and joint ventures declined 21.5% or S$1.8 million from S$8.3 million to S$6.6 million. During the year, the Spring JV continued to face pricing pressure and intense competition in the cross-border business mail market.

For FY2006/07, the Group achieved a net profit of S$139.8 million, an increase of 13.3% over S$123.3 million recorded in FY2005/06. The Group benefited from a strong operating performance, gains from disposal of properties as well as a lower tax charge. The lower tax charge was due to the one-off impact from the reduction in corporate tax from 20% to 18% on deferred taxes amounting to S$2.2 million. Excluding the gains from properties and the one-off impact of the tax rate reduction on deferred taxes, the Group's underlying net profit amounted to S$132.2 million, an increase of 7.0% from S$123.5 million in FY2005/06.

| Revenue | FY2006/07 S$'000 | FY2005/06 S$'000 | Change % |
|---|---|---|---|
| **Revenue by segment:** | | | |
| Mail | 338,424 | 324,151 | 4.4% |
| Logistics | 64,296 | 60,806 | 5.7% |
| Retail | 55,642 | 49,615 | 12.1% |
| Inter-segment eliminations | (22,317) | (21,773) | 2.5% |
| Total | 436,045 | 412,799 | 5.6% |

Mail revenue rose 4.4% from S$324.2 million to S$338.4 million, as all business lines – domestic mail, international mail, hybrid mail and philatelic – showed improvements in contributions.

Logistics revenue grew 5.7% from S$60.8 million to S$64.3 million, due to growth in *Speedpost* and shipping contributions from *vPOST* online-shopping transactions.

Retail revenue increased 12.1% from S$49.6 million to S$55.6 million, as contributions from higher-value financial services and retail products offset the decline in contributions from bill presentment and payment/ agency services.

| **Operating Profit** | **FY2006/07 S$'000** | **FY2005/06 S$'000** | **Change %** |
|---|---|---|---|
| **Operating profit by segment:** | | | |
| Mail | 134,597 | 128,663 | 4.6% |
| Logistics | 10,376 | 9,307 | 11.5% |
| Retail | 9,518 | 6,796 | 40.1% |
| Others | 14,774 | 7,063 | 109.2% |
| Total | 169,265 | 151,829 | 11.5% |

Operating profit growth was strong at 11.5% as the Group achieved a good operational performance. For FY2006/07, operating profit amounted to S$169.3 million, compared to S$151.8 million in the previous financial year. Mail operating profit grew 4.6% from S$128.7 million to S$134.6 million. Logistics operating profit increased 11.5% from S$9.3 million to S$10.4 million, while Retail operating profit rose 40.1% from S$6.8 million to S$9.5 million.

**Balance Sheet and Capital Management**

The Group's current assets were higher at S$138.8 million, compared to S$109.2 million as at 31 March 2006, as a result of increased cash and cash equivalents and higher trade receivables. Non-current assets were lower at S$580.6 million as at 31 March 2007, compared to S$601.6 million as at 31 March 2006, due mainly to the sale of two non-core properties.

Shareholders' funds as at 31 March 2007 was S$185.4 million compared to S$146.5 million a year ago.

| | **FY2006/07** | **FY2005/06** | **Change** |
|---|---|---|---|
| Total debt (S$'000) | 316,319 | 349,452 | -9.5% |
| Net debt (S$'000) | 247,338 | 296,194 | -16.5% |
| Net debt to equity (%) | 133% | 202% | |
| EBITDA to interest expense (number of times) | 19 | 21 | |

Total borrowings decreased S$33.1 million from S$349.5 million to S$316.3 million. During the year, the Group partially repaid the S$60 million term loan obtained in March 2006.

For the financial year ended 31 March 2007, the Group achieved improvements in Return on Average Invested Capital (ROIC) and Return on Average Equity (ROE) of 6.1 and 32.5 percentage points respectively.

| Cash Flow | FY2006/07 | FY2005/06 | Change |
|---|---|---|---|
| Net cash inflow from operating activities (S$'000) | 160,885 | 149,735 | 7.4% |
| Purchase of property, plant and equipment (S$'000) | 8,492 | 10,334 | -17.8% |
| Free cash flow (S$'000) | 152,393 | 139,401 | 9.3% |
| Dividends paid to shareholders (S$'000) | 105,349 | 314,002 | -66.4% |
| Cash capital expenditure as a percentage of revenue | 1.9% | 2.5% | |

The Group's cash flow generation remained strong. Net cash inflow from operating activities amounted to S$160.9 million, compared to S$149.7 million last year.

Free cash flow, (net cash inflow from operating activities less cash capital expenditure) amounted to S$152.4 million for FY2006/07, compared to S$139.4 million for the previous financial year.

**Dividend**
Given the good performance and robust cash flow, the Board has proposed a final dividend of 2.5 cents per share be paid pending approval at the upcoming Annual General Meeting on 29 June 2007. Together with the interim dividends of 1.25 cents per share paid in each of the first three quarters of FY2006/07, the proposed total annual dividend for FY2006/07 would amount to 6.25 cents per share. This represents an increase of 13.6% over the total dividend of 5.5 cents per share for FY2005/06 and a payout ratio of 85.6%, which is within the target range of 80-90% of net profit.

| | Cents per share |
|---|---|
| Interim Q1 FY2006/07 | 1.25 |
| Interim Q2 FY2006/07 | 1.25 |
| Interim Q3 FY2006/07 | 1.25 |
| Proposed Final FY2006/07 | 2.50 |
| Total Dividend Paid/Proposed | 6.25 |

Barring unforeseen circumstances, the Group expects to make an annual dividend payout of 80-90% of net profit, or a minimum of 5.0 cents per share. Interim dividends of 1.25 cents per share are paid out each quarter, based on the base of 5.0 cents per share.

**Outlook**
On 5 February 2007, the Singapore Government announced that the market for basic mail services would be liberalised with effect from 1 April 2007 following the expiry of SingPost's monopoly licence. SingPost will continue to be the designated Public Postal Licensee (PPL) with universal service obligations.

In March 2007, the Government issued a public consultation paper on proposed changes to the Postal Services Act and indicated that it expects the revised legislative and regulatory frameworks to be implemented within this year.

SingPost believes that it is well positioned to meet the challenges of the liberalisation. The Group will continue to pursue its strategy for growth by enhancing the core business of Mail and Logistics, and leveraging its retail and distribution network. The Group also aims to extend its regional reach. It will continue to roll out and grow the hybrid mail and *vPOST* businesses into the region.

# Corporate Governance Report

SingPost continues to be committed to achieving high standards of corporate conduct and to place importance on its corporate governance processes and systems so as to ensure greater transparency, accountability and protection of shareholders' interests.

This report describes SingPost's corporate governance practices and structures that were in place during the financial year, with specific reference made to the principles and guidelines of the Code of Corporate Governance 2005 (the Code). In developing and reviewing its corporate governance policies and practices, the Company has sought to adopt a balanced approach by observing the spirit, and not just the letter, of the Code. The Company has generally adhered to the principles and guidelines as set out in the Code.

## A BOARD MATTERS

### Principle 1: The Board's Conduct of Affairs

*Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.*

The Board oversees the business affairs of the Company and is collectively responsible for its success. It assumes responsibility for the Group's overall strategic plans, key operational initiatives, major funding and investment proposals, financial performance reviews and corporate governance practices. It provides leadership and guidance to management. The Company has in place financial authorisation and approval limits for operating and capital expenditure, procurement of goods and services as well as acquisition and disposal of investments. Within these guidelines, the Board approves transactions above certain thresholds. The Board also approves the annual budget and financial results for release to the Singapore Exchange Securities Trading Limited (SGX-ST).

The Board is supported in its tasks by Board committees that have been established to assist in the execution of its responsibilities. In order to facilitate decision-making and to ensure the smooth operation of the Company, the Board has delegated some of its powers to the Executive Committee. The Board is also supported by the Audit Committee, the Board Risk Committee, the Compensation Committee and the Nominations Committee. The composition and terms of reference of each Committee can be found in this report.

The Board conducts regular scheduled meetings at least four times a year and meets as and when warranted by particular circumstances between the scheduled meetings. The Company's Articles of Association provide for meetings to be held via telephone and video conferencing. In the financial year ended 31 March 2007, a total of six Board meetings were held. In addition, the directors also participated in an offsite workshop with management on the Group's strategic plans and direction. The attendance of the directors at Board meetings and Board committee meetings, as well as the frequency of such meetings, is disclosed in this report.

Newly appointed directors are issued with a formal letter by the Company Secretary setting out the directors' duties and advising of their disclosure obligations under the Companies Act, Cap. 50, and SGX-ST listing rules. Orientation programmes for new directors are also conducted to familiarise them with the business activities of the Group, its strategic plans and direction and corporate governance practices.

### Principle 2: Board Composition and Guidance

*There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

The Board comprises nine directors of whom seven are independent directors and two are non-independent directors. The Group Chief Executive Officer (Group CEO) is the only executive director. The Nominations Committee reviews the independence of each director on an annual basis and it considers a director as independent if he has no relationship with the SingPost Group or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of that director's independent business judgement with a view to the best interest of the Company. The non-independent directors are Mr Lee Hsien Yang, who until 31 March 2007 was the Group Chief Executive Officer of SingTel, a substantial shareholder of SingPost, and Mr Lau Boon Tuan, the Group CEO of SingPost.

The size and composition of the Board are reviewed from time to time by the Nominations Committee to ensure that the Board has the appropriate mix of expertise and experience and collectively possesses the relevant and necessary skills set and core competencies for effective decision-making. The Committee also strives to ensure that the size of the Board is conducive to discussions and facilitates decision-making.

As a group, the directors bring with them a broad range of expertise and experience in areas such as accounting, finance, law, business and management, strategic planning and customer service. The diversity of the directors' experience allows for the useful exchange of ideas and views. The non-executive directors communicate regularly without the presence of the executive director or management to review matters of a confidential nature. The profile of each Board member is set out in the section entitled "Profile of Directors".

The Board considers the present Board size appropriate for the current nature and scope of the Group's operations.

### Principle 3: Chairman and Chief Executive Officer

*There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.*

In SingPost, there is a clear separation of the roles and responsibilities of the chairman and the chief executive officer. Different individuals assume the chairman and the chief executive officer functions in the Company; these posts are, and will, remain separate. Mr Lim Ho Kee, a non-executive director, is the Chairman and assumes responsibility for the workings of the Board. The Chairman monitors the translation of the Board's decisions and directions into executive action. The Chairman exercises control over the quality, quantity and timeliness of information flow between the Board and management and ensures that the Board has sufficient opportunities for interaction and informal meetings with management. Mr Lau Boon Tuan, the Group CEO is the most senior executive in SingPost. He implements the Board's decisions and assumes the executive responsibility of the day-to-day management of the Company. The Group CEO has formally set up the Management Committee and the Investment Committee to support him in his duties. The functions and key responsibilities of these committees are set out under "Board and Management Committees" in this report.

The appointments of the chairman and the chief executive officer of SingPost require the prior written approval of the Infocomm Development Authority of Singapore (IDA).

**Principle 4: Board Membership**

*There should be a formal and transparent process for the appointment of new directors to the Board.*

Recommendations for nominations of new directors and retirement of directors are made by the Nominations Committee and considered by the Board as a whole.

The Nominations Committee reviews and assesses candidates for directorships (including executive directorships) before making recommendations to the Board. In recommending new directors to the Board, the Nominations Committee takes into consideration the skills and experience required and the current composition of the Board, and strives to ensure that the Board has an appropriate balance of independent directors as well as directors with the right profile of expertise, skills, attributes and abilities. The Committee is chaired by Mr Lim Ho Kee who is not associated with a substantial shareholder. The appointment of directors to the Board requires the prior written approval of the IDA.

The process for the appointment of new directors begins with the Nominations Committee conducting a needs analysis and identifying the critical needs in terms of expertise and skills that are required in the context of the strengths and weaknesses of the current Board. The Committee then defines a profile for the new director to serve as a brief for recruitment. The Committee is empowered to engage professional search firms and will give due consideration to candidates identified by substantial shareholders, board members and management. Potential candidates will meet with at least one member of the Board. The Committee is responsible for references, which are considered prior to endorsement of the candidate by the Committee. Where a candidate has been endorsed by the Committee, the Committee will then make a recommendation to the Board for the approval of his appointment. Upon the Board's approval, the Company will seek the IDA's approval in accordance with the requirement set out in the Company's Postal Licence.

In evaluating a director's contribution and performance for the purpose of re-nomination, the Nominations Committee takes into consideration a variety of factors such as attendance, preparedness, participation and candour.

At each Annual General Meeting (AGM) of the Company, not less than one third of the directors for the time being (being those who have been longest in office since their appointment or re-election) are required to retire from office by rotation. In addition, a director is required to retire at the AGM if, were he not to retire, he would at the next AGM have held office for more than three years. In accordance with the guidelines set out in the Code, the Company's Articles of Association provide that a chief executive officer, being an executive director of SingPost, will also retire by rotation. A retiring director is eligible for re-election by the shareholders of the Company at the AGM. Also, all newly appointed directors during the year will hold office only until the next AGM and will be eligible for re-election. Such directors are not taken into account in determining the number of directors who are to retire by rotation.

**Principle 5: Board Performance**

*There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.*

A process is in place to assess the performance and effectiveness of the Board as a whole and each individual director's contribution to the effectiveness of the Board. The performance criteria for the Board evaluation are based on financial and non-financial indicators such as an evaluation of the size and composition of the Board, the Board's access to information, Board processes, strategy and planning, risk management, accountability, Board performance in relation to discharging its principal functions, communication with management and standards of conduct of the directors.

The evaluation of the Board is conducted annually. As part of the process, the directors will complete appraisal forms which are collated by an independent consultant. The independent consultant will then review the results of the appraisal with the Chairman of the Nominations Committee and present a report to the Board.

An individual assessment of each director was also undertaken for the first time this financial year. The directors were each assessed by all members of the Board. The independent consultant consolidated the returns and presented a report to the Chairman of the Nominations Committee who then provided the Board with the results and feedback.

The Board and the Nominations Committee have strived to ensure that directors appointed to the Board possess the experience, knowledge and skills critical to the Group's business to enable the Board to make sound and well-considered decisions.

**Principle 6: Access to Information**

*In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.*

The Board is supplied with relevant information and comprehensive analysis by management pertaining to matters to be brought before the Board for discussion and decision. Management also ensures that the Board receives regular reports on the Group's financial performance and operations. The Board has separate and independent access to management and the Company Secretary at all times. The Company Secretary attends to all corporate secretarial and compliance matters and also attends all Board meetings. The Company Secretary is responsible for ensuring that legal and regulatory requirements as well as Board procedures are complied with. The Company Secretary also facilitates and organises directors' induction and training. To assist Board members in fulfilling their responsibilities, procedures have been put in place for directors to seek independent professional advice, where appropriate, at the expense of the Company.

## BOARD AND MANAGEMENT COMMITTEES

To assist the Board in the execution of its duties, the Board has established various Board committees, namely the Audit Committee, the Board Risk Committee, the Nominations Committee, the Compensation Committee and the Executive Committee, each of which is empowered to make decisions on matters within its terms of reference and applicable limits of authority.

Membership in the different committees requires careful consideration to ensure an equitable distribution of responsibilities among Board members. The need to maximise the effectiveness of the Board and to foster active participation and contribution from Board members are also factors that are taken into consideration.

All the Board committees' activities are reported to the Board.

### Nominations Committee

The members of the Nominations Committee are Mr Lim Ho Kee (Committee Chairman), Mr Timothy Chia Chee Ming, Mr Ong Ah Heng and Mr Kenneth Michael Tan Wee Kheng, all of whom are non-executive independent directors. Mr Timothy Chia Chee Ming was appointed as a member of the Nominations Committee on 6 December 2006. The responsibilities of the Committee include the following:

- reviews and assesses candidates for directorships (including executive directorships) before making recommendations to the Board for appointment of directors;
- reviews and recommends to the Board the retirement and re-election of directors in accordance with the Company's Articles of Association at each AGM;
- reviews the composition of the Board annually to ensure that the Board has an appropriate balance of independent directors and to ensure an appropriate balance of expertise, skills, attributes and abilities among the directors; and
- reviews the independence of the directors.

The Nominations Committee held four meetings during the financial year. The Committee met to review and affirm the independence of the Company's independent directors as well as the retirement and re-election of directors in accordance with the Company's Articles of Association. It reviewed the composition of the Board and the Board committees in relation to the needs of the Group.

### Compensation Committee

The Compensation Committee comprises Mr Keith Tay Ah Kee (Committee Chairman), Mr Lim Ho Kee, Mr Lee Hsien Yang and Mr Lee Chong Kwee. All the Committee members are non-executive independent directors except Mr Lee Hsien Yang, who is a non-executive, non-independent director. Mr Keith Tay Ah Kee was appointed as the Chairman of the Committee and Mr Lee Chong Kwee as a member on 6 December 2006. The responsibilities of the Committee include the following:

- recommends to the Board for endorsement the remuneration policies and guidelines for setting remuneration for directors and key executives;
- approves performance targets for assessing the performance of the executive director;
- recommends the specific remuneration package for the executive director; and
- administers the Singapore Post Share Option Scheme.

The Compensation Committee held three meetings in the financial year. The Committee also endorsed the engagement of compensation consultants to review the salary and reward structures of management to ensure that they are competitive and effective for the retention of staff.

**Audit Committee**
The Audit Committee comprises three non-executive independent directors namely Mr Keith Tay Ah Kee (Committee Chairman), Mr Kenneth Michael Tan Wee Kheng and Mr Tan Yam Pin.

The responsibilities of the Committee as specified in its written charter include the following:

- assists the Board in discharging its statutory responsibilities on financial and accounting matters;
- reviews the audit plans and reports of the external auditors and internal auditors and considers the effectiveness of the actions taken by management on the auditors' recommendations;
- appraises and reports to the Board on the audits undertaken by the external auditors and internal auditors, the adequacy of disclosure of information, and the appropriateness and quality of the system of management and internal controls;
- reviews the cost effectiveness of the audit and the independence and objectivity of the external auditors annually, taking into account the nature and extent of non-audit services supplied by the external auditors and seeking to balance the maintenance of objectivity and value for money; and
- reviews interested person transactions, as defined in the Listing Manual of the SGX-ST.

The Audit Committee held four meetings during the financial year. The activities of the Committee are reported under "Principle 11: Audit Committee" in this report.

**Board Risk Committee**
The Board Risk Committee comprises three non-executive independent directors: Mr Tan Yam Pin (Committee Chairman), Mr Kenneth Michael Tan Wee Kheng and Mr Keith Tay Ah Kee. Mr Tan Yam Pin was appointed as the Chairman of the Board Risk Committee on 6 December 2006. The Committee assists the Board in fulfilling its oversight responsibilities on risk management. The responsibilities of the Committee include the following:

- reviews the overall risk management system and process and makes recommendations on changes as and when considered appropriate, having regard to costs and benefits;
- reviews the Group's risk policies, guidelines and limits; and
- reviews periodically the Group's material risk exposures and evaluates the adequacy and effectiveness of the mitigating measures implemented by management.

The Board Risk Committee held four meetings during the financial year and reviewed the risk policies, guidelines and limits of the Group. The annual enterprise risk review exercise was carried out to identify the material risk exposures of the Group and to review the adequacy and effectiveness of the mitigating measures implemented. The Committee has also reviewed these material risk exposures of the Group and the adequacy and effectiveness of the mitigating measures implemented.

**Executive Committee**
The members of the Executive Committee are Mr Lim Ho Kee (Committee Chairman), Mr Keith Tay Ah Kee, Mr Timothy Chia Chee Ming, all of whom are non-executive independent directors, Mr Lau Boon Tuan, an executive non-independent director and Mr Lee Hsien Yang, a non-executive, non-independent director. Mr Timothy Chia Chee Ming was appointed as a member of the Executive Committee on 6 December 2006.

The Committee develops and recommends to the Board the overall strategy for the Group, considers and approves major investment projects, determines investment policies and manages the Group's assets and liabilities in line with the Board's policies and directives. The Committee met two times during the financial year.

### Management Committee
In addition to the five Board committees, the Company has a Management Committee that comprises the Group CEO and his direct reports. The Committee meets every week to review and direct management and operational policies and activities.

### Investment Committee
The Group CEO is also supported by an Investment Committee which is tasked with the following responsibilities:

- reviews and assesses potential investments based on their financial impact and strategic fit;
- endorses and recommends to the Executive Committee/the Board for its approval of potential investments in accordance with the Company's processes and approval limits; and
- reports to the Executive Committee on a regular basis the Committee's activities, key issues and decisions taken on potential investments.

### Attendance at Board and Board Committee Meetings
The attendance of each director at Board meetings and Board committee meetings during the financial year ended 31 March 2007 is as follows:

| | BOARD | EXECUTIVE COMMITTEE | AUDIT COMMITTEE | BOARD RISK COMMITTEE | NOMINATIONS COMMITTEE | COMPENSATION COMMITTEE |
|---|---|---|---|---|---|---|
| Number of Meetings Held: | 6 | 2 | 4 | 4 | 4 | 3 |
| **Name** | | | **Number of Meetings Attended** | | | |
| Lim Ho Kee | 6 | 2 | - | - | 4 | 3 |
| Timothy Chia Chee Ming(1) | 3 | 0 | - | - | 1 | - |
| Lau Boon Tuan | 6 | 2 | - | - | - | - |
| Lee Chong Kwee(2) | 4 | - | - | - | - | 2 |
| Lee Hsien Yang | 5 | 2 | - | - | - | 2 |
| Ong Ah Heng | 4 | - | - | - | 4 | - |
| Phua Kok Kim(3) | 2 | 1 | - | - | - | - |
| Kenneth Michael Tan Wee Kheng | 3 | - | 2 | 2 | 4 | - |
| Tan Yam Pin | 5 | - | 4 | 4 | - | - |
| Keith Tay Ah Kee | 6 | 2 | 4 | 4 | - | 3 |

**Notes**
(1) Mr Timothy Chia Chee Ming was appointed as a director on 19 September 2006.
(2) Mr Lee Chong Kwee was appointed as a director on 1 September 2006.
(3) Mr Phua Kok Kim ceased to be a director and a member of the Executive Committee on 1 August 2006. He attended 2 out of 2 Board meetings and 1 out of 1 Executive Committee meeting between 1 April 2006 and 1 August 2006.

## B REMUNERATION MATTERS

**Principle 7: Procedures for Developing Remuneration Policies**

*There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

The Compensation Committee meets yearly to discuss the performance assessment of the executive director as well as to discuss the level of rewards to pay. The recommendations are forwarded to the Board for approval of the remuneration of the executive director for the year of assessment. The Committee also reviews and approves the remuneration of senior management, as well as the total annual increment and variable bonus for employees.

Directors' fees are recommended by the Committee and are submitted for endorsement by the Board. Directors' fees are subject to the approval of shareholders at the AGM.

All the members of the Committee are non-executive, independent directors except Mr Lee Hsien Yang, who is a non-executive, non-independent director. No director is involved in deciding his own remuneration.

The Compensation Committee has access to independent professional advice on human resource matters whenever there is a need to consult externally.

**Principle 8: Level and Mix of Remuneration**

*The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.*

Non-executive directors' remuneration takes into account the effort and time spent, and responsibilities of the directors. Directors receive a basic retainer fee, additional fees for appointment to Board committees and attendance fees for attending Board and Board committee meetings. The non-executive directors do not receive share options as part of their remuneration. The directors' remuneration is reviewed yearly to ensure its competitiveness and the quantum of the fees is approved by shareholders during the AGM.

The Group CEO, who is an executive director, is not paid directors' fees. Close to 30 per cent of the Group CEO's compensation is variable and is linked to the Company's and his performance. The employment contract of the Group CEO is not on a fixed term basis and it contains clearly spelt out terms for the discontinuation of service. The Group CEO's terms of employment and rewards, including long term incentives in the form of SingPost share options, are approved by the Board.

**Principle 9: Disclosure on Remuneration**

*Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.*

## Directors' Remuneration

The directors' remuneration table for the financial year ended 31 March 2007 is as follows:

| NAME OF DIRECTOR | FIXED COMPONENT (1) | VARIABLE COMPONENT (2) | BENEFITS (3) | DIRECTORS' FEES | TOTAL COMPENSATION (4) | SHARE OPTION (5) | |
|---|---|---|---|---|---|---|---|
| | | | | | | NO. AWARDED & ACCEPTED | VALUE |
| | (S$'000) | (S$'000) | (S$'000) | (S$'000) | (S$'000) | ('000) | (S$'000) |
| **S$1,000,000 to below S$1,250,000** | | | | | | | |
| Lau Boon Tuan<br>Group CEO | 650.0 | 300.0 | 104.7 | - | 1,054.7 | 800.0 | 108.8 |
| **Below S$250,000** | | | | | | | |
| Lim Ho Kee<br>Chairman | | | | 141.4 | 141.4 | | |
| Timothy Chia Chee Ming(6) | | | | 29.1 | 29.1 | | |
| Tommie Goh Thiam Poh(7) | | | | 1.5 | 1.5 | | |
| Lee Chong Kwee(8) | | | 0.3 | 28.1 | 28.4 | | |
| Lee Hsien Yang(9) | | | | 61.8 | 61.8 | | |
| Ong Ah Heng | | | | 52.9 | 52.9 | | |
| Phua Kok Kim(10) | | | | 17.7 | 17.7 | | |
| Kenneth Michael Tan Wee Kheng | | | | 80.1 | 80.1 | | |
| Tan Yam Pin | | | 0.2 | 74.0 | 74.2 | | |
| Keith Tay Ah Kee | | | 0.4 | 108.2 | 108.6 | | |

**Notes**

(1) Fixed Component refers to base salary and Annual Wage Supplement paid in the financial year ended 31 March 2007.
(2) Variable Component refers to variable bonus paid in the financial year ended 31 March 2007.
(3) Benefits are stated on the basis of direct costs to the Company. These include medical benefits, flexible benefits, car allowance, club benefits and housing subsidy, where applicable.
(4) Total compensation excludes the value of the share options.
(5) The option valuation adopted simulation methodologies that are consistent with assumptions that apply under the Trinomial option pricing model.
(6) Mr Timothy Chia Chee Ming was appointed as a director on 19 September 2006.
(7) Mr Tommie Goh Thiam Poh ceased to be a director on 10 April 2006.
(8) Mr Lee Chong Kwee was appointed as a director on 1 September 2006.
(9) The director fees for Mr Lee Hsien Yang are paid to Singapore Telecommunications Limited.
(10) Mr Phua Kok Kim ceased to be a director on 1 August 2006. His director fees are paid to Temasek Holdings (Private) Limited.

No employee of the Company and its subsidiary companies was an immediate family member of a director and whose remuneration exceeded S$150,000 during the financial year ended 31 March 2007.

**Executives' Remuneration**
SingPost adopts a remuneration strategy that supports a pay-for-performance philosophy. SingPost's executives participate in an annual performance review process that assesses the individual's performance against set performance targets. Performance against these targets impacts their remuneration.

During the year, compensation consultants were engaged to review the salary and reward structure of management to ensure that they are competitive and effective for the retention of key staff.

The remuneration structure for the Group CEO and other key executives consists of the following components:

***Fixed Component***
Fixed pay comprises basic salary and Annual Wage Supplement (AWS).

***Variable Component***
This component refers to the variable bonus that is paid based on the Company's and individual's performance. To ensure rewards are closely linked to performance, the percentage of the variable component against total compensation is higher for the Group CEO and key executives.

***Provident Fund***
This component is made up of the Company's contributions towards the Singapore Central Provident Fund.

***Benefits***
Benefits provided are consistent with market practice and include medical benefits, flexible benefits, car allowance, club benefits and housing subsidy. Eligibility for these benefits will depend on individual salary grade and scheme of service.

***Share Options***
Share options are granted to align staff's interests with that of shareholders'. These options are granted with reference to the desired remuneration structure target and valued based on the Trinomial Option Pricing Model. Details of the share option scheme can be found in the "Directors' Report" section of the Annual Report.

The following information relates to the remuneration of the top five executives (not being directors) of SingPost for the financial year ended 31 March 2007.

| NAME OF EXECUTIVE | FIXED COMPONENT (1) | VARIABLE COMPONENT (2) | PROVIDENT FUND (3) | BENEFITS (4) | TOTAL COMPENSATION (5) | SHARE OPTION (6) | |
|---|---|---|---|---|---|---|---|
| | % | % | % | % | % | NO. AWARDED & ACCEPTED ('000) | VALUE (S$'000) |
| **S$250,000 to below S$500,000** | | | | | | | |
| Teo Yew Hwa<br>Executive Vice President (International Mail) | 59 | 27 | 3 | 11 | 100 | 210 | 28.5 |
| Woo Keng Leong<br>Executive Vice President (Mail) | 57 | 30 | 2 | 11 | 100 | 210 | 28.5 |
| Loh Choo Beng<br>Senior Vice President (Retail & Financial Services) | 64 | 32 | 3 | 1 | 100 | 120 | 16.3 |
| Lynette Koh Hwee Ching<br>Senior Vice President (Sales & Marketing) | 63 | 32 | 4 | 1 | 100 | 120 | 16.3 |
| **Below S$250,000** | | | | | | | |
| Ng Hin Lee (7)<br>Chief Financial Officer | 89 | 7 | 3 | 1 | 100 | – | – |

**Notes**

(1) Fixed Component refers to base salary and Annual Wage Supplement paid in the financial year ended 31 March 2007.
(2) Variable Component refers to variable bonus paid in the financial year ended 31 March 2007.
(3) Provident Fund represents payment in respect of the Company's statutory contributions to the Singapore Central Provident Fund.
(4) Benefits are stated on the basis of direct costs to the Company. These include medical benefits, flexible benefits, car allowance and club benefits.
(5) Total compensation excludes the value of share options.
(6) The option valuation adopted simulation methodologies that are consistent with assumptions that apply under the Trinomial option pricing model.
(7) Mr Ng Hin Lee joined the Company on 3 January 2006. For his contributions for the financial year ended 31 March 2007, he will be paid variable bonus in May 2007.

## C ACCOUNTABILITY AND AUDIT

**Principle 10: Accountability**

*The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

The Board has overall responsibility to shareholders for ensuring that the Group is well managed and guided by its strategic objectives. In presenting the Group's annual and quarterly financial statements to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Group's performance, position and prospects. Management provides the Board with management accounts and other financial statements on a monthly basis.

**Principle 11: Audit Committee**

*The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.*

Information on the members of the Audit Committee and the Committee's responsibilities are outlined under the "Board and Management Committees" section of this report.

The Audit Committee has explicit authority to investigate any matters within its terms of reference and has full access to and cooperation from management, in addition to direct access to the external auditors. If required, the Committee has authority to seek external resources to enable it to discharge its functions properly, including obtaining legal or other professional advice and services.

Internal Audit performs detailed work to assist the Audit Committee in the evaluation of material internal controls of the Group. The external auditors, in the course of conducting their normal audit procedures on the statutory financial statements of the Group, also review the Group's material internal controls to the extent of their scope as laid out in their audit plan. Material internal control weaknesses noted, if any, by the auditors and their recommendations are reported to the Committee.

The Committee has reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It has met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal controls. The Committee has also met with the internal and external auditors, without the presence of management.

The Committee has also reviewed the quarterly and annual financial statements of the Company and the Group for the financial year ended 31 March 2007 as well as the auditors' reports thereon. Interested person transactions of the Group in the financial year have been reviewed by the Committee.

The Committee has reviewed with management all the non-audit services provided by the external auditors to the Company and the Group in the financial year ended 31 March 2007. The Committee is of the opinion that the independence and objectivity of the external auditors would not be impaired by the provision of these non-audit services.

***Whistle-blowing Policy***
The Company has in place whistle-blowing policies and arrangements by which staff may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters. To ensure independent investigation of such matters and for appropriate follow up action, all whistle-blowing reports are to be sent to the internal audit function. The Chairman of the Audit Committee and the Chairman of the Board will be informed immediately of all whistle-blowing reports received. Details of the whistle-blowing policies and arrangements are posted in the Company's intranet for staff's easy reference. New staff are briefed on these during the orientation programme.

**Principle 12: Internal Controls**

*The Board should ensure that the management maintains a sound system of internal controls to safeguard the shareholders' investment and the company's assets.*

Key internal controls of the Group include:

- establishment of risk management policies and systems;
- establishment of policies and approval limits for key financial and operational matters, and the rules relating to the delegation of authorities;
- documentation of key processes and procedures;
- segregation of incompatible functions which give rise to a risk of errors or irregularities not being promptly detected;
- safeguarding of assets;
- maintenance of proper accounting records;
- ensuring compliance with appropriate legislation and regulations; and
- having qualified and experienced persons to take charge of important functions.

Operational risks management measures implemented by the Group include the implementation of safety, security and internal control measures, development of business continuity plans and taking up appropriate insurance coverage.

Details of the Group's financial risks management measures are outlined in Note 32 to the Financial Statements.

Based on the internal controls established by the Group, work performed by the internal and external auditors, and reviews carried out by the Audit Committee and the Board Risk Committee, the Board is of the opinion that the Group has adequate internal controls.

**Principle 13: Internal Audit**

*The company should establish an internal audit function that is independent of the activities it audits.*

The internal audit function's primary line of reporting is to the Chairman of the Audit Committee, although it also reports administratively to the Group CEO. The Audit Committee reviews the adequacy of the internal audit function and its standing within the Company to ensure it is able to perform its functions effectively and objectively.

## D COMMUNICATION WITH SHAREHOLDERS

**Principle 14: Communication with Shareholders**

*Companies should engage in regular, effective and fair communication with shareholders.*

SingPost is committed to providing its investors with a high level of transparency by engaging in regular, effective and fair communication with shareholders.

The Company continues to keep its communication with the investment community active by providing accessibility to management. It believes in managing open and ongoing communication with investors either individually or in groups. Management regularly receives visiting fund managers and shareholders to provide them an insight to the Company's business and developments, as well as to better understand and address their concerns. The management also reaches out to retail investors via our collaboration with the Securities Investors Association of Singapore (SIAS).

All pertinent information is disseminated through SGXNET and news releases on a timely basis, including the quarterly financial results which are released within a month after the close of every financial quarter. Regular half-year and full-year results briefings are also conducted for analysts and the media. SingPost's Investor Relations website within the corporate website (www.singpost.com) is constantly updated to keep the investor community abreast of company developments.

SingPost was ranked a joint 6th among 665 SGX-listed companies in the Business Times Corporate Transparency Index (Issue 4), which measures the quality of financial results disclosure.

SingPost was also one of three runners-up for the "Most Transparent Company Award 2006" in the Services/ Utilities/Agriculture Category - one in a series of SIAS Investors' Choice Awards. The award is based on key criteria such as timeliness, substantiality and clarity of news release, degree of media access, availability of segmental information and communication channels.

**Principle 15: Greater Shareholder Participation**

*Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

SingPost encourages shareholders to participate actively in general meetings. These events provide shareholders the opportunity to communicate their views on matters affecting the Company.

The Company's Articles of Association allow a shareholder entitled to attend and vote to appoint a proxy who need not be a shareholder of SingPost to attend and vote at the meetings. Separate resolutions are proposed on each substantially separate issue at general meetings.

The Board members and chairpersons of the Audit, Nominations and Compensation Committees are present and available to address shareholders' questions at general meetings. The external auditors are also present to address shareholders' queries relating to the conduct of audit and the preparation and content of the auditor's report.

## DEALINGS IN SECURITIES

The Group has adopted an internal code with respect to the dealings in securities for the guidance of directors and officers. SingPost's securities trading policy provides that directors and officers of the Group should not deal in SingPost's shares during the periods commencing one month before the announcement of SingPost's annual results, and two weeks before the announcement of its quarterly results and ending on the date of the announcement of the relevant results, or if they are in possession of unpublished price-sensitive information on the Group. Under the Company's current corporate policy, officers who attend Management Committee meetings have to observe longer "closed window" periods.

# Information on Directors and Management

## PROFILE OF DIRECTORS

**Mr Lim Ho Kee, 62**
Non-executive, independent director

Mr Lim was appointed as a director in April 1998 and subsequently as Chairman of the Board of Directors in March 2003. Mr Lim was last re-elected in 2006. He is also the Chairman of the Executive and Nominations Committees and was Chairman of the Compensation Committee until December 2006. Mr Lim is currently a director of Jardine Cycle & Carriage Limited, MCL Land Limited, Keppel Land Limited, CWT Distribution Limited, Singapore Shipping Corporation Ltd and Mentor Media Ltd.

With more than 30 years of experience in both the public and private sectors, Mr Lim's portfolio includes directorship of the former TAS Board, SingTel and Keppel Tatlee Bank Limited. He was an independent director of SingTel between April 1992 and September 2000.

Mr Lim had a career spanning 15 years with UBS A.G. Switzerland from 1984 to 1999. He was the Chief Executive Officer of UBS East Asia from 1991 to 1993, Executive Vice President of the UBS Group from 1993 to 1996 and Chairman of UBS East Asia from 1997 to 1999.

Before his appointment at UBS A.G. Switzerland, Mr Lim was General Manager of Treasury at Overseas Union Bank from 1982 to 1983 and was Deputy Managing Director (Operations) of the Monetary Authority of Singapore (on secondment from Overseas Union Bank) from 1981 to 1982. Prior to joining Overseas Union Bank, Mr Lim had a career spanning seven years with JP Morgan from 1975 to 1981. He held positions as Managing Director of Morgan Guaranty Pacific as well as Head of Treasury of JP Morgan Singapore.

Mr Lim obtained his Bachelor of Science degree in Economics from the London School of Economics, UK.

**Mr Timothy Chia Chee Ming, 57**
Non-executive, independent director

Mr Chia was appointed as a director in September 2006 and a member of the Executive Committee and Nominations Committee in December 2006.

Mr Chia is the Chairman and Founder of Gracefield Holdings Limited and its group of companies. He is also concurrently Chairman and Group CEO of Hup Soon Global Pte Ltd. Prior to these appointments, he was President of both PAMA Group Inc and PAMA (Singapore) Private Limited. Mr Chia holds directorships in several public listed and private companies in Singapore as well as in the region. His board directorships include Banyan Tree Holdings Ltd, Fraser and Neave Limited, Frasers Centerpoint Limited, FJ Benjamin Holdings Ltd, Macquarie Pacific Star Prime REIT Management Limited, SP PowerGrid Ltd in Singapore and Meritz Securities Co. Ltd in Korea. He currently serves as a Trustee of Singapore Management University.

Mr Chia is a management graduate from the Fairleigh Dickinson University, USA.

# Information on Directors and Management

**Mr Lau Boon Tuan, 50**
Group Chief Executive Officer
Executive, non-independent director

Mr Lau was appointed Group Chief Executive Officer and a director in February 2005. He is also a member of the Executive Committee. Mr Lau was last re-elected in 2005.

Prior to that, he spent almost 14 years with Pepsi-Cola International Ltd, beginning first as a Financial Accountant and rising to the position of Chief Financial Officer of Serm Suk Public Co. Ltd., Bangkok, Thailand, a position to which he was seconded by Pepsi-Cola. Following a brief stint as Chief Operating Officer of Yeo Hiap Seng of Singapore, he joined Citibank N.A. in 1999 as Country Business Manager – Global Consumer Bank, Bangkok, and subsequently became Division Executive – Global Consumer Bank, where he oversaw and grew the consumer banking business of Citibank in Taiwan, Thailand, Malaysia and Vietnam.

Mr Lau obtained his Bachelor of Commerce degree from the University of Western Australia, Australia.

**Mr Lee Chong Kwee, 50**
Non-executive, independent director

Mr Lee was appointed as a director in September 2006 and a member of the Compensation Committee in December 2006.

Mr Lee is currently a director of Mapletree Investments Pte Ltd, a subsidiary of Temasek Holdings (Private) Limited and also the Chairman of its Audit Committee. He is also a Corporate Advisor to Temasek Holdings (Private) Limited. He was previously directors of several companies including Sinotrans Ltd, PSB Certifications and the JTC Corporation. At JTC, he was also the Chairman of its Audit Committee and Member of the Finance and Investment Committee. He also served as Advisory Board Member of The Logistics Institute Asia-Pacific and the National University of Singapore Business School.

Mr Lee obtained his Bachelor of Science (Honours) degree in Mathematics & Statistics from the University of Malaya, Malaysia and a Certified Diploma in Accounting and Finance, ACCA.

**Mr Lee Hsien Yang, 49**
Non-executive, non-independent director

Mr Lee was appointed a director in May 1995 and was last re-elected in 2005. Mr Lee is a member of the Executive and Compensation Committees. He joined Singapore Telecommunications Limited (SingTel) in April 1994 and was President & CEO of SingTel from May 1995 to January 2006 and Group CEO from February 2006. Mr Lee stepped down as Group CEO with effect from 1 April 2007.

Mr Lee is Chairman of the Republic Polytechnic's Board of Governors and sits on the Board of Directors of INSEAD, France and is also a director of the Singapore Exchange Limited.

Mr Lee obtained first class honours in engineering from the University of Cambridge, UK and a Master of Science (Management) degree from Stanford University, USA.

# Information on Directors and Management

**Mr Ong Ah Heng, 63**
Non-executive, independent director

Mr Ong was appointed as a director in November 1999 and was last re-elected in 2004. Mr Ong is a member of the Nominations Committee. He is a Member of Parliament for Nee Soon Central and has been a Member of Parliament since 1997. Mr Ong is actively involved in local union activities and is presently Alignment Director of Care n Share Secretariat of the National Trades Union Congress as well as Honorary Consultant to the National Transport Workers' Union.

Mr Ong obtained his Bachelor of Arts degree in Government and Public Administration from Nanyang University, Singapore, and a Master of Arts degree in political science from the University of Arkansas, USA.

**Mr Kenneth Michael Tan Wee Kheng, 48**
Non-executive, independent director

Mr Tan, Senior Counsel, was appointed as a director in March 2003 and was re-elected in 2006. Mr Tan is a member of the Audit, Board Risk and Nominations Committees.

He is currently the Senior Partner of Kenneth Tan Partnership. He was admitted as an Advocate and Solicitor to the Supreme Court of the Republic of Singapore in 1984 and was appointed Senior Counsel in 1997. He taught at the Faculty of Law of the National University of Singapore from 1983 as a Senior Tutor until 2001 when he was an Adjunct Senior Fellow. He was also a partner of Drew & Napier between 1988 and 1989, a partner of Rajah & Tann between 1989 and 1994 and a partner of Shook Lin & Bok between 1994 and 1996. From 1992 to 1997, he was a member of the Senate of the Academy of Law.

Mr Tan is a fellow of the Academy of Law, a member of the Law Society of Singapore and a member of the International Bar Association. He is an accredited Arbitrator with the Regional Centre for Arbitration in Kuala Lumpur and an accredited Mediator and Evaluator with the Singapore Mediation Centre. Mr Tan graduated with an LLB, First Class honours from the National University of Singapore.

**Mr Tan Yam Pin, 66**
Non-executive, independent director

Mr Tan was appointed as a director in February 2005 and as the Chairman of the Board Risk Committee in December 2006. He is also a member of the Audit Committee. Mr Tan was last re-elected in 2005.

Mr Tan is the non-executive Chairman of PowerSeraya Limited and Singapore Food Industries Limited, and a director of Great Eastern Holdings Limited, Keppel Land Limited, Cisco Security Pte Ltd and BlueScope Steel Limited (Australia). He was a former Board member of East Asiatic Company Limited A/S (Denmark) (until 30 March 2006). He is also a Member of the Singapore Public Service Commission since 1990.

Mr Tan holds a Bachelor of Arts degree in Economics from the University of Singapore and a Master of Business Administration degree from the University of British Columbia, Canada. He is a Fellow of the Canadian Institute of Chartered Accountants, Canada.

**Mr Keith Tay Ah Kee, 62**
Non-executive, independent director

Mr Tay was appointed as a director in April 1998 and was last re-elected in 2006. Mr Tay was appointed as the Chairman of the Compensation Committee in December 2006. He is also a member of the Executive and Board Risk Committees and Chairman of the Audit Committee.

Mr Tay's career in the local and regional financial industry spans over 30 years. He was the President of the Institute of Certified Public Accountants of Singapore from 1982 to 1992 and was the Singapore Representative on the Council of the International Federation of Accountants from 1987 to 1990. Mr Tay was Chairman and Managing Partner of KPMG Peat Marwick from 1984 to 1993. Mr Tay presently serves on the boards of several public companies, including Singapore Reinsurance Corporation Limited, Singapore Power Limited and FJ Benjamin Holdings Ltd. He is Chairman of Aviva Ltd and Stirling Coleman Capital Limited. He is a board member of the Singapore International Chamber of Commerce, of which he was Chairman from 1995 to 1997. He is also Vice Chairman of the Singapore Institute of Directors.

Mr Tay qualified as a Chartered Accountant in London, UK, in 1968. He was conferred the first International Award for outstanding contribution to the profession by the Institute of Chartered Accountants in England & Wales in 1988 and the BBM (Public Service Star) by The President of the Republic of Singapore in 1990. The Institute of Certified Public Accountants of Singapore conferred upon Mr Tay the Gold Medal for distinguished service to the profession and made him an Honorary Fellow in 1993.

# Information on Directors and Management

## PRESENT AND PAST DIRECTORSHIP

| Name of director | Present directorships and major appointments (as at 31 March 2007) | Past directorships over the preceding three years (from 31 March 2004 to 30 March 2007) |
|---|---|---|
| Lim Ho Kee | Jardine Cycle & Carriage Limited | Belgacom, S.A. |
| | Keppel Land Limited | Vertex Venture Holdings Ltd |
| | MCL Land Limited | |
| | Cypress Woods Private Limited | |
| | Mulberry Partners Pte Ltd | |
| | CWT Distribution Limited | |
| | HerbalScience Singapore Pte Ltd | |
| | Singapore Shipping Corporation Ltd | |
| | Mentor Media Ltd | |
| Timothy Chia Chee Ming | Guan Leng Holdings Pte Ltd | Singapore Dance Theatre Limited |
| | United Motor Works Pte Ltd (under voluntary liquidation) | KorAm Bank Co.,Ltd |
| | Banyan Tree Holdings Ltd | Singapore Power Ltd |
| | Singapore Management University *(Member, Board of Trustees)* | Gemini Investors (PAPE II) Limited |
| | Parkesville Pte Ltd | Li & Fung (Distribution) Limited |
| | Hup Soon Global Pte Ltd *(Chairman/GCEO)* | PAMA DIF Limited |
| | FJ Benjamin Holdings Ltd | PT PAMA Ventura Limited |
| | Macquarie Pacific Star Prime REIT Management Limited | PAMA (Singapore) Private Limited |
| | SP PowerGrid Ltd | PAMA Group Inc |
| | Fraser and Neave Limited | PAMA Investment Holdings Ltd |
| | Frasers Centrepoint Limited | |
| | Gracefield Holdings Limited *(Chairman)* | SPI PowerNet Pty Ltd |
| | United Motor Works (Siam) Public Co., Ltd *(Chairman)* | Unithai Patana Company Ltd |
| | Magnecomp Precision Technology Public Co., Ltd | Nichiyu Asia Pte Ltd |
| | Anglo-Thai Company Limited | Kwikpart Sdn Bhd |
| | Borneo Technical (Thailand) Limited | The Hour Glass Limited |
| | Meritz Securities Co. Ltd | Factory Products Centre (Thailand) Limited |
| | Borneo Technical Co. (M) Sdn Bhd | Anglo-Thai Tractors Limited |
| | United Motor Works (Mauritius) Limited | |

# Information on Directors and Management

| Name of director | **Present directorships and major appointments** (as at 31 March 2007) | **Past directorships over the preceding three years** (from 31 March 2004 to 30 March 2007) |
|---|---|---|
| Lau Boon Tuan | Mail Boxes Exchange (MBE) Pte Ltd *(Chairman)*<br><br>DataPost Pte Ltd *(Chairman)*<br><br>Singapore Post Enterprise Private Limited *(Chairman)*<br><br>SingPost Retail Services Pte Ltd *(Chairman)*<br><br>Singapore Philatelic Museum<br><br>G3 Worldwide Aspac Pte Ltd *(Chairman)*<br><br>DataPost (HK) Pte Limited | – |
| Lee Chong Kwee | Mapletree Investments Pte Ltd *(Director and Chairman of Audit Committee)*<br><br>Temasek Holdings (Private) Limited *(Corporate Advisor)* | Sinotrans Ltd<br><br>The Logistics Institute Asia-Pacific *(Advisory Board Member)*<br><br>JTC Corporation *(Chairman of Audit Committee)* *(Member, Finance and Investment Committee)*<br><br>National University of Singapore Business School *(Advisory Board Member)*<br><br>PSB Certifications |

# Information on Directors and Management

| Name of director | **Present directorships and major appointments** (as at 31 March 2007) | **Past directorships over the preceding three years** (from 31 March 2004 to 30 March 2007) |
|---|---|---|
| Lee Hsien Yang | Singapore Telecommunications Ltd | STEL Information Technology (Shanghai) Co. Ltd |
| | Kwa Geok Choo Pte Ltd | NCS Pte Ltd. *(Chairman)* |
| | Republic Polytechnic *(Chairman)* | Land Transport Authority *(Member)* |
| | L & L Services (Pte) Ltd | MediaCorp Press Ltd |
| | Singapore Exchange Limited | Singapore Science Centre Board *(Chairman)* |
| | Governing Board of the Lee Kuan Yew School of Public Policy *(Member)* | Singapore Telecom International Pte Ltd |
| | Board of Directors, INSEAD, France *(Member)* | Singapore Telecom Mobile Pte Ltd |
| | | SingTel Optus Pty Limited |
| | | Singapore Telecom Australia Investment Pty Limited |
| Ong Ah Heng | Member of Parliament for Nee Soon Central | Community Development Department of the National Trades Union *(Assistant Secretary-General)* |
| | Care n Share Secretariat of the National Trades Union Congress *(Alignment Director)* | Chinese Development Assistance Council |
| | National Transport Workers' Union *(Honorary Consultant)* | Comfort Group |

# Information on Directors and Management

| Name of director | **Present directorships and major appointments** (as at 31 March 2007) | **Past directorships over the preceding three years** (from 31 March 2004 to 30 March 2007) |
|---|---|---|
| Kenneth Michael Tan Wee Kheng | – | – |
| Tan Yam Pin | BlueScope Steel Limited (Australia) | The East Asiatic Company A/S Denmark |
| | Keppel Land Limited | Macquarie International Real Estate Fund Limited |
| | PowerSeraya Limited *(Chairman)* | |
| | Seraya Energy Pte Ltd | |
| | Great Eastern Holdings Limited | |
| | The Great Eastern Life Assurance Company Limited | |
| | The Overseas Assurance Corporation Limited | |
| | Cisco Security Pte Ltd | |
| | Singapore Food Industries Limited *(Chairman)* | |

# Information on Directors and Management

| Name of director | **Present directorships and major appointments** (as at 31 March 2007) | **Past directorships over the preceding three years** (from 31 March 2004 to 30 March 2007) |
|---|---|---|
| Keith Tay Ah Kee | Singapore Reinsurance Corporation Limited | Elec & Eltek International Company Limited *(Singapore)* |
| | Rotary Engineering Limited | Elec & Eltek International Company Limited *(Hong Kong)* |
| | FJ Benjamin Holdings Ltd | SPI Australia Group Pty Ltd |
| | Allgreen Properties Ltd | Refco (Singapore) Pte Ltd |
| | Pokka Corporation (Singapore) Limited | AMB Packaging Pte Ltd |
| | Singapore Power Limited | |
| | SP PowerAssets Limited | |
| | Stirling Coleman Capital Limited *(Chairman)* | |
| | Aviva Ltd *(Chairman)* | |
| | AMVIG Holdings Limited (previously known as Vision Grande Group Holdings Limited) | |
| | Singapore International Chamber of Commerce | |
| | Singapore Institute of Directors *(Vice-Chairman)* | |

# Information on Directors and Management

## PROFILE OF MANAGEMENT

**Mr Dennis Quek Hong Kai, 44**
Chief Operating Officer (Logistics & eBusiness)

Mr Quek joined SingPost in April 2007 to further drive growth in the Company's Logistics and eBusiness divisions. Mr Quek has held various key management positions in both local and global companies. With 16 years in the field of logistics and supply chain management, Mr Quek has a diverse range of experience which includes the development of logistics and manufacturing infrastructure, physical distribution for various industry segments including luxury goods, chemicals and petroleum-chemicals, and computers and peripherals. Before joining SingPost, he was the General Manager for Asia logistics at Flextronics International (Singapore) Pte Ltd, a subsidiary of NASDAQ-listed Flextronics International Ltd, an electronics manufacturing services (EMS) provider.

Mr Quek obtained his Bachelor of Business in Transport & Logistics Management (Distinction) degree from the Royal Melbourne Institute of Technology, Australia. He is actively involved with the Singapore Logistics Association since 1998, and is the Chairman of its e-Logistics / Technology Committee.

**Mr Teo Yew Hwa, 49**
Executive Vice President (International Mail)

Mr Teo started his career with SingTel in 1982 and was posted to SingPost in 1989. From 1998 to 1999, he was the Managing Director of SingTel's Indonesian joint venture which involved the installation, management and operation of domestic and long distance telephone network and services in the East Indonesia Region. He was instrumental in the transformation of the postal operations to its world-class status in terms of delivery standards and profitability. Mr Teo is the Chief Executive Officer of G3 Worldwide Aspac Pte Ltd (SPRING) and a Management Board member of G3 Worldwide Mail N.V.. He obtained his Bachelor of Science degree, with honours, from the National University of Singapore. He also obtained a Master of Science (Management) degree from the Massachusetts Institute of Technology, USA.

**Mr Woo Keng Leong, 51**
Executive Vice President (Mail)

A Public Services Commission scholar, Mr Woo was posted to the then Postal Services Department in 1980. He is responsible for transforming SingPost's Mail business into one of the most efficient mail service providers in the world. Mr Woo serves as a director on the boards of DataPost Pte Ltd, eP2M Services Sdn. Bhd., ePDS, Inc. and DataPost (HK) Pte Limited. He is a member of the Global Mail Security Working Group, an international body under the Universal Postal Union. Mr Woo obtained his Bachelor of Arts (Honours) degree from the Nanyang University in Singapore and attended the International Post Office Management course in the UK.

# Information on Directors and Management

**Mr Ng Hin Lee, 50**
Chief Financial Officer

Mr Ng joined SingPost in 2006, bringing with him more than 20 years of experience in key financial and management positions. Before joining SingPost, he was the Executive Director of Valen Technologies (S) Pte Ltd. His career history included employment with KPMG, Banque Paribas (Singapore Branch), Data General Hong Kong Ltd as well as with Gul Technologies Singapore Ltd. Mr Ng sits on the boards of DataPost Pte Ltd, First Cube Pte Ltd, SingPost Retail Services Pte Ltd, ePDS, Inc., eP2M Services Sdn. Bhd. and DataPost (HK) Pte Limited. Mr Ng obtained his Bachelor of Accountancy degree from the University of Singapore and is a Fellow Member of the Institute of Certified Public Accountants of Singapore.

**Mr Loh Choo Beng, 46**
Senior Vice President (Retail & Financial Services)

Mr Loh joined SingPost in 2003 to lead the Company's foray into financial services. In April 2006, his role was expanded to include the Company's retail business. Mr Loh started his career with Overseas Union Bank Limited in 1984, and moved to Keppel Bank of Singapore Limited in 1992 where he pursued his banking career through the subsequent merger of Keppel Bank and Tat Lee Bank Limited, and the final merger with Oversea-Chinese Banking Corporation Limited. With 18 years of experience in the financial business, Mr Loh has held various functions covering branch operations, product development in consumer and small and medium enterprise lending, and initiation of strategic business units including the priority banking and wealth management businesses. Mr Loh graduated from the National University of Singapore with a Bachelor of Business Administration degree.

**Ms Lynette Koh, 40**
Senior Vice President (Sales & Marketing)

Ms Koh joined SingPost in 2000, from Procter & Gamble and Cerebos Pacific Ltd where she held the positions of Brand Manager and Marketing Director respectively. Ms Koh has more than 10 years of marketing and brand management experience and is tasked to raise the profile of SingPost's wide range of services. In addition to strengthening the SingPost brand and position, Ms Koh also heads the sales function and is responsible for corporate customer acquisitions and customer contact strategy. She is a committee member of the Direct Marketing Association of Singapore (DMAS). She graduated with honours in Business Administration from the National University of Singapore.

# Statutory Reports and Financial Statements

**CONTENTS**

# Directors' Report
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007**

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 March 2007 and the balance sheet of the Company at 31 March 2007.

## DIRECTORS

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

Mr Lim Ho Kee (Chairman)
Mr Timothy Chia Chee Ming (appointed on 19 September 2006)
Mr Lau Boon Tuan
Mr Lee Chong Kwee (appointed on 1 September 2006)
Mr Lee Hsien Yang
Mr Ong Ah Heng
Mr Kenneth Michael Tan Wee Kheng
Mr Tan Yam Pin
Mr Keith Tay Ah Kee

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share Options" on pages 69 to 72.

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the share capital or debentures of the Company and related corporations, except as follows:

| | HOLDINGS REGISTERED IN NAME OF DIRECTOR OR NOMINEE | | HOLDINGS IN WHICH A DIRECTOR IS DEEMED TO HAVE AN INTEREST | |
|---|---|---|---|---|
| | AT 31.3.07 | AT 1.4.06 OR DATE OF APPOINTMENT, IF LATER | AT 31.3.07 | AT 1.4.06 OR DATE OF APPOINTMENT, IF LATER |
| **The Company** | | | | |
| Singapore Post Limited<br>Ordinary shares | | | | |
| Lim Ho Kee | **1,128,350** | 1,128,350 | **-** | - |
| Lau Boon Tuan | **1,800,000** | - | **-** | - |
| Lee Hsien Yang | **-** | 1,080,000 | **-** | - |
| Kenneth Michael Tan Wee Kheng | **80,000** | 80,000 | **-** | - |
| Tan Yam Pin | **500,000** | 500,000 | **-** | - |
| Keith Tay Ah Kee | **128,350** | 128,350 | **-** | - |

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (cont'd)

(b) According to the register of directors' shareholdings, certain of the directors holding office at the end of the financial year had interests in the options to subscribe for ordinary shares of the Company granted pursuant to the Singapore Post Share Option Scheme as set out below and in the paragraphs on "Share Options".

| | NUMBER OF UNISSUED ORDINARY SHARES UNDER OPTIONS HELD BY DIRECTOR | |
|---|---|---|
| | AT 31.3.07 | AT 1.4.06 OR DATE OF APPOINTMENT, IF LATER |
| Lau Boon Tuan | 2,200,000 | 3,200,000 |

(c) The directors' interests in the shares and convertible securities of the Company at 21 April 2007 were the same at 31 March 2007.

## DIRECTORS' CONTRACTUAL BENEFITS

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

## SHARE OPTIONS

The Singapore Post Share Option Scheme (the Scheme) was adopted on 21 March 2003 and administered by the Compensation Committee comprising Mr Keith Tay Ah Kee (Chairman), Mr Lim Ho Kee, Mr Lee Hsien Yang and Mr Lee Chong Kwee during the financial year ended 31 March 2007.

Employees (including executive directors) and non-executive directors, subject to certain conditions, are eligible to participate in the Scheme. The Scheme provides a means to recruit, retain and give recognition to employees, and to give recognition to non-executive directors, who have contributed to the success and development of the Company and/or the Group.

The principal terms of the Scheme are as follows:

- The exercise price of the granted options is equal to the average of the last dealt prices for the share on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the five (5) consecutive trading days immediately preceding the date of grant of that option.

- The value of the share option is determined using the Trinomial option pricing model (taking into account relevant assumptions).

**SHARE OPTIONS (cont'd)**

- Granted options shall be exercisable, in whole or in part, during the exercise period applicable to that option and in accordance with the vesting schedule applicable to that option or other conditions (if any) that may be imposed by the Compensation Committee in relation to that option. Options may be exercised, in whole or in part in respect of 1,000 shares or any multiple thereof, by a participant giving notice in writing, accompanied by a remittance for the aggregate subscription cost in respect of the shares for which that option is exercised. The method of settlement could be in cheque, cashier's order, banker's draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company. There are no restrictions on the eligibility of the persons to whom the options have been granted to participate in any other share option or share incentive scheme, whether or not implemented by any of the other companies within the Group or any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

- The vesting schedule for the share options granted to eligible employees (including executive directors) prior to 26 June 2006 is as follows:

| Vesting period | Proportion of Total Share Options that are exercisable |
|---|---|
| Before/On first anniversary of date of grant | 0 per cent |
| After first anniversary and before second anniversary of date of grant | Up to 30.0 per cent of grant |
| On/After second anniversary and before third anniversary of date of grant | Up to another 30.0 per cent of grant **OR** Up to 60.0 per cent of grant if share options were not exercised after the first vesting year |
| On/After third anniversary till 10th anniversary of date of grant | Balance **OR** 100.0 per cent of grant if share options were not exercised after the first and second vesting years |

Effective 26 June 2006, share options granted to eligible employees (including executive directors) have a four-year vesting schedule and details are as follows:

| Vesting period | Proportion of Total Share Options that are exercisable |
|---|---|
| Before/On first anniversary of date of grant | 0 per cent |
| After first anniversary and before second anniversary of date of grant | Up to 25.0 per cent of grant |
| On/After second anniversary and before third anniversary of date of grant | Up to another 25.0 per cent of grant **OR** Up to 50.0 per cent of grant if share options were not exercised after the first vesting year |
| On/After third anniversary and before fourth anniversary of date of grant | Up to another 25.0 per cent of grant **OR** Up to 75.0 per cent of grant if share options were not exercised after the first and second vesting years |
| On/After fourth anniversary till 10th anniversary of date of grant | Balance **OR** 100.0 per cent of grant if share options were not exercised after the first, second and third vesting years. |

## SHARE OPTIONS (cont'd)

Share options granted to non-executive directors vest after one year from the date of grant and are exercisable for a period of five years.

- The total number of shares over which options may be granted under the Scheme on any date, when added to the nominal amount of shares issued and issuable and in respect of all options granted under the Scheme, shall not exceed 5.0 per cent of the issued share capital of the Company on the day preceding that date.

Since the adoption of the Scheme to 31 March 2006, a total of 32,780,936 share options were granted. Particulars of the 2004, 2005 and 2006 options were set out in the Directors' Report for the financial years ended 31 March 2004, 31 March 2005 and 31 March 2006 respectively.

During the financial year ended 31 March 2007, 4,425,000 share options were granted. At the end of the financial year, details of the options granted and the number of unissued ordinary shares of the Company under options outstanding are as follows:

| | | | NUMBER OF ORDINARY SHARES UNDER OPTIONS OUTSTANDING [1] | | | | |
|---|---|---|---|---|---|---|---|
| DATE OF GRANT | EXERCISE PERIOD | EXERCISE PRICE[2] | BALANCE AT 1.4.06 ('000) | GRANTED DURING FINANCIAL YEAR ('000) | OPTIONS EXERCISED ('000) | OPTIONS FORFEITED ('000) | BALANCE AT 31.3.07[4] ('000) |
| **For employees (including executive directors)** | | | | | | | |
| 13.05.03 | 14.05.04 to 13.05.13 | S$0.547 | 4,014 | - | (3,053) | - | 961 |
| 28.07.03 | 29.07.04 to 28.07.13 | S$0.615 | 1,374 | - | (424) | (26) | 924 |
| 18.08.03 | 19.08.04 to 18.08.13 | S$0.547 | 160 | - | (160) | - | - |
| 18.08.03 | 19.08.04 to 18.08.13 | S$0.657 | 24 | - | (24) | - | - |
| 19.07.04 | 20.07.05 to 19.07.14 | S$0.731 | 1,955 | - | (291) | (119) | 1,545 |
| 01.02.05 | 02.02.06 to 01.02.15 | S$0.813 | 3,000 | - | (1,800) | - | 1,200 |
| 16.05.05 [3] | 17.05.08 to 16.05.11 | S$0.811 | 3,065 | - | - | (495) | 2,570 |
| 01.07.05 | 02.07.06 to 01.07.15 | S$0.923 | 3,235 | - | (260) | (401) | 2,574 |
| 03.01.06 | 04.01.06 to 03.01.16 | S$1.194 | 600 | - | - | - | 600 |
| 26.06.06 | 27.06.07 to 26.06.16 | S$1.048 | - | 4,425 | - | (264) | 4,161 |
| **Total Share Options** | | | **17,427** | **4,425** | **(6,012)** | **(1,305)** | **14,535** |

(1) No share option was issued to non-executive directors during the financial year and there were no outstanding share options previously granted to the non-executive directors at end of financial year.

(2) Exercise prices of all outstanding share options granted before 29 December 2005 have been reduced in view of the Special Dividend payment during the financial year ended 31 March 2006. Exercise prices disclosed are the revised exercise prices.

(3) Options, with a 3-year lock-in period, were granted on 16 May 2005 to retain key staff critical for business continuity by providing them with a meaningful reward for driving the business forward and reaping the benefits beyond April 2007. 100% of the share options will vest after the third anniversary.

(4) None of the above options granted have expired.

## SHARE OPTIONS (cont'd)

The 2007 options include options granted to the executive director for the number of shares set out below:

| NAME OF DIRECTOR | OPTIONS GRANTED IN FINANCIAL YEAR ENDED 31.3.07 | AGGREGATE OPTIONS GRANTED SINCE COMMENCEMENT OF SCHEME TO 31.3.07 | AGGREGATE OPTIONS EXERCISED SINCE COMMENCEMENT OF SCHEME TO 31.3.07 | AGGREGATE OPTIONS OUTSTANDING AS AT 31.3.07 |
|---|---|---|---|---|
| Lau Boon Tuan | 800,000 | 4,000,000 | 1,800,000 | 2,200,000 |

No option has been granted to controlling shareholders of the Company or their associates.

No key management or employee has received options of 5% or more of the total number of shares available under the Scheme during the financial year. No other director or employee of the Company and its subsidiaries (as defined in the SGX-ST Listing Manual) has received options of 5% or more of the total number of shares available to all directors and employees of the Company and its subsidiaries under the Scheme during the financial year.

No option was granted at a discount during the financial year.

## AUDIT COMMITTEE

The members of the Audit Committee comprised the following non-executive and independent directors at the end of the financial year:

Mr Keith Tay Ah Kee (Chairman)
Mr Kenneth Michael Tan Wee Kheng
Mr Tan Yam Pin

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

The Audit Committee has reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It has met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls.

## AUDIT COMMITTEE (cont'd)

The Audit Committee has also reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2007 as well as the auditors' report thereon prior to their submission to the Board of Directors for approval.

Pursuant to the requirements of the SGX-ST, the Audit Committee, with the assistance of the internal auditors, has reviewed the guidelines and procedures set up to identify, report and where necessary, seek appropriate approval for interested person transactions of the Group. Interested person transactions of the Group during the financial year have also been reviewed by the Audit Committee.

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

## AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re appointment.

On behalf of the directors

**MR LIM HO KEE**
Chairman

**MR LAU BOON TUAN**
Director

Singapore
28 April 2007

# Statement by Directors

**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007**

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 76 to 129, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007, and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

| | |
|---|---|
| **MR LIM HO KEE** | **MR LAU BOON TUAN** |
| Chairman | Director |

Singapore
28 April 2007

# Independent Auditor's Report
**TO THE MEMBERS OF SINGAPORE POST LIMITED**

We have audited the accompanying financial statements of Singapore Post Limited (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 129, which comprise the balance sheets of the Company and of the Group as at 31 March 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

*Directors' Responsibility for the Financial Statements*

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's 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 as to whether the financial statements are free of material misstatement.

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

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

*Opinion*

In our opinion,

(a) the balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers

**PRICEWATERHOUSECOOPERS**
Certified Public Accountants

Singapore
28 April 2007

# Consolidated Income Statement

## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

| | NOTES | THE GROUP 2007 S$'000 | THE GROUP 2006 S$'000 |
|---|---|---|---|
| Revenue | 4 | **436,045** | 412,799 |
| Other gains (net) | | | |
| - Rental and property-related income | 4 | **20,238** | 17,848 |
| - Miscellaneous | 4 | **7,682** | 4,992 |
| Labour and related costs | 5 | **(114,935)** | (112,174) |
| Volume-related costs | 6 | **(105,196)** | (97,085) |
| Administrative and others | 7 | **(38,013)** | (36,381) |
| Depreciation | | **(25,539)** | (25,052) |
| Selling expenses | | **(9,738)** | (10,349) |
| Finance expenses | 8 | **(10,681)** | (8,709) |
| Total expenses | | **(304,102)** | (289,750) |
| Share of profit of associated company and joint ventures | 9 | **6,554** | 8,349 |
| Profit before income tax | | **166,417** | 154,238 |
| Income tax expense | 10 | **(26,160)** | (30,361) |
| Total profit | | **140,257** | 123,877 |
| Attributable to: | | | |
| Equity holders of the Company | | **139,761** | 123,344 |
| Minority interest | | **496** | 533 |
| | | **140,257** | 123,877 |
| Earnings per share | 11 | | |
| - Basic | | **7.30 cents** | 6.46 cents |
| - Diluted | | **7.29 cents** | 6.45 cents |

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

# Balance Sheets

## AS AT 31 MARCH 2007

| | NOTES | THE GROUP 2007 S$'000 | THE GROUP 2006 S$'000 | THE COMPANY 2007 S$'000 | THE COMPANY 2006 S$'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 12 | **68,981** | 53,258 | **65,600** | 45,659 |
| Trade and other receivables | 13 | **63,658** | 52,346 | **44,128** | 43,447 |
| Inventories | | **118** | 5 | **89** | - |
| Other current assets | 14 | **6,000** | 3,632 | **4,775** | 2,228 |
| | | **138,757** | 109,241 | **114,592** | 91,334 |
| **Non-current assets** | | | | | |
| Trade and other receivables | 15 | **443** | 504 | **8,774** | 3,260 |
| Investments in associated company and joint ventures | 17 | **87,354** | 87,120 | **83,372** | 83,372 |
| Investments in subsidiaries | 18 | **-** | - | **12,105** | 12,105 |
| Property, plant and equipment | 19 | **492,237** | 513,436 | **488,680** | 509,379 |
| Intangible asset | 20 | **324** | 360 | **324** | 360 |
| Other non-current assets | 21 | **200** | 200 | **200** | 200 |
| | | **580,558** | 601,620 | **593,455** | 608,676 |
| **Total assets** | | **719,315** | 710,861 | **708,047** | 700,010 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 22 | **150,910** | 140,584 | **152,500** | 141,981 |
| Current income tax liabilities | 10 | **41,135** | 38,415 | **40,352** | 37,486 |
| | | **192,045** | 178,999 | **192,852** | 179,467 |
| **Non-current liabilities** | | | | | |
| Borrowings | 23 | **316,319** | 349,452 | **316,319** | 349,452 |
| Derivative financial instruments | 24 | **3,168** | 9,922 | **3,168** | 9,922 |
| Deferred income tax liabilities | 25 | **18,623** | 22,491 | **18,127** | 22,057 |
| Deferred income | 26 | **-** | 57 | **-** | 57 |
| | | **338,110** | 381,922 | **337,614** | 381,488 |
| **Total liabilities** | | **530,155** | 560,921 | **530,466** | 560,955 |
| **NET ASSETS** | | **189,160** | 149,940 | **177,581** | 139,055 |
| **EQUITY** | | | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | | | |
| Share capital | 27 | **107,459** | 103,057 | **107,459** | 103,057 |
| Other reserves | 28 | **4,571** | 4,424 | **1,678** | 1,209 |
| Retained earnings | 29 | **73,415** | 39,003 | **68,444** | 34,789 |
| | | **185,445** | 146,484 | **177,581** | 139,055 |
| Minority interest | | **3,715** | 3,456 | **-** | - |
| **Total equity** | | **189,160** | 149,940 | **177,581** | 139,055 |

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

# Consolidated Statement of Changes in Equity

## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

| | NOTES | SHARE CAPITAL S$'000 | OTHER RESERVES S$'000 | RETAINED EARNINGS S$'000 | TOTAL S$'000 | MINORITY INTEREST S$'000 | TOTAL EQUITY S$'000 |
|---|---|---|---|---|---|---|---|
| | | ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | | | | |
| **Balance at 1 April 2006** | | 103,057 | 4,424 | 39,003 | 146,484 | 3,456 | 149,940 |
| Currency translation differences | 28(b)(iii) | - | (479) | - | (479) | 3 | (476) |
| Cash flow hedges | 28(b)(ii) | - | 157 | - | 157 | - | 157 |
| Net (losses)/gains recognised directly in equity | | - | (322) | - | (322) | 3 | (319) |
| Net profit | | - | - | 139,761 | 139,761 | 496 | 140,257 |
| **Total recognised (losses)/gains** | | **-** | **(322)** | **139,761** | **139,439** | **499** | **139,938** |
| Dividends relating to FY2005/06 | 30 | - | - | (33,495) | (33,495) | - | (33,495) |
| Dividends relating to FY2006/07 | 30 | - | - | (71,854) | (71,854) | - | (71,854) |
| Dividends to minority shareholder relating to FY2005/06 | | - | - | - | - | (240) | (240) |
| Employee share option scheme: | | | | | | | |
| - Value of employee services | 28(b)(i) | - | 921 | - | 921 | - | 921 |
| - Proceeds from shares issued | 28(b)(i) | 4,402 | (452) | - | 3,950 | - | 3,950 |
| **Balance at 31 March 2007** | | **107,459** | **4,571** | **73,415** | **185,445** | **3,715** | **189,160** |
| **Balance at 1 April 2005** | | 97,362 | 4,048 | 229,661 | 331,071 | 2,919 | 333,990 |
| Currency translation differences | 28(b)(iii) | - | 181 | - | 181 | 4 | 185 |
| Cash flow hedges | 28(b)(ii) | - | (286) | - | (286) | - | (286) |
| Net (losses)/gains recognised directly in equity | | - | (105) | - | (105) | 4 | (101) |
| Net profit | | - | - | 123,344 | 123,344 | 533 | 123,877 |
| **Total recognised (losses)/gains** | | - | (105) | 123,344 | 123,239 | 537 | 123,776 |
| Dividends relating to FY2004/05 | 30 | - | - | (51,454) | (51,454) | - | (51,454) |
| Dividends relating to FY2005/06 | 30 | - | - | (262,548) | (262,548) | - | (262,548) |
| Employee share option scheme: | | | | | | | |
| - Value of employee services | 28(b)(i) | - | 1,016 | - | 1,016 | - | 1,016 |
| - Proceeds from shares issued | 28(b)(i) | 5,695 | (535) | - | 5,160 | - | 5,160 |
| **Balance at 31 March 2006** | | 103,057 | 4,424 | 39,003 | 146,484 | 3,456 | 149,940 |

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

# Consolidated Cash Flow Statement

**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007**

| | NOTES | THE GROUP 2007 S$'000 | THE GROUP 2006 S$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Total profit | | **140,257** | 123,877 |
| Adjustments for: | | | |
| Income tax | | **26,160** | 30,361 |
| Amortisation of franchise fees received | | **(57)** | (91) |
| Amortisation of licence fee | | **36** | 36 |
| Depreciation of property, plant and equipment | | **25,539** | 25,052 |
| (Gain)/loss on disposal of property, plant and equipment | | **(5,332)** | 154 |
| Interest expense | | **10,818** | 8,698 |
| Interest income | | **(1,279)** | (2,769) |
| Share of profit of associated company and joint ventures | | **(6,554)** | (8,349) |
| Impairment of receivables | | **184** | 217 |
| | | **49,515** | 53,309 |
| **Operating cash flow before working capital changes** | | **189,772** | 177,186 |
| Changes in operating assets and liabilities | | | |
| Inventories | | **(113)** | 13 |
| Trade and other receivables | | **(13,806)** | (9,012) |
| Trade and other payables | | **12,340** | 5,712 |
| **Cash generated from operations** | | **188,193** | 173,899 |
| Income tax paid | | **(27,308)** | (24,164) |
| **Net cash inflow from operating activities** | | **160,885** | 149,735 |
| **Cash flows from investing activities** | | | |
| Dividends received from associated company | | **-** | 1,269 |
| Dividends received from joint venture company | | **6,100** | 7,500 |
| Interest received | | **1,273** | 2,889 |
| Investment in joint venture company | | **(100)** | - |
| Purchase of property, plant and equipment | | **(8,492)** | (10,334) |
| Proceeds from sale of property, plant and equipment | | **8,026** | 44 |
| **Net cash inflow from investing activities** | | **6,807** | 1,368 |
| **Cash flows from financing activities** | | | |
| Dividends paid to shareholders | | **(105,349)** | (314,002) |
| Dividends paid to a minority shareholder | | **(240)** | - |
| Interest paid | | **(10,330)** | (7,931) |
| Proceeds from issue of shares | | **3,950** | 5,160 |
| Proceeds from draw down of short term credit facility | | **-** | 25,000 |
| Repayment of short term credit facility | | **-** | (25,000) |
| Proceeds from bank term loan | | **-** | 59,880 |
| Repayment of bank term loan | | **(40,000)** | - |
| **Net cash outflow from financing activities** | | **(151,969)** | (256,893) |
| **Net increase/(decrease) in cash and cash equivalents** | | **15,723** | (105,790) |
| Cash and cash equivalents at beginning of financial year | 12 | **53,258** | 159,048 |
| **Cash and cash equivalents at end of financial year** | 12 | **68,981** | 53,258 |

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

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. GENERAL

Singapore Post Limited (the "Company") is incorporated and domiciled in Singapore. The address of its registered office is 10 Eunos Road 8, Singapore Post Centre, Singapore 408600.

The Company is listed on the Singapore Exchange.

The principal activities of the Company consist of the operation and provision of postal and logistics services. Its subsidiaries are principally engaged in electronic printing and despatching services, secured personal finance services, investment holding and provision of electronic platform and recyclable lockers for merchandise distribution.

## 2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

On 1 April 2006, the Group and the Company adopted the new or revised FRS and Interpretations to FRS ("INT FRS") that are applicable in the current financial year. The financial statements for the financial year ended 31 March 2007 have been amended as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The following are the new or revised FRS and INT FRS that are relevant to the Group:

| | |
|---|---|
| FRS 19 (Amendment) | Employee Benefits |
| FRS 21 (Amendment) | The Effects of Changes in Foreign Exchange Rates |
| FRS 32 (Amendment) | Financial Instruments: Disclosures and Presentation |
| FRS 39 (Amendment) | Financial Guarantee Contracts |
| INT FRS 104 | Determining whether an Arrangement contains a Lease |

The adoption of the above new or revised FRS and INT FRS did not result in substantial changes to the Group's accounting policies.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

2.2 Revenue recognition

Revenue for the Group represents the fair value of the consideration received or receivable for postal services, electronic printing and despatching services rendered, commissions and interest earned from financial services, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. It takes into account the gross income received and receivable from revenue sharing arrangements entered into with overseas postal administrations in respect of mail traffic exchanged.

Revenue from sale of goods is recognised upon the transfer of the risks and rewards of ownership to the customer, which generally coincides with their delivery and acceptance.

Revenue from the rendering of printing and enveloping services is recognised over the period in which the services are performed based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

Accrual for unearned revenue is made for stamps which have been sold, but for which services have not been rendered as at the balance sheet date. This accrual is classified as advance billings under trade and other payables.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and thereafter amortising the discount as interest income.

Rental income from operating leases is recognised on a straight-line basis over the lease term.

Dividend income is recognised when the right to receive payment is established.

2.3 Group accounting

*(a) Subsidiaries*

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest. Please refer to Note 2.5(a) for the accounting policy on goodwill on acquisition of subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

2.3 Group accounting (cont'd)

(a) *Subsidiaries (cont'd)*

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are attributable to the equity holders of the Company, unless the minority has a binding obligation to, and is able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority are attributed to the equity holders of the Company until the minority's share of losses previously absorbed by the equity holders of the Company has been recovered.

Please refer to Note 2.6 for the Company's accounting policy on investments in subsidiaries.

(b) *Associated companies and joint ventures*

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding of between and including 20% and 50% of the voting rights. Joint ventures are entities over which the Group has contractual arrangements to jointly share the control with one or more parties.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting. Investments in associated companies and joint ventures in the consolidated balance sheet include goodwill (net of accumulated amortisation up to 31 March 2004) identified on acquisition, where applicable. Please refer to Note 2.5(a) for the Group's accounting policy on goodwill.

Equity accounting involves recording investments in associated companies and joint ventures initially at cost, and recognising the Group's share of its associated companies and joint ventures' post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals or exceeds its interest in the associated company or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company or joint venture.

In applying the equity method of accounting, unrealised gains on transactions between the Group and its associated companies and joint ventures are eliminated to the extent of the Group's interest in the associated companies and joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of associated companies and joint ventures to ensure consistency of accounting policies with those of the Group.

Please refer to Note 2.6 for the Company's accounting policy on investments in associated companies and joint ventures.

(c) *Transaction costs*

Costs directly attributable to an acquisition are included as part of the cost of acquisition.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

2.4 Property, plant and equipment

(a) *Measurement*

All property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (Note 2.7).

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

(b) *Depreciation*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

| | Useful lives |
|---|---|
| Leasehold land | 30 – 99 years |
| Buildings | 5 – 50 years |
| Postal equipment | 3 – 15 years |
| Plant and equipment | 3 – 20 years |

Capital work-in-progress, representing costs of property, plant and equipment which has not been commissioned for use, is not depreciated.

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Intangible assets

(a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition of subsidiaries, associated companies or joint ventures over the fair value at the date of acquisition of the Group's share of their identifiable net assets.

*Acquisitions pre-1 April 2001*

Goodwill on acquisitions was adjusted against retained earnings in the year of acquisition. On disposal of the subsidiaries, associated companies or joint ventures, such goodwill previously adjusted against retained earnings is not recognised in the income statement.

*Acquisitions post 1 April 2001*

Goodwill on acquisitions of subsidiaries is included as intangible assets. Goodwill on acquisition of associated companies and joint ventures is included in investments in associated companies and joint ventures.

Goodwill for acquisitions post 1 April 2004 is determined after deducting the Group's share of their identifiable net assets and contingent liabilities.

From 1 April 2004, goodwill recognised as intangible assets is tested annually for impairment as well as when there is an indication that the goodwill may be impaired. Goodwill is carried at cost less accumulated impairment losses (Note 2.7).

Gains and losses on the disposal of the subsidiaries, associated companies and joint ventures include the carrying amount of goodwill relating to the entity sold.

(b) *Licence*

Licence is stated at cost less accumulated amortisation and accumulated impairment losses (Note 2.7). Amortisation is calculated using the straight-line method to allocate the cost of the licence over the licence period of 25 years.

2.6 Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures are stated at cost less accumulated impairment losses (Note 2.7) in the Company's balance sheet. On disposal of investments in subsidiaries, associated companies and joint ventures, the difference between net disposal proceeds and the carrying amount of the investment is taken to the income statement.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Impairment of assets

(a) *Goodwill*

Goodwill is tested annually for impairment, as well as when there is an indication that the goodwill may be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating-units (CGU) expected to benefit from synergies of the business combination.

An impairment loss is recognised in the income statement when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value in use.

The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

Impairment loss on goodwill is not reversed in a subsequent period.

(b) *Intangible assets*
*Property, plant and equipment*
*Investments in subsidiaries, associated companies and joint ventures*

Intangible assets, property, plant and equipment and investments in subsidiaries, associated companies and joint ventures are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in the income statement.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

2.9 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of borrowing costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of borrowing costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the balance sheet. Other borrowings due to be settled more than twelve months after the balance sheet date are included in non-current borrowings in the balance sheet.

2.10 Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

2.11 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Derivative financial instruments and hedging activities (cont'd)

(a) *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

The Group has entered into interest rate swaps that are fair value hedges for the fixed rate bonds. These derivatives qualify for hedge accounting.

(b) *Cash flow hedge*

The Group's cash flow hedge reserve arises from hedging activities of a joint venture. The joint venture enters into forward currency contracts to hedge its highly probable forecast foreign currency purchases. The effective portion of changes in fair value of these contracts are recognised in the hedging reserve within equity and transferred to the income statement in the periods when the asset acquired or liability assumed affects the income statement. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

2.12 Fair value estimation

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter derivatives) are based on quoted market prices at the balance sheet date. The fair values of interest-rate swaps are calculated as the present value of the estimated future cash flow, discounted at actively quoted interest rates. The fair values of forward foreign exchange contracts are determined using forward exchange market rates at the balance sheet date.

The carrying amount of current receivables and payables are assumed to approximate their fair values.

2.13 Operating leases

(a) *When a group company is the lessee:*

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

(b) *When a group company is the lessor:*

Assets leased out under operating leases are included in property, plant and equipment.
Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

2.15 Income taxes

Current income tax liabilities (and assets) for current and prior periods are recognised at the amounts expected to be paid to (or recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax assets / liabilities are recognised for all deductible / taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax assets / liabilities arise from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at:

(1) the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date; and
(2) the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expenses in the income statement for the period, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax on temporary differences arising from the revaluation gains and losses on land and buildings, and fair value gains and losses on cash flow hedges are charged or credited directly to equity in the same period the temporary differences arise. Deferred tax arising from business combination is adjusted against goodwill on acquisition.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

2.16 Provisions for other liabilities and charges

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

2.17 Employee benefits

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds does not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. The Group's contribution to defined contribution plans are recognised in the financial year to which they relate.

(b) *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 balance sheet date.

(c) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets), on the date of grant. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 Currency translation

*(a) Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Singapore Dollars, which is the Company's functional and presentation currency.

*(b) Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the date of transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

*(c) Translation of Group entities' financial statements*

The results and financial position of group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on acquisition of a foreign entity on or after 1 April 2005 are treated as assets and liabilities of the foreign entity and translated at the closing rate. For acquisitions prior to 1 April 2005, the exchange rates at the dates of acquisition were used.

*(d) Consolidation adjustments*

On consolidation, currency translation differences arising from the net investment in foreign entities and borrowings and other currency instruments designated as hedges of such investments are taken to the foreign currency translation reserve. When a foreign operation is disposed of, such currency translation differences are recognised in the income statement as part of the gain or loss on disposal.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.19 Segment reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. As the Group operates primarily in one geographical segment, which is in Singapore, segment information by geographical segment is not presented.

### 2.20 Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with financial institutions.

### 2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new equity instruments are taken to equity as a deduction, net of tax, from the proceeds.

### 2.22 Dividends

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders.

## 3. CRITICAL ACCOUNTING ESTIMATES

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Items subject to such estimates include residual values and useful lives of property, plant and equipment, the realisation of deferred income tax assets, accounts receivables and inventories, the fair value of employee share options and the recoverable amount of the investment in G3 Worldwide Group of companies for the purpose of impairment testing of goodwill. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are further discussed below:

Property, plant and equipment

The Group's annual depreciation of property, plant and equipment forms a significant component of total costs charged to the income statement. The Group reviews the residual values and useful lives of property, plant and equipment at each balance sheet date in accordance with the accounting policy in Note 2.4. The estimation of residual values and useful lives involves significant judgement. The net book value of property, plant and equipment at 31 March 2007 was S$492.2 million and the annual depreciation charge for the year ended 31 March 2007 was S$25.5 million.

## 4. REVENUE AND OTHER GAINS (NET)

| | THE GROUP 2007 S$'000 | THE GROUP 2006 S$'000 |
|---|---|---|
| Revenue from services rendered | **434,387** | 411,823 |
| Interest income from secured personal finance services | **1,658** | 976 |
| **Revenue** | **436,045** | 412,799 |
| Other gains (net): | | |
| Rental and property-related income | **20,238** | 17,848 |
| Miscellaneous | | |
| - Currency exchange gain (net) | **775** | 2,233 |
| - Interest income | **1,279** | 2,769 |
| - Net gain/(loss) on disposal of property, plant and equipment | **5,332** | (154) |
| - Others | **296** | 144 |
| | **7,682** | 4,992 |
| **Other gains (net)** | **27,920** | 22,840 |
| | **463,965** | 435,639 |

## 5. LABOUR AND RELATED COSTS

| | THE GROUP 2007 S$'000 | THE GROUP 2006 S$'000 |
|---|---|---|
| Wages and salaries | **74,006** | 71,532 |
| Employer's contribution to defined contribution plans including Central Provident Fund | **8,393** | 8,024 |
| Share options granted to directors and employees (Note 27) | **921** | 1,016 |
| Other benefits | **4,014** | 4,155 |
| Temporary and contract staff cost | **27,601** | 27,447 |
| | **114,935** | 112,174 |

## 6. VOLUME-RELATED COSTS

| | THE GROUP 2007 S$'000 | THE GROUP 2006 S$'000 |
|---|---|---|
| Traffic expenses | **93,428** | 89,420 |
| Mail outsourcing services and cost of sales | **11,768** | 7,665 |
| | **105,196** | 97,085 |

## 7. ADMINISTRATIVE AND OTHERS

| | THE GROUP 2007 S$'000 | THE GROUP 2006 S$'000 |
|---|---|---|
| Included in administrative and other expenses are the following: | | |
| Auditors' remuneration paid / payable to: | | |
| - Auditors of the Company | **113** | 108 |
| - Other auditors | **2** | 2 |
| Other fees paid / payable to the auditors of the Company | **14** | 70 |
| Repair and maintenance expenses | **8,129** | 8,068 |
| Rental on operating leases | **4,888** | 4,985 |

## 8. FINANCE EXPENSES

| | THE GROUP 2007 S$'000 | THE GROUP 2006 S$'000 |
|---|---|---|
| Interest expense: | | |
| - Bank borrowings | **1,556** | 594 |
| - Bonds | **9,462** | 9,488 |
| - Forward rate agreement | **-** | - |
| Effect of hedging using interest rate swaps | **(200)** | (1,384) |
| Currency exchange losses - net | **(137)** | 11 |
| | **10,681** | 8,709 |

## 9. ASSOCIATED COMPANY AND JOINT VENTURES

| | THE GROUP 2007 S$'000 | THE GROUP 2006 S$'000 |
|---|---|---|
| Share of (loss)/profit of associated company | **(34)** | 1,794 |
| Share of profit of joint ventures | **6,588** | 6,555 |
| | **6,554** | 8,349 |

## 10. INCOME TAXES

(a) Income tax expense

| | THE GROUP 2007 S$'000 | 2006 S$'000 |
|---|---|---|
| Tax expense attributable to profit is made up of: | | |
| - Current income tax | **31,457** | 32,049 |
| - Deferred tax | **(1,749)** | (1,086) |
| | **29,708** | 30,963 |
| Withholding tax on dividend | **-** | 224 |
| | **29,708** | 31,187 |
| Over provision in preceding financial year: | | |
| - Current income tax | **(1,429)** | (826) |
| - Deferred tax | **(2,119)** | - |
| | **26,160** | 30,361 |

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

| | THE GROUP 2007 S$'000 | 2006 S$'000 |
|---|---|---|
| Profit before tax | **166,417** | 154,238 |
| Tax calculated at a tax rate of 18% (2006: 20%) | **29,955** | 30,848 |
| Tax calculated on share of profit of associated company and joint ventures | **(1,181)** | (1,670) |
| Singapore statutory stepped income exemption | **(56)** | (22) |
| Effect of withholding tax on dividend | **-** | 224 |
| Items not subjected to tax | **(953)** | - |
| Items not deductible for tax purposes | **1,935** | 1,990 |
| Items subject to concessionary tax rates | **-** | (61) |
| Utilisation of previously unrecognised capital allowances | **(34)** | (122) |
| Deferred tax assets not recognised | **42** | - |
| Tax charge | **29,708** | 31,187 |

## 10. INCOME TAXES (cont'd)

(b) Movements in current income tax liabilities

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2007 S$'000 | 2006 S$'000 | 2007 S$'000 | 2006 S$'000 |
| Balance at beginning of financial year | **38,415** | 31,356 | **37,486** | 30,366 |
| Income tax paid | **(27,308)** | (24,164) | **(26,814)** | (23,599) |
| Tax expense on profit for the current financial year | **31,457** | 32,049 | **31,249** | 31,545 |
| Overprovision in preceding year | **(1,429)** | (826) | **(1,429)** | (826) |
| Tax deducted at source | **-** | - | **(140)** | - |
| Balance at end of financial year | **41,135** | 38,415 | **40,352** | 37,486 |

On 15 February 2007, the Singapore Second Minister for Finance announced a reduction in corporate tax rate from 20% to 18% with effect from the year of assessment 2008. The effect of the reduction in corporate tax rate has been reflected in the current year's tax charge.

## 11. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

| | THE GROUP | |
|---|---|---|
| | 2007 | 2006 |
| Net profit attributable to members of Singapore Post Limited (S$'000) | **139,761** | 123,344 |
| Weighted average number of ordinary shares in issue for basic earnings per share ('000) | **1,915,138** | 1,907,989 |
| Basic earnings per share (cents per share) | **7.30** | 6.46 |

## 11. EARNINGS PER SHARE

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to members of the Company and weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares are in the form of share options.

In determining the diluted earnings per share, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The differences are added to the denominator as an issuance of ordinary shares for no consideration. No adjustment is made to earnings (numerator).

| | THE GROUP | |
|---|---|---|
| | **2007** | **2006** |
| Net profit attributable to members of Singapore Post Limited (S$'000) | **139,761** | 123,344 |
| Weighted average number of ordinary shares outstanding for basic earnings per share ('000) | **1,915,138** | 1,907,989 |
| Adjustment for share options ('000) | **2,428** | 4,248 |
| Weighted average number of ordinary shares for diluted earnings per share ('000) | **1,917,566** | 1,912,237 |
| Diluted earnings per share (cents per share) | **7.29** | 6.45 |

## 12. CASH AND CASH EQUIVALENTS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2007 S$'000 | 2006 S$'000 | 2007 S$'000 | 2006 S$'000 |
| Deposits with financial institutions | **34,335** | 23,250 | **33,335** | 19,100 |
| Cash at bank and on hand | **34,646** | 30,008 | **32,265** | 26,559 |
| | **68,981** | 53,258 | **65,600** | 45,659 |

The carrying amounts of cash and cash equivalents approximate their fair value.

Cash and cash equivalents are principally denominated in Singapore Dollar.

The deposits with financial institutions mature on varying dates within 1 month (2006: 3 months) from the end of the financial year with the following weighted average effective per annum interest rates:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2007 % | 2006 % | 2007 % | 2006 % |
| Singapore Dollar | **2.7** | 3.1 | **2.7** | 3.1 |
| United States Dollar | **5.1** | - | **5.1** | - |

## 13. TRADE AND OTHER RECEIVABLES - CURRENT

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2007 S$'000 | 2006 S$'000 | 2007 S$'000 | 2006 S$'000 |
| Trade receivables | | | | |
| - Third parties | **57,964** | 45,178 | **31,392** | 24,855 |
| - Subsidiaries | **-** | - | **7,490** | 11,996 |
| - Joint ventures | **2,436** | 3,434 | **2,406** | 3,401 |
| - Companies related by a substantial shareholder | **1,008** | 1,277 | **570** | 643 |
| Less: Allowance for impairment of receivables – third parties | **(451)** | (406) | **(448)** | (406) |
| Trade receivables – net | **60,957** | 49,483 | **41,410** | 40,489 |
| Other receivables | **1,971** | 1,960 | **2,047** | 2,055 |
| Interest receivable | **67** | 8 | **8** | 8 |
| Accrued interest receivable on interest rate swap contracts | **475** | 691 | **475** | 691 |
| Staff loans (Note 16) | **188** | 204 | **188** | 204 |
| | **63,658** | 52,346 | **44,128** | 43,447 |

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers which cover a large spectrum of industries and having a variety of end markets in which they sell. Due to these factors, management believes that no additional credit risk beyond the amounts of allowance for impairment made is inherent in the Group's and the Company's trade receivables.

The carrying amounts of current trade and other receivables approximate their fair value and are principally denominated in Singapore Dollar. Impairment loss on trade receivables recognised as an expense and included under "Selling expenses" amounted to S$184,000 (2006: S$217,000).

## 14. OTHER CURRENT ASSETS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2007 S$'000 | 2006 S$'000 | 2007 S$'000 | 2006 S$'000 |
| Deposits | **1,805** | 1,743 | **1,016** | 841 |
| Prepayment | **4,195** | 1,889 | **3,759** | 1,387 |
| | **6,000** | 3,632 | **4,775** | 2,228 |

The carrying amounts of deposits approximate their fair value.

## 15. TRADE AND OTHER RECEIVABLES – NON-CURRENT

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2007 S$'000 | 2006 S$'000 | 2007 S$'000 | 2006 S$'000 |
| Loan to subsidiary | **-** | - | **8,331** | 2,756 |
| Staff loans (Note 16) | **443** | 504 | **443** | 504 |
| | **443** | 504 | **8,774** | 3,260 |

The carrying amounts of trade and other receivables – non-current at balance sheet date approximate their fair value and are denominated in Singapore Dollar.

Trade and other receivables (current (Note 13) and non-current) are interest-free, except for staff loans which have a weighted average interest rate of 5.5% (2006: 5.5%) per annum. The loan to subsidiary has no fixed terms of repayment and is not expected to be repaid within 12 months from 31 March 2007.

## 16. STAFF LOANS

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | 2007 S$'000 | 2006 S$'000 |
| Not later than one year (Note 13) | **188** | 204 |
| Later than one year but not later than five years | **432** | 471 |
| Later than 5 years | **11** | 33 |
| Total non-current (Note 15) | **443** | 504 |
| | **631** | 708 |

Loans are made under an approved staff loan scheme. As at 31 March 2007 and 31 March 2006, no loan is made to the key management staff of the Group.

## 17. INVESTMENTS IN ASSOCIATED COMPANY AND JOINT VENTURES

| | | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| | NOTES | 2007 S$'000 | 2006 S$'000 | 2007 S$'000 | 2006 S$'000 |
| Investment in associated company | (a) | **77,753** | 78,085 | **80,922** | 80,922 |
| Investment in joint ventures | (b) | **9,601** | 9,035 | **2,450** | 2,450 |
| | | **87,354** | 87,120 | **83,372** | 83,372 |

The Group and the Company's carrying amount in investments in associated company and joint ventures include goodwill of S$70,014,000 (2006: S$70,014,000).

## 17. INVESTMENTS IN ASSOCIATED COMPANY AND JOINT VENTURES (cont'd)

(a) Associated company

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2007 S$'000 | 2006 S$'000 | 2007 S$'000 | 2006 S$'000 |
| Equity investment at cost | | | **80,922** | 80,922 |
| Balance at beginning of financial year | **78,085** | 77,507 | | |
| Share of results | **(34)** | 1,794 | | |
| Withholding tax | **-** | (224) | | |
| Dividends received, net of tax | **-** | (1,269) | | |
| Exchange differences | **(298)** | 277 | | |
| Balance at end of financial year | **77,753** | 78,085 | | |

The summarised financial information of the associated company is as follows:

| | | | | |
|---|---|---|---|---|
| - Assets | | | **131,335** | 132,353 |
| - Liabilities | | | **(110,417)** | (106,707) |
| - Revenue | | | **365,213** | 402,910 |
| - Net profit | | | **(674)** | 8,081 |

Details of the associated company are set out in Note 37.

(b) Joint ventures

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2007 S$'000 | 2006 S$'000 | 2007 S$'000 | 2006 S$'000 |
| Equity investments at cost | | | **2,450** | 2,450 |
| Balance at beginning of financial year | **9,035** | 10,358 | | |
| Capital injection during the year | **100** | - | | |
| Share of profits | **6,588** | 6,555 | | |
| Dividends received, net of tax | **(6,100)** | (7,500) | | |
| Share of cash flow hedge reserve | **157** | (286) | | |
| Exchange differences | **(179)** | (92) | | |
| Balance at end of financial year | **9,601** | 9,035 | | |

## 17. INVESTMENTS IN ASSOCIATED COMPANY AND JOINT VENTURES (cont'd)

(b) Joint ventures (cont'd)

The following amounts represent the Group's share of revenue and expenses and assets and liabilities of the joint ventures. The Group's interests in joint ventures are accounted for in the consolidated financial statements using the equity method of accounting.

| | THE GROUP 2007 S$'000 | THE GROUP 2006 S$'000 |
|---|---|---|
| Revenue | **65,431** | 67,466 |
| Expenses | **(57,085)** | (59,117) |
| Profit before tax | **8,346** | 8,349 |
| Income tax | **(1,758)** | (1,794) |
| Profit after tax | **6,588** | 6,555 |
| Current assets | **20,226** | 25,101 |
| Non-current assets | **3,163** | 3,301 |
| | **23,389** | 28,402 |
| Current liabilities | **(13,486)** | (19,000) |
| Non-current liabilities | **(302)** | (367) |
| | **(13,788)** | (19,367) |
| Net assets | **9,601** | 9,035 |

Details of the joint ventures are set out in Note 37.

## 18. INVESTMENTS IN SUBSIDIARIES

| | THE COMPANY 2007 S$'000 | THE COMPANY 2006 S$'000 |
|---|---|---|
| Equity investments at cost | **18,262** | 18,262 |
| Less: Allowance for impairment | **(6,157)** | (6,157) |
| | **12,105** | 12,105 |

Details of the subsidiaries are set out in Note 37.

**Incorporation of DataPost (HK) Pte Limited**

During the financial year, the Company's subsidiary, DataPost Private Limited, incorporated a wholly-owned subsidiary in Hong Kong, DataPost (HK) Pte Limited, on 28 February 2007 for the purpose of providing electronic data printing and enveloping services and is expected to be operational in May 2007. DataPost (HK) Pte Limited will have a paid-up share capital of approximately S$1 million (HK$5 million).

## 19. PROPERTY, PLANT AND EQUIPMENT

| | LEASEHOLD LAND S$'000 | BUILDINGS S$'000 | POSTAL EQUIPMENT S$'000 | PLANT AND MACHINERY S$'000 | CAPITAL WORK-IN-PROGRESS S$'000 | TOTAL S$'000 |
|---|---|---|---|---|---|---|
| The Group | | | | | | |
| Cost | | | | | | |
| At 1 April 2006 | 128,442 | 411,341 | 97,040 | 137,032 | 1,247 | 775,102 |
| Additions | - | - | 2 | 2,201 | 4,875 | 7,078 |
| Disposals | - | (3,773) | (71) | (5,629) | - | (9,473) |
| Transfers | (5) | (185) | 161 | 4,017 | (3,988) | - |
| Currency translation differences | - | - | - | (3) | - | (3) |
| **At 31 March 2007** | **128,437** | **407,383** | **97,132** | **137,618** | **2,134** | **772,704** |
| Accumulated depreciation | | | | | | |
| At 1 April 2006 | 19,328 | 89,260 | 65,762 | 87,316 | - | 261,666 |
| Depreciation charge | 1,653 | 9,115 | 4,145 | 10,626 | - | 25,539 |
| Disposals | - | (1,272) | (58) | (5,409) | - | (6,739) |
| Currency translation differences | - | - | - | 1 | - | 1 |
| **At 31 March 2007** | **20,981** | **97,103** | **69,849** | **92,534** | **-** | **280,467** |
| **Net book value** | | | | | | |
| **At 31 March 2007** | **107,456** | **310,280** | **27,283** | **45,084** | **2,134** | **492,237** |
| The Company | | | | | | |
| Cost | | | | | | |
| At 1 April 2006 | 128,442 | 411,341 | 97,040 | 120,809 | 1,199 | 758,831 |
| Additions | - | - | 2 | 1,693 | 4,612 | 6,307 |
| Disposals | - | (3,773) | (71) | (5,398) | - | (9,242) |
| Transfers | (5) | (185) | 161 | 3,857 | (3,828) | - |
| **At 31 March 2007** | **128,437** | **407,383** | **97,132** | **120,961** | **1,983** | **755,896** |
| Accumulated depreciation | | | | | | |
| At 1 April 2006 | 19,328 | 89,260 | 65,762 | 75,102 | - | 249,452 |
| Depreciation charge | 1,653 | 9,115 | 4,145 | 9,407 | - | 24,320 |
| Disposals | - | (1,272) | (58) | (5,226) | - | (6,556) |
| **At 31 March 2007** | **20,981** | **97,103** | **69,849** | **79,283** | **-** | **267,216** |
| **Net book value** | | | | | | |
| **At 31 March 2007** | **107,456** | **310,280** | **27,283** | **41,678** | **1,983** | **488,680** |

## 19. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| | LEASEHOLD LAND S$'000 | BUILDINGS S$'000 | POSTAL EQUIPMENT S$'000 | PLANT AND MACHINERY S$'000 | CAPITAL WORK-IN-PROGRESS S$'000 | TOTAL S$'000 |
|---|---|---|---|---|---|---|
| The Group | | | | | | |
| Cost | | | | | | |
| At 1 April 2005 | 129,475 | 414,411 | 97,265 | 134,401 | 1,741 | 777,293 |
| Additions | - | - | 3 | 2,173 | 8,515 | 10,691 |
| Disposals/adjustments | (1,033) | (3,206) | (228) | (8,413) | - | (12,880) |
| Transfers | - | 136 | - | 8,873 | (9,009) | - |
| Currency translation differences | - | - | - | (2) | - | (2) |
| At 31 March 2006 | 128,442 | 411,341 | 97,040 | 137,032 | 1,247 | 775,102 |
| Accumulated depreciation | | | | | | |
| At 1 April 2005 | 17,811 | 80,968 | 60,967 | 83,601 | - | 243,347 |
| Depreciation charge | 1,658 | 8,511 | 5,023 | 9,860 | - | 25,052 |
| Disposals/adjustments | (141) | (219) | (228) | (6,145) | - | (6,733) |
| At 31 March 2006 | 19,328 | 89,260 | 65,762 | 87,316 | - | 261,666 |
| Net book value | | | | | | |
| At 31 March 2006 | 109,114 | 322,081 | 31,278 | 49,716 | 1,247 | 513,436 |
| The Company | | | | | | |
| Cost | | | | | | |
| At 1 April 2005 | 129,475 | 414,411 | 97,265 | 119,770 | 1,468 | 762,389 |
| Additions | - | - | 3 | 973 | 8,343 | 9,319 |
| Disposals/adjustments | (1,033) | (3,206) | (228) | (8,410) | - | (12,877) |
| Transfers | - | 136 | - | 8,476 | (8,612) | - |
| At 31 March 2006 | 128,442 | 411,341 | 97,040 | 120,809 | 1,199 | 758,831 |
| Accumulated depreciation | | | | | | |
| At 1 April 2005 | 17,811 | 80,968 | 60,967 | 72,630 | - | 232,376 |
| Depreciation charge | 1,658 | 8,511 | 5,023 | 8,616 | - | 23,808 |
| Disposals/adjustments | (141) | (219) | (228) | (6,144) | - | (6,732) |
| At 31 March 2006 | 19,328 | 89,260 | 65,762 | 75,102 | - | 249,452 |
| Net book value | | | | | | |
| At 31 March 2006 | 109,114 | 322,081 | 31,278 | 45,707 | 1,199 | 509,379 |

## 19. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Leased assets included in this note, where the Group is a lessor, comprise building space leased to third parties under operating leases:

| | THE GROUP 2007 S$'000 | THE GROUP 2006 S$'000 |
|---|---|---|
| Cost | **383,446** | 383,446 |
| Accumulated depreciation | **(79,321)** | (71,959) |
| Net book value | **304,125** | 311,487 |
| Depreciation charged to income statement | **7,362** | 6,673 |

Based on total net lettable area of 991,363 sq ft (2006: 980,366 sq ft), 48.8% was leased to parties outside of the Group as at 31 March 2007 (2006: 47.9%).

## 20. INTANGIBLE ASSET

| | THE GROUP AND THE COMPANY 2007 S$'000 | THE GROUP AND THE COMPANY 2006 S$'000 |
|---|---|---|
| Licence fee at cost | **900** | 900 |
| Accumulated amortisation | **(576)** | (540) |
| Net book value | **324** | 360 |
| Balance at beginning of financial year | **360** | 396 |
| Amount amortised during the financial year | **(36)** | (36) |
| Balance at end of financial year | **324** | 360 |

Licence fee represents a lump-sum fee paid to the Infocomm Development Authority of Singapore upon the granting of the postal licence. It is stated at cost less amounts amortised on a straight-line basis over the licence period of 25 years starting 1992.

## 21. OTHER NON-CURRENT ASSETS

| | THE GROUP AND THE COMPANY 2007 S$'000 | THE GROUP AND THE COMPANY 2006 S$'000 |
|---|---|---|
| Transferable club membership at cost | **200** | 200 |

## 22. TRADE AND OTHER PAYABLES

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2007 S$'000 | 2006 S$'000 | 2007 S$'000 | 2006 S$'000 |
| Trade payables | | | | |
| - Third parties | **48,893** | 47,670 | **46,101** | 45,603 |
| - Subsidiaries | **-** | - | **5,595** | 4,846 |
| - Joint ventures | **3,598** | 3,229 | **3,598** | 3,229 |
| - Companies related by a substantial shareholder | **1,056** | 1,044 | **1,056** | 1,044 |
| Advance billings | **9,857** | 9,088 | **9,769** | 8,999 |
| Accrual for other operating expenses | **27,133** | 26,010 | **26,313** | 25,192 |
| Interest payable | **4,430** | 4,450 | **4,430** | 4,450 |
| Accrued interest payable on interest rate swap contracts | **381** | 89 | **381** | 89 |
| Other creditors | **12,233** | 13,248 | **11,947** | 12,791 |
| Customers' deposits | **2,550** | 2,419 | **2,549** | 2,419 |
| Collections on behalf of third parties | **36,874** | 29,761 | **36,874** | 29,761 |
| Tender deposits | **3,905** | 3,576 | **3,887** | 3,558 |
| | **150,910** | 140,584 | **152,500** | 141,981 |

The carrying amounts of current trade and other payables approximate their fair value.

Trade and other payables are denominated in the following currencies:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2007 S$'000 | 2006 S$'000 | 2007 S$'000 | 2006 S$'000 |
| Singapore Dollar | **109,584** | 98,747 | **111,921** | 100,774 |
| SDR* | **40,579** | 41,207 | **40,579** | 41,207 |
| Malaysia Ringgit | **747** | 630 | **-** | - |
| | **150,910** | 140,584 | **152,500** | 141,981 |

* Special Drawing Rights – an International Monetary Fund unit of account used for valuing international transactions, which is defined in terms of a basket of currencies. The actual settlement of the transaction is usually in US dollars.

## 23. BORROWINGS

| | THE GROUP AND THE COMPANY 2007 S$'000 | 2006 S$'000 |
|---|---|---|
| *Non-current* | | |
| Bank term loan (unsecured) | **19,920** | 59,880 |
| Bonds (unsecured) | **296,399** | 289,572 |
| | **316,319** | 349,452 |

(a) Maturity of borrowings

(i) The bank term loan of principal amount S$60 million obtained on 6 March 2006 for the Group's general operational purposes was partially repaid as of 31 March 2007. The current outstanding loan of principal amount S$20 million has a term of three years from 28 March 2006 and is repayable in full upon maturity of that term. Interest is charged at a floating rate pegged to the Singapore dollar swap offer rate prevailing for each short-term interest period plus a fixed margin. Interest is payable at the end of each interest period.

(ii) The Singapore Dollar unsecured bonds of principal amount S$300 million listed on the SGX-ST have a maturity period of 10 years from 11 April 2003 and a fixed interest rate of 3.13% (2006: 3.13%) per annum.

(b) Interest rate risks

The weighted average effective per annum interest rates of borrowings at the balance sheet date after the effects of hedging are as follows:

| | THE GROUP AND THE COMPANY 2007 % | 2006 % |
|---|---|---|
| Bank term loan (unsecured) | **3.25** | 3.70 |
| Bonds (unsecured) | **3.06** | 2.70 |

The exposure of non-current borrowings to interest rate risks is disclosed in Note 32.

## 23. BORROWINGS (cont'd)

(c) Carrying amounts and fair values

The carrying amounts and fair values of non-current borrowings are as follows:

| | THE GROUP AND THE COMPANY | | | |
|---|---|---|---|---|
| | CARRYING AMOUNTS | | FAIR VALUES | |
| | 2007 S$'000 | 2006 S$'000 | 2007 S$'000 | 2006 S$'000 |
| Bank term loan (unsecured) | **19,920** | 59,880 | **19,920** | 59,880 |
| Bonds (unsecured) | **296,399** | 289,572 | **297,741** | 284,001 |

The fair values of the bank term loan and bonds are estimated based on independent market quotations from reputable financial institutions.

## 24. DERIVATIVE FINANCIAL INSTRUMENTS

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | 2007 S$'000 | 2006 S$'000 |
| Balance at beginning of financial year | **(9,922)** | (5,327) |
| Fair value gains/(losses) - included in income statement | **6,754** | (4,595) |
| Balance at end of financial year | **(3,168)** | (9,922) |

Analysed as:

| | THE GROUP AND THE COMPANY | | |
|---|---|---|---|
| | CONTRACT/ NOTIONAL AMOUNT S$'000 | FAIR VALUES ASSETS S$'000 | FAIR VALUES LIABILITIES S$'000 |
| *Fair-value hedges* | | | |
| - Interest-rate swaps (non-current) | **525,000** | - | 3,168 |

At 31 March 2007, the fixed interest rates of the outstanding interest rate swap contracts vary from 2.3% to 3.5% (2006: 1.3% to 2.7%) per annum, while the floating interest rates are pegged to Singapore dollar swap offer rate. Their contractual repricing dates are disclosed in Note 32(ii).

## 25. DEFERRED INCOME TAX LIABILITIES

Deferred tax income assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown in the balance sheets as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2007 S$'000 | 2006 S$'000 | 2007 S$'000 | 2006 S$'000 |
| Deferred income tax liabilities: | | | | |
| - To be settled within one year | **2,571** | 1,790 | **2,487** | 1,727 |
| - To be settled after one year | **16,052** | 20,701 | **15,640** | 20,330 |
| | **18,623** | 22,491 | **18,127** | 22,057 |

The movement in the deferred income tax account is as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2007 S$'000 | 2006 S$'000 | 2007 S$'000 | 2006 S$'000 |
| Balance at beginning of financial year | **22,491** | 23,577 | **22,057** | 23,078 |
| Tax credited to income statement | **(3,868)** | (1,086) | **(3,930)** | (1,021) |
| Balance at end of financial year | **18,623** | 22,491 | **18,127** | 22,057 |

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unutilised tax losses and capital allowances of S$2,830,000 and S$24,000 (2006: S$2,830,000 and S$214,000) respectively which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The deferred tax benefits of these unutilised tax losses and capital allowances have not been recognised in the financial statements. These tax losses and unutilised capital allowance have no expiry dates.

## 25. DEFERRED INCOME TAX LIABILITIES (cont'd)

The movement in the Group's deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the year is as follows:

The Group

*Deferred tax liabilities*

| | ACCELERATED TAX DEPRECIATION S$'000 | OTHERS S$'000 | TOTAL S$'000 |
|---|---|---|---|
| **2007** | | | |
| Balance at beginning of financial year | **22,401** | **440** | **22,841** |
| Credited to income statement | **(1,621)** | **(27)** | **(1,648)** |
| Effect of changes in tax rate | **(2,240)** | **(44)** | **(2,284)** |
| Balance at end of financial year | **18,540** | **369** | **18,909** |
| **2006** | | | |
| Balance at beginning of financial year | 23,537 | 399 | 23,936 |
| (Credited)/charged to income statement | (1,136) | 41 | (1,095) |
| Balance at end of financial year | 22,401 | 440 | 22,841 |

*Deferred tax assets*

| | PROVISIONS S$'000 | OTHERS S$'000 | TOTAL S$'000 |
|---|---|---|---|
| **2007** | | | |
| Balance at beginning of financial year | **(350)** | **-** | **(350)** |
| Charged to income statement | **29** | **-** | **29** |
| Effect of changes in tax rate | **35** | **-** | **35** |
| Balance at end of financial year | **(286)** | **-** | **(286)** |
| **2006** | | | |
| Balance at beginning of financial year | (296) | (63) | (359) |
| (Credited)/charged to income statement | (54) | 63 | 9 |
| Balance at end of financial year | (350) | - | (350) |

## 25. DEFERRED INCOME TAX LIABILITIES (cont'd)

The Company

*Deferred tax liabilities*

| | ACCELERATED TAX DEPRECIATION S$'000 | OTHERS S$'000 | TOTAL S$'000 |
|---|---|---|---|
| **2007** | | | |
| Balance at beginning of financial year | **21,956** | **440** | **22,396** |
| Credited to income statement | **(1,642)** | **(113)** | **(1,755)** |
| Effect of changes in tax rate | **(2,196)** | **(44)** | **(2,240)** |
| Balance at end of financial year | **18,118** | **283** | **18,401** |
| **2006** | | | |
| Balance at beginning of financial year | 23,030 | 397 | 23,427 |
| (Credited)/charged to income statement | (1,074) | 43 | (1,031) |
| Balance at end of financial year | 21,956 | 440 | 22,396 |

*Deferred tax assets*

| | PROVISIONS S$'000 | OTHERS S$'000 | TOTAL S$'000 |
|---|---|---|---|
| **2007** | | | |
| Balance at beginning of financial year | **(339)** | **-** | **(339)** |
| Charged to income statement | **34** | **-** | **34** |
| Effect of changes in tax rate | **31** | **-** | **31** |
| Balance at end of financial year | **(274)** | **-** | **(274)** |
| **2006** | | | |
| Balance at beginning of financial year | (286) | (63) | (349) |
| (Credited)/charged to income statement | (53) | 63 | 10 |
| Balance at end of financial year | (339) | - | (339) |

## 26. DEFERRED INCOME

Deferred income represents franchise fees received in advance.

## 27. SHARE CAPITAL

| | NUMBER OF SHARES | | AMOUNT | | | |
|---|---|---|---|---|---|---|
| | AUTHORISED SHARE CAPITAL '000 | ISSUED SHARE CAPITAL '000 | AUTHORISED SHARE CAPITAL S$'000 | SHARE CAPITAL S$'000 | SHARE PREMIUM S$'000 | TOTAL SHARE CAPITAL AND SHARE PREMIUM S$'000 |
| **2007** | | | | | | |
| Balance at beginning of financial year | **-** | **1,912,116** | **-** | **103,057** | **-** | **103,057** |
| Employee share option scheme | | | | | | |
| - Value of employee services | **-** | **-** | **-** | **452** | **-** | **452** |
| - Proceeds from shares issued | **-** | **6,012** | **-** | **3,950** | **-** | **3,950** |
| Balance at end of financial year | **-** | **1,918,128** | **-** | **107,459** | **-** | **107,459** |
| **2006** | | | | | | |
| Balance at beginning of financial year | 4,000,000 | 1,903,508 | 200,000 | 95,175 | 2,187 | 97,362 |
| Effect of Companies (Amendment) Act 2005 (see note (a) below) | (4,000,000) | - | (200,000) | 2,187 | (2,187) | - |
| Employee share option scheme | | | | | | |
| - Value of employee services | - | - | - | 535 | - | 535 |
| - Proceeds from shares issued | - | 8,608 | - | 5,160 | - | 5,160 |
| Balance at end of financial year | - | 1,912,116 | - | 103,057 | - | 103,057 |

(a) Under the Companies (Amendment) Act 2005 that came into effect on 30 January 2006, the concepts of par value and authorised share capital are abolished and the amount in the share premium account as of 30 January 2006 is required to become part of the Company's share capital.

All issued ordinary shares are fully paid.

Share Options

The Singapore Post Share Option Scheme (the Scheme) was adopted on 21 March 2003 and is administered by the Compensation Committee.

Employees (including executive directors) and non-executive directors, subject to certain conditions, are eligible to participate in the Scheme. The Scheme provides a means to recruit, retain and give recognition to employees, and to give recognition to non-executive directors, who have contributed to the success and development of the Company and/or the Group.

## 27. SHARE CAPITAL (cont'd)

Share Options (cont'd)

The principal terms of the Scheme are as follows:

- The exercise price of the granted options is equal to the average of the last dealt prices for the share on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the five (5) consecutive trading days immediately preceding the date of grant of that option.

- The value of the share option is determined using the Trinomial option pricing model (taking into account relevant assumptions).

- Granted options shall be exercisable, in whole or in part, during the exercise period applicable to that option and in accordance with the vesting schedule applicable to that option or other conditions (if any) that may be imposed by the Compensation Committee in relation to that option. Options may be exercised, in whole or in part in respect of 1,000 shares or any multiple thereof, by a participant giving notice in writing, accompanied by a remittance for the aggregate subscription cost in respect of the shares for which that option is exercised. The method of settlement could be in cheque, cashier's order, banker's draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company. There are no restrictions on the eligibility of the persons to whom the options have been granted to participate in any other share option or share incentive scheme, whether or not implemented by any of the other companies within the Group or any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

- The vesting schedule for the share options granted to eligible employees (including executive directors) prior to 26 June 2006 is as follows:

| Vesting period | Proportion of Total Share Options that are exercisable |
|---|---|
| Before/On first anniversary of date of grant | 0 per cent |
| After first anniversary and before second anniversary of date of grant | Up to 30.0 per cent of grant |
| On/After second anniversary and before third anniversary of date of grant | Up to another 30.0 per cent of grant **OR** Up to 60.0 per cent of grant if share options were not exercised after the first vesting year |
| On/After third anniversary till 10th anniversary of date of grant | Balance **OR** 100.0 per cent of grant if share options were not exercised after the first and second vesting years |

**27. SHARE CAPITAL (cont'd)**

Share Options (cont'd)

- Effective 26 June 2006, share options granted to eligible employees (including executive directors) have a four-year vesting schedule and details are as follows:

| Vesting period | Proportion of Total Share Options that are exercisable |
|---|---|
| Before/On first anniversary of date of grant | 0 per cent |
| After first anniversary and before second anniversary of date of grant | Up to 25.0 per cent of grant |
| On/After second anniversary and before third anniversary of date of grant | Up to another 25.0 per cent of grant **OR** Up to 50.0 per cent of grant if share options were not exercised after the first vesting year |
| On/After third anniversary and before fourth anniversary of date of grant | Up to another 25.0 per cent of grant **OR** Up to 75.0 per cent of grant if share options were not exercised after the first and second vesting years |
| On/After fourth anniversary till 10th anniversary of date of grant | Balance **OR** 100.0 per cent of grant if share options were not exercised after the first, second and third vesting years. |

  Share options granted to non-executive directors vest after one year from the date of grant, and are exercisable for a period of five years.

- The total number of shares over which options may be granted under the Scheme on any date, when added to the nominal amount of shares issued and issuable and in respect of all options granted under the Scheme, shall not exceed 5.0 per cent of the issued share capital of the Company on the day preceding that date.

## 27. SHARE CAPITAL (cont'd)

Share Options (cont'd)

During the financial year ended 31 March 2007, 4,425,000 share options were granted. Movements in the number of ordinary shares of the Company outstanding under options are as follows:

| | | | NUMBER OF ORDINARY SHARES UNDER OPTIONS OUTSTANDING [1] | | | | |
|---|---|---|---|---|---|---|---|
| DATE OF GRANT | EXERCISE PERIOD | EXERCISE PRICE [2] | BALANCE AT 1.4.06 ('000) | GRANTED DURING FINANCIAL YEAR ('000) | OPTIONS EXERCISED ('000) | OPTIONS FORFEITED ('000) | BALANCE AT 31.3.07 [4] ('000) |
| **For employees (including executive directors)** | | | | | | | |
| 13.05.03 | 14.05.04 to 13.05.13 | S$0.547 | 4,014 | - | (3,053) | - | 961 |
| 28.07.03 | 29.07.04 to 28.07.13 | S$0.615 | 1,374 | - | (424) | (26) | 924 |
| 18.08.03 | 19.08.04 to 18.08.13 | S$0.547 | 160 | - | (160) | - | - |
| 18.08.03 | 19.08.04 to 18.08.13 | S$0.657 | 24 | - | (24) | - | - |
| 19.07.04 | 20.07.05 to 19.07.14 | S$0.731 | 1,955 | - | (291) | (119) | 1,545 |
| 01.02.05 | 02.02.06 to 01.02.15 | S$0.813 | 3,000 | - | (1,800) | - | 1,200 |
| 16.05.05 [3] | 17.05.08 to 16.05.11 | S$0.811 | 3,065 | - | - | (495) | 2,570 |
| 01.07.05 | 02.07.06 to 01.07.15 | S$0.923 | 3,235 | - | (260) | (401) | 2,574 |
| 03.01.06 | 04.01.07 to 03.01.16 | S$1.194 | 600 | - | - | - | 600 |
| 26.06.06 | 27.06.07 to 26.06.16 | S$1.048 | - | 4,425 | - | (264) | 4,161 |
| **Total Share Options** | | | **17,427** | **4,425** | **(6,012)** | **(1,305)** | **14,535** |

(1) No share option was issued to non-executive directors during the financial year and there were no outstanding share options previously granted to the non-executive directors at end of financial year.

(2) Exercise prices of all outstanding share options granted before 29 December 2005 have been reduced in view of the Special Dividend payment during the financial year ended 31 March 2006. Exercise prices disclosed are the revised exercise prices.

(3) Options, with a 3-year lock-in period, were granted on 16 May 2005 to retain key staff critical for business continuity by providing them with a meaningful reward for driving the business forward and reaping the benefits beyond April 2007. 100% of the share options will vest after the third anniversary.

(4) None of the above options granted have expired.

Of the outstanding options on 14,534,995 (2006: 17,427,441) shares, 3,528,995 shares (2006: 2,584,368) are exercisable as at 31 March 2007. Options exercised in the financial year ended 31 March 2007 resulted in 6,012,446 shares (2006: 8,608,006) being issued at an average price of S$0.665 (2006: S$0.668). Options were exercised on a regular basis throughout the year. The weighted average share price during the financial year was S$1.08 (2006: S$1.08).

## 27. SHARE CAPITAL (cont'd)

Share Options (cont'd)

The weighted average fair value of options granted during the financial year ended 31 March 2007 determined using the Trinomial option pricing model was S$601,689 (2006: S$314,500). The significant inputs into the model were:

- Weighted average share price of S$1.07 (2006: S$0.96) at the grant date.
- Weighted average exercise price of S$1.048 (2006: S$0.949 before 29 December 2005 and S$1.194 after 29 December 2005).
- Expected volatility of 22% (2006: 22%).
- Expected option life of 5 years (2006: 5 years).
- The annual risk-free interest rate of 3.4% (2006: 2.5%) per annum.

The model factored in discrete dividends based on expected yield of 5.1% per annum. The volatility measured was based on the historical volatility of the rate of returns of the Company's shares since listing date 13 May 2003.

## 28. OTHER RESERVES

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2007 S$'000 | 2006 S$'000 | 2007 S$'000 | 2006 S$'000 |
| (a) Composition: | | | | |
| Share option reserve | **1,678** | 1,209 | **1,678** | 1,209 |
| Cash flow hedge reserve | **(129)** | (286) | **-** | - |
| Currency translation reserve | **1,426** | 1,905 | **-** | - |
| Other capital reserve | **1,596** | 1,596 | **-** | - |
| | **4,571** | 4,424 | **1,678** | 1,209 |
| (b) Movements: | | | | |
| ***(i) Share option reserve*** | | | | |
| Balance at beginning of financial year | **1,209** | 728 | **1,209** | 728 |
| Employee share option scheme: | | | | |
| - Value of employee services (Note 5) | **921** | 1,016 | **921** | 1,016 |
| - Issue of shares | **(452)** | (535) | **(452)** | (535) |
| Balance at end of financial year | **1,678** | 1,209 | **1,678** | 1,209 |
| ***(ii) Cash flow hedge reserve*** | | | | |
| Balance at beginning of financial year | **(286)** | - | **-** | - |
| Share of joint venture cash flow hedge reserve | **157** | (286) | **-** | - |
| Balance at end of financial year | **(129)** | (286) | **-** | - |

## 28. OTHER RESERVES (cont'd)

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2007 S$'000 | 2006 S$'000 | 2007 S$'000 | 2006 S$'000 |
| (b) Movements: | | | | |
| ***(iii) Currency translation reserve*** | | | | |
| Balance at beginning of financial year | **1,905** | 1,724 | **-** | - |
| Net currency translation differences of financial statements of foreign subsidiaries, associated company and joint ventures | **(479)** | 181 | **-** | - |
| Balance at end of financial year | **1,426** | 1,905 | **-** | - |
| ***(iv) Other capital reserve*** | | | | |
| Balance at beginning and end of financial year | **1,596** | 1,596 | **-** | - |

Other reserves are non-distributable.

## 29. RETAINED EARNINGS

(a) Retained profits of the Group and the Company are distributable except for accumulated retained profits of associated company and joint ventures amounting to S$10,469,000 (2006: S$10,015,000) which are included in the Group's retained earnings.

(b) Movement in retained earnings for the Company is as follows:

| | THE COMPANY | |
|---|---|---|
| | 2007 S$'000 | 2006 S$'000 |
| Balance at beginning of financial year | **34,789** | 225,093 |
| Total profit | **139,004** | 123,698 |
| Dividends paid (Note 30) | **(105,349)** | (314,002) |
| Balance at end of financial year | **68,444** | 34,789 |

Movement in retained earnings for the Group is shown in the Consolidated Statement of Changes in Equity.

## 30. DIVIDENDS

| | THE GROUP AND THE COMPANY 2007 S$'000 | 2006 S$'000 |
|---|---|---|
| *Dividends paid* | | |
| Final dividend (tax exempt one-tier) in relation to the previous financial year of 1.75 cents (2006: 2.7 cents) per ordinary share | **33,495** | 51,454 |
| Interim dividend (tax exempt one-tier) in relation to the first quarter of current financial year of 1.25 cents (2006: 1.25 cents) per ordinary share | **23,935** | 23,841 |
| Interim dividend (tax exempt one-tier) in relation to the second quarter of current financial year of 1.25 cents (2006: 1.25 cents) per ordinary share | **23,942** | 23,865 |
| Interim dividend (tax exempt one-tier) in relation to the third quarter of current financial year of 1.25 cents (2006: 1.25 cents) per ordinary share | **23,977** | 23,901 |
| Special dividend (tax exempt one-tier) of 10 cents per ordinary share | **-** | 190,941 |
| | **105,349** | 314,002 |

The directors have proposed a final dividend of 2.5 cents per ordinary share (tax exempt one-tier) amounting to S$48.0 million in relation to the financial year ended 31 March 2007 (2006: final dividend of 1.75 cents per ordinary share (tax exempt one-tier) amounting to S$33.5 million). The dividends have not been recognised as a liability as at the financial year end as it is subject to approval at the Annual General Meeting of the Company.

## 31. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements are as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2007 S$'000 | 2006 S$'000 | 2007 S$'000 | 2006 S$'000 |
| Property, plant and equipment | **2,441** | 1,656 | **1,618** | 1,627 |

(b) Operating lease commitments – where a group company is a lessee

The Group leases various retail outlets and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2007 S$'000 | 2006 S$'000 | 2007 S$'000 | 2006 S$'000 |
| Not later than 1 year | **4,972** | 4,184 | **4,127** | 4,085 |
| Later than 1 year but not later than 5 years | **5,089** | 9,554 | **4,869** | 9,501 |
| Later than 5 years | **4,001** | 4,060 | **4,001** | 4,060 |
| | **14,062** | 17,798 | **12,997** | 17,646 |

(c) Operating lease commitments – where a group company is a lessor

The Group leases out various retail and office space under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2007 S$'000 | 2006 S$'000 | 2007 S$'000 | 2006 S$'000 |
| Not later than 1 year | **17,866** | 15,132 | **19,713** | 16,880 |
| Later than 1 year but not later than 5 years | **30,406** | 23,956 | **31,245** | 24,582 |
| Later than 5 years | **551** | - | **551** | - |
| | **48,823** | 39,088 | **51,509** | 41,462 |

## 32. FINANCIAL RISK MANAGEMENT

*Financial risk factors*

The main risks arising from the Group's financial assets and liabilities are currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall financial risk management policy is to minimise potential adverse effects caused by interest and exchange rate fluctuations on the Group's financial performance. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

The Group has established risk management policies, guidelines and control procedures approved by the Board of Directors to manage its exposure to financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as currency risk, interest rate risk, credit risk and investing excess liquid funds.

*(i) Currency risk*

The currency risk of the Group arises mainly from the international mail business, which generates inpayments and outpayments denominated in foreign currencies. The currency exposures are primarily in United States Dollar and the Euro. The Group uses foreign currency purchases and forward contracts to manage the foreign exchange risk exposures. Foreign exchange instruments are used mainly to hedge underlying exposures and the transactions are not entered into for speculative reasons.

Profit contribution from the associated company, G3 Worldwide Mail N.V., is denominated in Euro and not hedged by the Group. The associated company derives revenues from a number of countries that are denominated in currencies other than the Euro. The associated company's management has implemented appropriate hedging policies to reduce its currency risk.

*(ii) Interest rate risks*

The Group has cash balances placed with reputable banks and financial institutions which generate interest income for the Group. The interest income is dependent on the changes in market interest rates. The Group manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

The Group is exposed to interest rate risk from its non-current borrowings. The Group's policy in managing interest rate exposure to interest rate fluctuations is to minimise the interest expense consistent with maintaining an acceptable level of exposure to interest rate fluctuations. A target mix of fixed and floating debts based on the assessment of interest rate trends is used to achieve this objective. To obtain this mix in a cost efficient manner, the Group primarily uses interest rate swaps that have the effect of converting specific debt obligations of the Group from fixed to variable, or vice versa, as deemed appropriate.

## 32. FINANCIAL RISK MANAGEMENT (cont'd)

*(ii) Interest rate risks (cont'd)*

The tables below set out the Group and the Company's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

| | VARIABLE RATES | FIXED RATES | | | | |
|---|---|---|---|---|---|---|
| | LESS THAN 6 MONTHS S$'000 | 6 TO 12 MONTHS S$'000 | 1 TO 5 YEARS S$'000 | OVER 5 YEARS S$'000 | NON-INTEREST BEARING S$'000 | TOTAL S$'000 |
| The Group | | | | | | |
| **At 31 March 2007** | | | | | | |
| Cash and cash equivalents | **66,172** | **-** | **-** | **-** | **2,809** | **68,981** |
| Trade and other receivables | **1,062** | **86** | **512** | **11** | **62,430** | **64,101** |
| Investments | **-** | **-** | **-** | **-** | **87,354** | **87,354** |
| Property, plant and equipment | **-** | **-** | **-** | **-** | **492,237** | **492,237** |
| Other assets | **-** | **-** | **-** | **-** | **6,642** | **6,642** |
| **Total assets** | **67,234** | **86** | **512** | **11** | **651,472** | **719,315** |
| Borrowings | **19,920** | **-** | **-** | **296,399** | **-** | **316,319** |
| Derivative financial instruments | **5,640** | **(521)** | **-** | **(1,951)** | **-** | **3,168** |
| Other liabilities | **4,811** | **-** | **-** | **-** | **205,857** | **210,668** |
| **Total liabilities** | **30,371** | **(521)** | **-** | **294,448** | **205,857** | **530,155** |
| **At 31 March 2006** | | | | | | |
| Cash and cash equivalents | 53,258 | - | - | - | - | 53,258 |
| Trade and other receivables | - | 204 | 471 | 33 | 52,142 | 52,850 |
| Investments | - | - | - | - | 87,120 | 87,120 |
| Property, plant and equipment | - | - | - | - | 513,436 | 513,436 |
| Other assets | - | - | - | - | 4,197 | 4,197 |
| **Total assets** | 53,258 | 204 | 471 | 33 | 656,895 | 710,861 |
| Borrowings | - | - | 59,880 | 289,572 | - | 349,452 |
| Derivative financial instruments | 17,602 | (7) | (2,668) | (5,005) | - | 9,922 |
| Other liabilities | - | - | - | - | 201,547 | 201,547 |
| **Total liabilities** | 17,602 | (7) | 57,212 | 284,567 | 201,547 | 560,921 |

## 32. FINANCIAL RISK MANAGEMENT (cont'd)

*(ii) Interest rate risks (cont'd)*

| | VARIABLE RATES | FIXED RATES | | | | |
|---|---|---|---|---|---|---|
| | LESS THAN 6 MONTHS S$'000 | 6 TO 12 MONTHS S$'000 | 1 TO 5 YEARS S$'000 | OVER 5 YEARS S$'000 | NON-INTEREST BEARING S$'000 | TOTAL S$'000 |
| The Company | | | | | | |
| **At 31 March 2007** | | | | | | |
| Cash and cash equivalents | **63,213** | **-** | **-** | **-** | **2,387** | **65,600** |
| Trade and other receivables | **585** | **86** | **512** | **11** | **51,708** | **52,902** |
| Investments | **-** | **-** | **-** | **-** | **95,477** | **95,477** |
| Property, plant and equipment | **-** | **-** | **-** | **-** | **488,680** | **488,680** |
| Other assets | **-** | **-** | **-** | **-** | **5,388** | **5,388** |
| **Total assets** | **63,798** | **86** | **512** | **11** | **643,640** | **708,047** |
| Borrowings | **19,920** | **-** | **-** | **296,399** | **-** | **316,319** |
| Derivative financial instruments | **5,640** | **(521)** | **-** | **(1,951)** | **-** | **3,168** |
| Other liabilities | **4,811** | **-** | **-** | **-** | **206,168** | **210,979** |
| **Total liabilities** | **30,371** | **(521)** | **-** | **294,448** | **206,168** | **530,466** |
| **At 31 March 2006** | | | | | | |
| Cash and cash equivalents | 45,659 | - | - | - | - | 45,659 |
| Trade and other receivables | - | 204 | 471 | 33 | 45,999 | 46,707 |
| Investments | - | - | - | - | 95,477 | 95,477 |
| Property, plant and equipment | - | - | - | - | 509,379 | 509,379 |
| Other assets | - | - | - | - | 2,788 | 2,788 |
| **Total assets** | 45,659 | 204 | 471 | 33 | 653,643 | 700,010 |
| Borrowings | 59,880 | - | - | 289,572 | - | 349,452 |
| Derivative financial instruments | 17,602 | (7) | (2,668) | (5,005) | - | 9,922 |
| Other liabilities | - | - | - | - | 201,581 | 201,581 |
| **Total liabilities** | 77,482 | (7) | (2,668) | 284,567 | 201,581 | 560,955 |

Generally, the Group manages its cash flow interest rate risk from borrowings by using fixed-to-floating interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from fixed rates to floating rates. Occasionally, the Group enters into floating-to-fixed interest rate swaps to hedge the fair value of interest rate risk.

## 32. FINANCIAL RISK MANAGEMENT (cont'd)

*(ii) Interest rate risks (cont'd)*

The exposure of non-current borrowings to interest rate risks is as follows:

| | VARIABLE RATES | FIXED RATES | | | |
|---|---|---|---|---|---|
| | LESS THAN 6 MONTHS S$'000 | 6 TO 12 MONTHS S$'000 | 1 TO 5 YEARS S$'000 | OVER 5 YEARS S$'000 | TOTAL S$'000 |
| The Group and the Company | | | | | |
| **At 31 March 2007** | | | | | |
| **Liabilities** | | | | | |
| Borrowings | **19,920** | **-** | **-** | **296,399** | **316,319** |
| Effect of interest rate swaps | | | | | |
| - Fixed to floating | **300,000** | **-** | **-** | **(300,000)** | **-** |
| - Floating to fixed | **(225,000)** | **150,000** | **-** | **75,000** | **-** |
| | **94,920** | **150,000** | **-** | **71,399** | **316,319** |
| **At 31 March 2006** | | | | | |
| **Liabilities** | | | | | |
| Borrowings | 59,880 | - | - | 289,572 | 349,452 |
| Effect of interest rate swaps | | | | | |
| - Fixed to floating | 300,000 | - | - | (300,000) | - |
| - Floating to fixed | (250,000) | 25,000 | 150,000 | 75,000 | - |
| | 109,880 | 25,000 | 150,000 | 64,572 | 349,452 |

*(iii) Credit risk*

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

*(iv) Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

## 33. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties during the financial year:

(a) Sales and purchases of goods and services

| | THE GROUP 2007 S$'000 | 2006 S$'000 |
|---|---|---|
| Services rendered to companies related by a substantial shareholder | **21,143** | 24,483 |
| Services received from companies related by a substantial shareholder | **2,510** | 3,100 |
| Services received from a joint venture company | **18,941** | 18,563 |

During the financial year ended 31 March 2007, the Company made payments on behalf of subsidiaries totalling S$6.7 million (2006: S$5.0 million) which were subsequently reimbursed.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

| | THE GROUP 2007 S$'000 | 2006 S$'000 |
|---|---|---|
| Salaries and other short-term employee benefits | **3,091** | 2,427 |
| Post-employment benefits – contribution to CPF | **45** | 53 |
| Share options granted | **412** | 475 |
| | **3,548** | 2,955 |

Included above is total compensation to directors of the Company amounting to S$594,646 (2006: S$438,099).

## 34. SEGMENT INFORMATION

**Primary reporting format – business segments**

| | MAIL S$'000 | LOGISTICS S$'000 | RETAIL S$'000 | OTHERS S$'000 | ELIMINATIONS S$'000 | GROUP S$'000 |
|---|---|---|---|---|---|---|
| **2007** | | | | | | |
| **Revenue:** | | | | | | |
| - External | 338,164 | 63,352 | 34,529 | - | - | 436,045 |
| - Inter-segment | 260 | 944 | 21,113 | - | (22,317) | - |
| | 338,424 | 64,296 | 55,642 | - | (22,317) | 436,045 |
| **Other gains (net)** | | | | | | |
| - Rental, property related and miscellaneous income | | | | | | |
| - External | 103 | 85 | 375 | 26,078 | - | 26,641 |
| - Inter-segment | - | - | - | 33,114 | (33,114) | - |
| | 103 | 85 | 375 | 59,192 | (33,114) | 26,641 |
| **Segment results** | 134,597 | 10,376 | 9,518 | 14,774 | - | 169,265 |
| Interest income | | | | | | 1,279 |
| Finance expense | | | | | | (10,681) |
| Share of profit of associated company and joint ventures | 6,554 | - | - | - | - | 6,554 |
| Profit before income tax | | | | | | 166,417 |
| Income tax expense | | | | | | (26,160) |
| **Total profit** | | | | | | 140,257 |
| Segment assets | 81,256 | 9,807 | 57,068 | 455,104 | - | 603,235 |
| Investment in net assets of associated company and joint ventures | 87,184 | - | 170 | - | - | 87,354 |
| Unallocated assets | | | | | | 28,726 |
| **Consolidated total assets** | | | | | | 719,315 |
| Segment liabilities | 63,852 | 11,207 | 52,104 | 17,505 | - | 144,668 |
| Unallocated liabilities | | | | | | 385,487 |
| **Consolidated total liabilities** | | | | | | 530,155 |
| **Capital expenditure** | 3,196 | 666 | 1,265 | 3,366 | - | 8,492 |
| **Depreciation** | 5,936 | 1,599 | 1,800 | 16,204 | - | 25,539 |
| **Amortisation** | 36 | - | - | - | - | 36 |
| **Impairment of receivables** | 153 | 20 | 4 | 7 | - | 184 |

## 34. SEGMENT INFORMATION (cont'd)

**Primary reporting format – business segments (cont'd)**

| | MAIL S$'000 | LOGISTICS S$'000 | RETAIL S$'000 | OTHERS S$'000 | ELIMINATIONS S$'000 | GROUP S$'000 |
|---|---|---|---|---|---|---|
| **2006** | | | | | | |
| **Revenue:** | | | | | | |
| - External | 323,891 | 60,322 | 28,586 | - | - | 412,799 |
| - Inter-segment | 260 | 484 | 21,029 | - | (21,773) | - |
| | 324,151 | 60,806 | 49,615 | - | (21,773) | 412,799 |
| **Other gains (net)** | | | | | | |
| - Rental, property related and miscellaneous income | | | | | | |
| - External | 88 | 14 | 275 | 19,694 | - | 20,071 |
| - Inter-segment | - | - | - | 33,573 | (33,573) | - |
| | 88 | 14 | 275 | 53,267 | (33,573) | 20,071 |
| **Segment results** | 128,663 | 9,307 | 6,796 | 7,063 | - | 151,829 |
| Interest income | | | | | | 2,769 |
| Finance expense | | | | | | (8,709) |
| Share of profit of associated company and joint ventures | 8,349 | - | - | - | - | 8,349 |
| Profit before income tax | | | | | | 154,238 |
| Income tax expense | | | | | | (30,361) |
| **Total profit** | | | | | | 123,877 |
| Segment assets | 80,412 | 11,839 | 46,745 | 468,847 | - | 607,843 |
| Investment in net assets of associated company and joint ventures | 86,971 | - | 149 | - | - | 87,120 |
| Unallocated assets | | | | | | 15,898 |
| **Consolidated total assets** | | | | | | 710,861 |
| Segment liabilities | 59,614 | 13,733 | 43,645 | 17,421 | - | 134,413 |
| Unallocated liabilities | | | | | | 426,508 |
| **Consolidated total liabilities** | | | | | | 560,921 |
| **Capital expenditure** | 2,153 | 1,544 | 3,118 | 3,519 | - | 10,334 |
| **Depreciation** | 6,584 | 1,758 | 2,426 | 14,284 | - | 25,052 |
| **Amortisation** | 36 | - | - | - | - | 36 |
| **Impairment of receivables** | 213 | 4 | - | - | - | 217 |

## 34. SEGMENT INFORMATION (cont'd)

### Primary reporting format – business segments (cont'd)

The Group is organised into the following business segments:

**Mail** – Mail division provides comprehensive services for collecting, sorting, transporting and distributing domestic and international mail as well as sale of philatelic products. International mail service covers the handling of incoming international mail from, and outgoing international mail to, foreign postal administrations as well as via a global cross-border network through Spring (G3 Worldwide group of companies). Mail division also offers ePost hybrid mail service which integrates electronic data communication with traditional mail.

**Logistics** – Logistics division provides domestic and international door-to-door delivery services, including express services (*Speedpost*), shipping services at *vPOST* ("virtual post") internet portal and warehousing, fulfilment and distribution services.

**Retail** – Retail division provides a wide variety of products and services beyond the scope of traditional postal services, including agency and remittance services as well as financial services. The three principal distribution channels are: post offices, authorised postal agencies and stamp vendors; self-service automated machines ("SAMs"); and *vPOST* internet portal for bill presentment / payment.

**Others** – represents the balance of the Group's operations including the provision of commercial property rental.

The accounting policies used to derive reportable segment results are consistent with those described in the "Significant Accounting Policies" note to the financial statements. Inter-segment transactions are determined on an arm's length basis. Unallocated income statement items represent income tax expense, finance expense and interest income.

The asset totals disclosed for each segment represent assets directly managed by each segment, and primarily include receivables, property, plant and equipment and investment. Corporate-held assets managed at the corporate level not allocated to the segments include cash and cash equivalents.

Segment liabilities comprise operating liabilities and exclude corporate borrowings, current tax liabilities and deferred taxation.

Segment capital expenditure comprises additions to property, plant and equipment.

### Secondary reporting format – geographical segments

As the Group operates principally in one geographical segment, which is in Singapore, segment information by geographical segment is not presented.

## 35. NEW ACCOUNTING STANDARDS AND FRS INTERPRETATIONS

Certain new standards and interpretations to existing standards have been published that are mandatory for the Group for accounting periods beginning on or after 1 April 2007 or later periods which the Group has not early adopted. The Group's assessment of the impact of adopting those standards and interpretations that are relevant to the Group is set out below.

(a) FRS 40 Investment Property

The Group has adopted FRS 40 on 1 April 2007, which is the effective date of the Standard for the Group.

The Group owned its corporate headquarters at Singapore Post Centre, a building which is partly occupied by the Group and partly leased to parties outside of the Group. The entire property was accounted for as an item of property, plant and equipment in these financial statements and the net book value as at end of the financial year was S$304.1 million.

Under FRS 40, when a portion of a property is leased out and another portion is held for own-use, the portions are required to be accounted for separately if these portions could be sold or leased out separately under a finance lease. Consequently, the portion of Singapore Post Centre that is leased out to parties outside of the Group has been reclassified to investment property on transition to FRS 40 on 1 April 2007.

Under FRS 40, investment properties are either measured using their fair value or at cost.

(b) FRS 107 Financial Instruments: Disclosures, and a complementary Amendment to FRS 1 Presentation of Financial Statements – Capital Disclosures

The Group has adopted FRS 107 on 1 April 2007, which is the effective date of the Standard for the Group.

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including minimum disclosures about credit risk, liquidity risk and market risk (including sensitivity analysis to market risk). It replaces the disclosure requirements in FRS 32 Financial Instruments: Disclosure and Presentation.

The amendment to FRS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group has assessed the impact of FRS 107 and the amendment to FRS 1 and concluded that the main additional disclosures will be the sensitivity analysis of the Group's financial instruments to market risk and the capital disclosures required by the amendment of FRS 1.

## 36. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 28 April 2007 by the Board of Directors of Singapore Post Limited.

## 37. LISTING OF COMPANIES IN THE GROUP

| | | | PERCENTAGE OF EFFECTIVE EQUITY HELD BY THE GROUP | | COST OF INVESTMENT | |
|---|---|---|---|---|---|---|
| NAME | PRINCIPAL ACTIVITIES | COUNTRY OF INCORPORATION | 2007 % | 2006 % | 2007 S$'000 | 2006 S$'000 |
| **SUBSIDIARIES** | | | | | | |
| Held by the Company | | | | | | |
| DataPost Pte Ltd | Electronic printing and despatching services | Singapore | **70.00** | 70.00 | **2,100** | 2,100 |
| SingPost Retail Services Pte. Ltd. | Secured personal finance services | Singapore | **100.00** | 100.00 | **5,000** | 5,000 |
| Singapore Post Enterprise Private Limited | Investment holding | Singapore | **100.00** | 100.00 | **5,005** | 5,005 |
| First Cube Pte Ltd | Provision of electronic platform and recyclable lockers for merchandise distribution | Singapore | **100.00** | 100.00 | **6,157** | 6,157 |
| | | | | | **18,262** | 18,262 |
| Held by a subsidiary | | | | | | |
| eP2M Services Sdn Bhd.(5) | Electronic printing and despatching services | Malaysia | **70.00** | 70.00 | **46** | 46 |
| DataPost (HK) Pte Limited(4) | Electronic printing and enveloping services | Hong Kong | **70.00** | - | **-** | - |
| | | | | | **46** | 46 |
| **ASSOCIATED COMPANY** | | | | | | |
| Held by the Company | | | | | | |
| G3 Worldwide Mail N.V.(6) | Provision of cross-border international mail | Netherlands | **24.50** | 24.50 | **80,922** | 80,922 |

## 37. LISTING OF COMPANIES IN THE GROUP (cont'd)

| | | | PERCENTAGE OF EFFECTIVE EQUITY HELD BY THE GROUP | | COST OF INVESTMENT | |
|---|---|---|---|---|---|---|
| NAME | PRINCIPAL ACTIVITIES | COUNTRY OF INCORPORATION | 2007 % | 2006 % | 2007 S$'000 | 2006 S$'000 |
| **JOINT VENTURES** | | | | | | |
| Held by the Company | | | | | | |
| G3 Worldwide Aspac Pte Ltd (3) | Investment holding, provision of business management and consultancy services to related corporations, provision of global business development services and the provision of international mail delivery services through appointed agents | Singapore | **62.25** | 62.25 | **2,450** | 2,450 |
| G3 Worldwide Distribution (Singapore) Pte Ltd (3) | Collection, receipt, sortation and delivery of cross-border mail | Singapore | **62.25** | 62.25 (1) | **(2)** | (2) |
| | | | | | **2,450** | 2,450 |
| Held by subsidiaries | | | | | | |
| Mail Boxes Exchange (MBE) Pte Ltd | Provision of business and communication services | Singapore | **50.00** | 50.00 | **400** | 400 |
| ePDS, Inc. (7) | Provision of electronic printing and despatching services | Philippines | **33.45** | 33.45 | **108** | 108 |
| | | | | | **508** | 508 |

**Notes**

(1) S$1 Golden share
(2) Denotes cost less than S$1,000
(3) The Group regards G3 Worldwide Aspac Pte Ltd and G3 Worldwide Distribution (Singapore) Pte Ltd as joint ventures because it exercises joint control.
(4) Not required to be audited in the financial year ended 31 March 2007 as this subsidiary was incorporated on 28 February 2007.

All companies are audited by PricewaterhouseCoopers, Singapore except for the following:

(5) Audited by Roger, Yue, Tan and Associates, Malaysia
(6) Audited by PricewaterhouseCoopers N.V.
(7) Audited by SyCip Gorres Velayo & Co, Philippines

## 1 DIRECTORS' REMUNERATION BAND

The following information relates to remuneration of directors of Singapore Post Limited:

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2007** | **2006** |
| Number of directors in remuneration bands | | |
| S$500,000 and above | **1** | 1 |
| S$250,000 to below S$500,000 | **-** | - |
| Below S$250,000 | **8** | 7 |
| | **9** | 8 |

## 2 MATERIAL CONTRACTS

There are no material contracts entered into by SingPost or any of its subsidiaries involving the interests of the chief executive officer, each director or controlling shareholder (as defined in the SGX Listing Manual), either still subsisting at the end of the financial year, or if not then subsisting, entered into since the end of the previous financial year.

## 3 INTERESTED PERSON TRANSACTIONS

During the financial year ended 31 March 2007, the following interested person transactions were entered into by the Group:

| | AGGREGATE VALUE OF ALL INTERESTED PERSON TRANSACTIONS DURING THE FINANCIAL PERIOD (EXCLUDING TRANSACTIONS LESS THAN S$100,000 AND TRANSACTIONS CONDUCTED UNDER SHAREHOLDERS' MANDATE PURSUANT TO RULE 920) | | AGGREGATE VALUE OF ALL INTERESTED PERSON TRANSACTIONS CONDUCTED UNDER SHAREHOLDERS' MANDATE PURSUANT TO RULE 920 (EXCLUDING TRANSACTIONS LESS THAN S$100,000) | |
|---|---|---|---|---|
| | 2007 S$'000 | 2006 S$'000 | 2007 S$'000 | 2006 S$'000 |
| **Sales** | | | | |
| MediaCorp Pte Ltd and its associates | **-** | - | **264** | - |
| Singapore Airlines Limited and its associates | **-** | 920* | **4,229*** | 2,820* |
| Singapore Telecommunications Limited and its associates | **-** | - | **15,160*** | 26,489* |
| Singapore Power Limited and its associates | **-** | - | **621** | - |
| | **-** | 920 | **20,274** | 29,309 |
| **Purchases** | | | | |
| Aetos Security Management Private Limited and its associates | **-** | - | **191** | - |
| Mapletree Investments Pte Ltd and its associates | **-** | - | **-** | 411* |
| Power Seraya Ltd and its associates | **-** | - | **12,271*** | - |
| SembCorp Industries Ltd and its associates | **-** | 5,700 | **-** | 590* |
| Singapore Airlines Limited and its associates | **-** | - | **2,613*** | 1,680 |
| Singapore Technologies Engineering Ltd and its associates | **-** | - | **-** | 470* |
| Singapore Telecommunications Limited and its associates | **-** | 495 | **1,175*** | 573* |
| Temasek Capital (Private) Limited and its associates | **-** | - | **671*** | - |
| | **-** | 6,195 | **16,921** | 3,724 |
| **Total interested person transactions** | **-** | 7,115 | **37,195** | 33,033 |

**Note**

All the transactions set out in the above tables were based on the Group's interested person transactions register. They were either based on contractual values for the duration of the contracts (which may vary from 1 month to 3 years) or based on actual transacted values during the period for open-ended contracts.

* Include contracts of duration exceeding one year.

# Shareholding Statistics

**AS AT 9 MAY 2007**

### NUMBER OF SHARES IN ISSUE

1,918,873,119

### CLASS OF SHARES

Ordinary Shares

### NUMBER OF SHAREHOLDERS

19,898

### VOTING RIGHTS

On show of hands – each member present in person and each proxy shall have one vote.
On poll – every member present in person or by proxy shall have one vote for every share he holds or represents.

### SUBSTANTIAL SHAREHOLDERS

| | DIRECT INTEREST | DEEMED INTEREST |
|---|---|---|
| Temasek Holdings (Private) Limited | - | 502,349,000 (1) |
| Singapore Telecommunications Limited | 494,000,000 | - |
| The Capital Group Companies, Inc. | - | 254,749,664 (2) |

**Notes**

(1) Deemed through its subsidiary, Singapore Telecommunications Limited and its associated company, DBS Group Holdings Ltd.

(2) Deemed through BBH Dublin, DBS Bank, DBS Nominees Pte. Ltd., Deutsche Bank AG (Hong Kong), Development Bank of Singapore Ltd, Raffles Nominees Pte. Ltd. and United Overseas Bank Nominees Pte. Ltd.

### ANALYSIS OF SHAREHOLDINGS

| RANGE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % OF SHAREHOLDERS | NO. OF SHARES | % OF ISSUED SHARE CAPITAL |
|---|---|---|---|---|
| 1 – 999 | 15 | 0.07 | 1,480 | 0.00 |
| 1,000 – 10,000 | 16,171 | 81.27 | 63,172,133 | 3.29 |
| 10,001 – 1,000,000 | 3,679 | 18.49 | 191,566,113 | 9.98 |
| 1,000,001 and above | 33 | 0.17 | 1,664,133,393 | 86.73 |
| | 19,898 | 100.00 | 1,918,873,119 | 100.00 |

# Shareholding Statistics

**AS AT 9 MAY 2007**

## MAJOR SHAREHOLDERS LIST
**(As shown in the Register of Members)**

| NO. | NAME | NO. OF SHARES HELD | % OF ISSUED SHARE CAPITAL |
|---|---|---|---|
| 1 | Singapore Telecommunications Limited | 494,000,000 | 25.75 |
| 2 | DBS Nominees Pte Ltd | 385,352,326 | 20.08 |
| 3 | DBSN Services Pte Ltd | 193,672,095 | 10.09 |
| 4 | HSBC (Singapore) Nominees Pte Ltd | 175,523,134 | 9.15 |
| 5 | Citibank Nominees Singapore Pte Ltd | 162,346,546 | 8.46 |
| 6 | Raffles Nominees Pte Ltd | 83,289,082 | 4.34 |
| 7 | United Overseas Bank Nominees Pte Ltd | 67,295,300 | 3.51 |
| 8 | DB Nominees (S) Pte Ltd | 31,476,974 | 1.64 |
| 9 | Morgan Stanley Asia (S'pore) | 16,490,083 | 0.86 |
| 10 | Thioequities Pte Ltd | 9,750,000 | 0.51 |
| 11 | Merrill Lynch (S'pore) Pte Ltd | 5,509,150 | 0.29 |
| 12 | OCBC Securities Private Ltd | 3,223,180 | 0.17 |
| 13 | OCBC Nominees Singapore Private Limited | 3,056,500 | 0.16 |
| 14 | Teo Yew Hwa | 2,992,099 | 0.16 |
| 15 | DBS Vickers Securities (S) Pte Ltd | 2,554,206 | 0.13 |
| 16 | UOB Kay Hian Pte Ltd | 2,217,000 | 0.12 |
| 17 | Tommie Goh Thiam Poh | 2,133,000 | 0.11 |
| 18 | SHAW Investments (1988) Pte Ltd | 2,000,000 | 0.10 |
| 19 | Tang Wee Loke | 2,000,000 | 0.10 |
| 20 | The Shaw Foundation Pte | 2,000,000 | 0.10 |
| | | 1,646,880,675 | 85.83 |

## SHAREHOLDING HELD IN HANDS OF PUBLIC

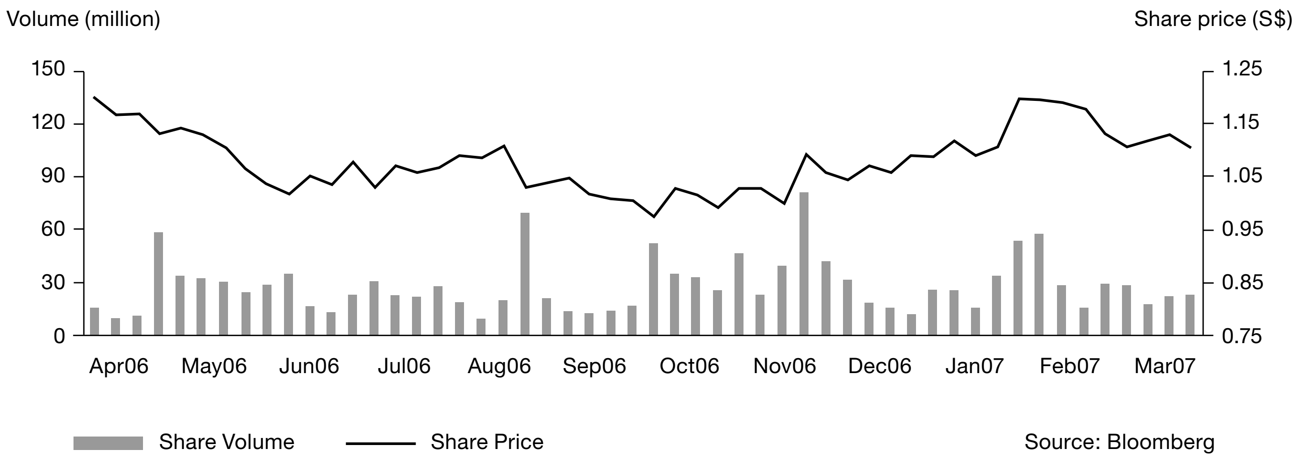
Based on information available to the Company as at 9 May 2007, approximately 60.36% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited which requires that at least 10% of the ordinary shares of the Company be at all times held by the public, is complied with.

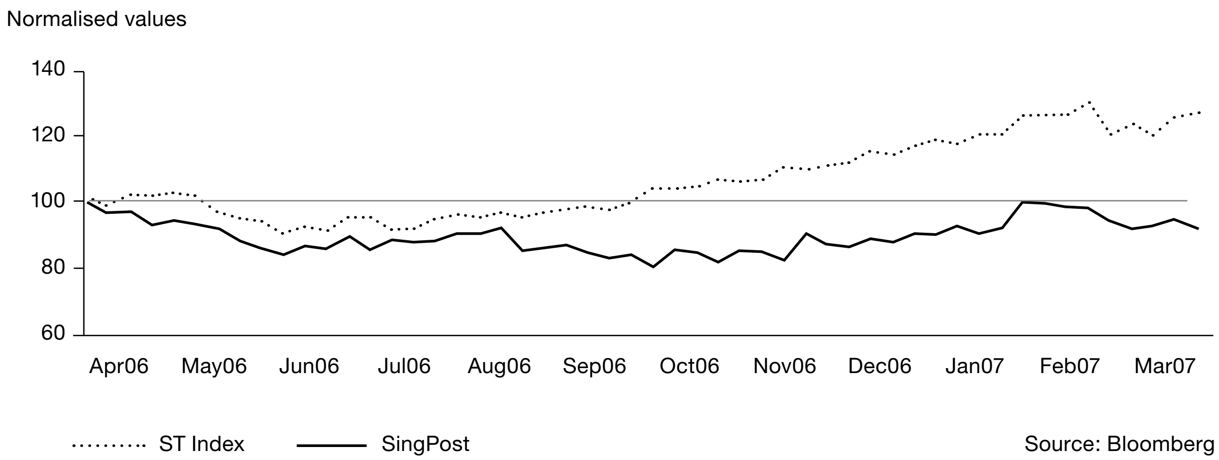
# Shareholder Returns

### SHARE PRICE PERFORMANCE

SingPost's share price closed at $1.11 on 30 March 2007. During the year, the share price traded in the range of $0.975 to $1.22. Since the IPO in May 2003, the share price has risen by 85 per cent from 60 cents to $1.11. Over the same period, the Straits Times Index (STI) rose 26.78 per cent from 2,548.7 to 3,231.2.

Capital Group, a substantial shareholder, increased its stake to 13.3% in FY2006/07.



# Shareholder Returns

## DIVIDENDS

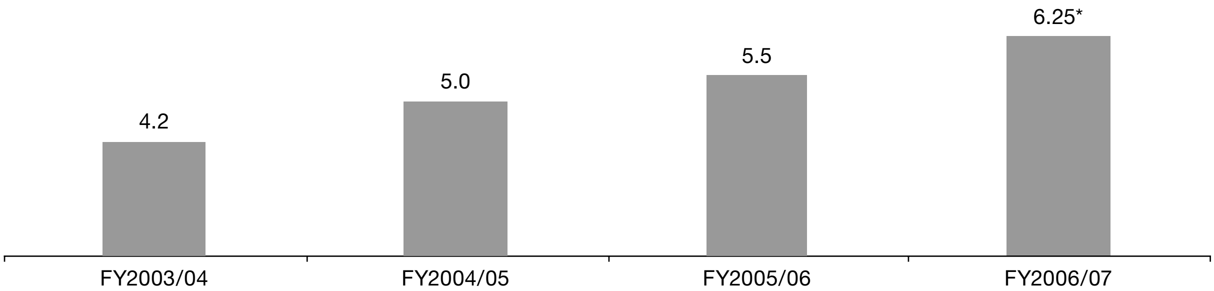
SingPost remains committed to a total annual net dividend payout of 80 to 90 per cent of net profit or a minimum net dividend of 5.0 cents per share, whichever is higher.

Given the good performance and robust cash flow, the Board of Directors is proposing a final dividend of 2.50 cents per share for FY2006/07. Together with the interim dividends of 1.25 cents per share paid in each of the first three quarters of FY2006/07, the proposed total annual dividend for FY2006/07 would amount to 6.25 cents per share.

This represents an increase of 13.6 per cent over the total dividend of 5.5 cents per share for FY2005/06 and a payout ratio of 85.6 per cent, which is within the target range of 80-90 per cent of net profit.

| FY2006/07 Dividends | Cents Per Share |
|---|---|
| Interim Q1 FY2006/07 | 1.25 cents |
| Interim Q2 FY2006/07 | 1.25 cents |
| Interim Q3 FY2006/07 | 1.25 cents |
| Final FY2006/07 (Proposed) | 2.50 cents |
| Total Dividend Paid/Proposed | 6.25 cents |

**Regular Dividends (cents per share)**




* Including proposed final dividend of 2.5 cents per share.
Note: In FY2005/06, SingPost paid a special dividend of 10 cents per share.

## TOTAL SHAREHOLDER'S RETURN

The 1-year total shareholder's return (TSR) of SingPost shares was approximately 25 per cent. The TSR of the shares since the initial public offering in May 2003, a period of almost 4 years, amounted to approximately 144 per cent.

# Notice of Annual General Meeting

**SINGAPORE POST LIMITED** (Incorporated in the Republic of Singapore) Company Registration Number: 199201623M

NOTICE IS HEREBY GIVEN THAT THE 15TH ANNUAL GENERAL MEETING of the Company will be held at 10 Eunos Road 8, Singapore Post Centre, SingPost Pavilion (Theatrette) #05-30, Singapore 408600 on Friday, 29 June 2007 at 10.30 a.m. to transact the following businesses:-

**ORDINARY BUSINESS**

1. To receive and adopt the Audited Accounts for the financial year ended 31 March 2007, and the Directors' Report and Independent Auditor's Report thereon. (Resolution 1)

2. To declare a final tax exempt 1-tier dividend of 2.5 cents per ordinary share in respect of the financial year ended 31 March 2007. (Resolution 2)

3. To re-elect the following directors who retire by rotation in accordance with Article 91 of the Company's Articles of Association and who, being eligible, offer themselves for re-election(1):

   (a) Mr Lau Boon Tuan(2) (Resolution 3)
   (b) Mr Ong Ah Heng(2) (Resolution 4)

4. To re-elect the following directors who retire in accordance with Article 97 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:

   (a) Mr Timothy Chia Chee Ming(2) (Resolution 5)
   (b) Mr Lee Chong Kwee(2) (Resolution 6)

5. To approve directors' fees payable by the Company of S$594,646 for the financial year ended 31 March 2007 (2006: S$438,099). (Resolution 7)

6. To appoint Auditors and to authorise the directors to fix their remuneration. (Resolution 8)

7. To transact any other business of an Annual General Meeting.

**NOTES**

(1) In relation to the retirement of Directors by rotation at the 15th Annual General Meeting, Mr Lee Hsien Yang is also due to retire by rotation, but has given notice to the Company that he does not wish to be re-elected to office thereat.

(2) Detailed information about these directors can be found in the "Corporate Governance Report" section of the Company's Annual Report 2006/07.

**SPECIAL BUSINESS**

8. To consider and, if thought fit, to pass with or without any amendments the following resolutions as ordinary resolutions:-

a) That authority be and is hereby given to the directors to:
(i) (1) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
(2) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the directors may in their absolute discretion deem fit; and
(ii) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the directors of the Company while this Resolution is in force,

provided that:-
(I) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (II) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 10 per cent of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (II) below);

(II) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (I) above, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for:
(1) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
(2) any subsequent consolidation or sub-division of shares;

(III) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(IV) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. (Resolution 9)

b) That approval be and is hereby given to the directors to offer and grant options ("Options") in accordance with the provisions of the Singapore Post Share Option Scheme ("Share Option Scheme") and to allot and issue from time to time such number of shares as may be required to be issued pursuant to the exercise of the Options under the Share Option Scheme, provided that the aggregate number of shares to be issued pursuant to the Share Option Scheme shall not exceed 5 per cent of the total number of issued shares in the capital of the Company from time to time. (Resolution 10)

**BY ORDER OF THE BOARD**

**Leong Chee Sian (Ms)**
Company Secretary
Singapore
6 June 2007

## STATEMENT PURSUANT TO ARTICLE 52(C) OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

**Resolution 9** is to empower the directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding in total 50 per cent of the issued shares in the capital of the Company, with a sub-limit of 10 per cent for issues other than on a pro rata basis to shareholders. The 10 per cent sub-limit for non-pro rata share issues is lower than the 20 per cent sub-limit allowed under the Listing Manual of the Singapore Exchange Securities Trading Limited and the Articles of Association of the Company. The Company is seeking approval from shareholders for a lower sub-limit for non-pro rata share issues as it does not anticipate that it will require a higher sub-limit before the next Annual General Meeting. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the issued shares in the capital of the Company at the time that Resolution 9 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting as at the time that Resolution 9 is passed, and (b) any subsequent consolidation or subdivision of shares.

**Resolution 10** is to empower the directors to offer and grant options, and to issue shares in the capital of the Company, pursuant to the Singapore Post Share Option Scheme ("Share Option Scheme") provided that the aggregate number of shares to be issued does not exceed 5 per cent of the total number of issued shares in the capital of the Company for the time being. Although the Rules of the Share Option Scheme provide that the maximum number of shares which may be issued under the Share Option Scheme is limited to 10 per cent of the total number of issued shares in the capital of the Company, Resolution 10 provides for a lower limit, namely, 5 per cent of the total number of issued shares in the capital of the Company, as the Company does not anticipate that it will require a higher limit before the next Annual General Meeting.

**NOTES**

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote instead of him and such proxy need not be a member of the Company. Every instrument of proxy shall be deposited at the registered office of the Company at 10 Eunos Road 8, Singapore Post Centre, Singapore 408600 (Attention: Secretariat) not less than 48 hours before the time appointed for the Annual General Meeting.

# Notice of Books Closure

**SINGAPORE POST LIMITED** (Incorporated in the Republic of Singapore) Company Registration Number: 199201623M

NOTICE IS ALSO HEREBY GIVEN THAT the Transfer Book and Register of Members of the Company will be closed on 6 July 2007 for the preparation of dividend warrants. Duly completed registrable transfers of ordinary shares in the capital of the Company ("Shares") received by the Company's Registrar, M & C Services Private Limited of 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906, up to 5 p.m. on 5 July 2007 will be registered to determine members' entitlements to the proposed final dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with Shares at 5 p.m. on 5 July 2007 will be entitled to the proposed final net dividend. Payment of the dividend, if approved by members at the 15th Annual General Meeting, will be made on 18 July 2007.

**BY ORDER OF THE BOARD**

**Leong Chee Sian (Ms)**
Company Secretary
Singapore
6 June 2007

# SINGAPORE POST LIMITED

**(Incorporated in the Republic of Singapore)**
**Company Registration Number: 199201623M**

**IMPORTANT**

1. For investors who have used their CPF monies to buy shares in the capital of Singapore Post Limited, this Proxy Form 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.

## ANNUAL GENERAL MEETING PROXY FORM

I/We ______________________________ NRIC No. ______________

of ______________________________________________

being a member/members of the abovenamed Company, hereby appoint:

| NAME | ADDRESS | NRIC/PASSPORT NUMBER | PROPORTION OF SHAREHOLDINGS (%) |
|---|---|---|---|
| | | | |
| and/or (delete as appropriate) | | | |
| | | | |

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting, as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the 15th Annual General Meeting of the Company to be held at 10 Eunos Road 8, Singapore Post Centre, SingPost Pavilion (Theatrette) #05-30, Singapore 408600 on Friday, 29 June 2007 at 10.30 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Ordinary Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

| ORDINARY RESOLUTIONS | | FOR | AGAINST |
|---|---|---|---|
| 1. | To receive and adopt the Audited Accounts, Directors' Report and Independent Auditor's Report | | |
| 2. | To declare a final tax exempt 1-tier dividend of 2.5 cents per ordinary share | | |
| 3. | To re-elect Mr Lau Boon Tuan as director | | |
| 4. | To re-elect Mr Ong Ah Heng as director | | |
| 5. | To re-elect Mr Timothy Chia Chee Ming as director | | |
| 6. | To re-elect Mr Lee Chong Kwee as director | | |
| 7. | To approve directors' fees payable by the Company | | |
| 8. | To appoint Auditors of the Company and to authorise the directors to fix their remuneration | | |
| 9. | To authorise directors to issue shares and to make or grant convertible instruments | | |
| 10. | To authorise Directors to offer/grant options and allot/issue shares pursuant to the Singapore Post Share Option Scheme | | |

Dated this __________ day of __________ 2007

| TOTAL NUMBER OF SHARES HELD | |
|---|---|

Signature(s) of member(s)/Common Seal

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**Secretariat**

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(Co. Reg. No. 199201623M)
10 Eunos Road 8
Singapore Post Centre
Singapore 408600

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# IMPORTANT:
## PLEASE READ THE FOLLOWING NOTES TO THE PROXY FORM

**NOTES**

1. If you have Ordinary Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Ordinary Shares. If you have Ordinary Shares registered in your name in the Register of Members, you should insert that number of Ordinary Shares. If you have Ordinary Shares entered against your name in the Depository Register and Ordinary Shares registered in your name in the Register of Members, you should insert the aggregate number of Ordinary Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Ordinary Shares in the capital of the Company held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. In the case of a joint appointment of two proxies, the Chairman of the Meeting will be a member's proxy by default if either or both of the proxies appointed do not attend the Annual General Meeting. In the case of an appointment of two proxies in the alternative, the Chairman of the Meeting will be a member's proxy by default if both of the proxies appointed do not attend the Annual General Meeting.

4. The instrument appointing a proxy or proxies must be lodged at the registered office of the Company at 10 Eunos Road 8, Singapore Post Centre, Singapore 408600 (Attention: Secretariat), not less than 48 hours before the time appointed for the Annual General Meeting.

5. 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 seal or under the hand of an officer or attorney duly authorised.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**GENERAL:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Ordinary Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Ordinary 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.

# Contact Points

## REGISTERED OFFICE

Singapore Post Limited
10 Eunos Road 8
Singapore Post Centre
Singapore 408600

Tel: +65 6841 2000
Fax: +65 6841 5745
Email: singpost@singpost.com
Web: www.singpost.com

### Company Secretary

Leong Chee Sian (Ms)

## SHARE REGISTRAR

M&C Services Private Limited
138 Robinson Road
#17-00 The Corporate Office
Singapore 068906

Tel: +65 6227 6660
Fax: +65 6225 1452

## AUDITORS

PricewaterhouseCoopers
8 Cross Street #17-00
PWC Building
Singapore 048424

Tel: +65 6236 3388
Fax: +65 6236 3300

### Audit Partner

Soh Kok Leong
Appointed with effect from financial year ended 31 March 2003

**REGISTERED OFFICE**
Singapore Post Limited
Co. Reg. No.: 199201623M
10 Eunos Road 8
Singapore Post Centre
Singapore 408600