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**Sentosa**

09/10 FINANCIAL REPORT





## INDEPENDENT AUDITORS' REPORT TO THE BOARD MEMBERS OF SENTOSA DEVELOPMENT CORPORATION

We have audited the accompanying financial statements of Sentosa Development Corporation (the "Corporation") and its subsidiaries (collectively, the "Group"), set out on pages 2 to 61, which comprise the balance sheets of the Group and the Corporation as at 31 March 2010, the statements of comprehensive income of the Group and the Corporation for the financial year ended 31 March 2010, statements of changes in equity of the Group and the Corporation, and the statement of cash flow of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

### Board members' responsibility for the financial statements

The Corporation's Board members are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Sentosa Development Corporation Act (Chapter 291) (the "Act") and Statutory Board 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.

### Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, 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 Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board members, 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,

- (i) the consolidated financial statements of the Group, the statement of comprehensive income, the balance sheet, and the statement of changes in equity of the Corporation are properly drawn up in accordance with the provisions of the Act and Statutory Board Financial Reporting Standards, so as to give a true and fair view of the state of affairs of the Group and of the Corporation as at 31 March 2010, and of the results and cash flows of the Group for the financial year then ended on that date; and
- (ii) the accounting and other records, and the registers required by the Act to be kept by the Corporation and its subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

During the course of our audit, nothing came to our notice that caused us to believe that the receipt, expenditure and investments of monies and the acquisition and disposal of assets by the Corporation during the financial year have not been in accordance with the provisions of the Act.



**ERNST & YOUNG LLP**

Public Accountants and Certified Public Accountants

Singapore

30 June 2010

## STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2010

	Note	Group		Corporation	
		2010 \$	2009 \$	2010 \$	2009 \$
<b>Income</b>					
Land sale		16,417,000	16,520,000	16,417,000	16,520,000
Admission fees and packages		44,101,058	39,824,055	43,868,958	39,824,055
Rental and hiring of facilities	3	20,410,939	17,929,080	22,225,787	19,949,891
Interest income		13,892,886	35,304,824	13,859,076	35,291,900
Other income	4	63,117,477	59,588,565	42,612,158	49,006,913
		157,939,360	169,166,524	138,982,979	160,592,759
<b>Expenditure</b>					
Cost of land sale		1,409,116	1,878,592	1,548,258	2,126,392
Cost of sale on admission fees and packages		8,524,704	9,123,982	10,463,082	10,977,443
Staff costs	5	43,129,647	45,995,069	38,608,631	42,665,604
Depreciation of property, plant and equipment	10	52,103,323	53,356,268	50,521,871	52,794,038
Amortisation of land premium	11	2,440,392	2,440,392	2,440,392	2,440,392
Repairs and maintenance		15,699,795	16,146,215	14,892,229	15,634,273
Publicity and promotion		14,306,553	18,247,340	13,811,740	18,024,844
Inventories used		9,549,218	8,785,878	3,731,972	3,663,829
Interest expense		685	1,704	685	1,704
Provision for development charges	6	100,000,000	6,074,800	100,000,000	6,074,800
Cove infrastructure expenditure	6	31,990,402	–	32,097,515	–
General and administrative expenses	6	28,809,806	28,485,281	24,831,447	27,835,411
		307,963,641	190,535,521	292,947,822	182,238,730
<b>Deficit before Government Grants</b>					
		(150,024,281)	(21,368,997)	(153,964,843)	(21,645,971)
Deferred capital grants amortised	24	2,416,113	1,443,894	2,416,113	1,443,894
Share of results of an associate	13	(864,224)	3,302,947	–	–
Share of results of a joint venture	14	91,554	(1)	–	–
<b>Deficit before taxation and contribution to Consolidated Fund</b>					
		(148,380,838)	(16,622,157)	(151,548,730)	(20,202,077)
Taxation	7	(643,100)	(1,204,079)	–	–
Contribution to Consolidated Fund	8	–	–	–	–
<b>Net deficit for the year, net of taxation and contribution to Consolidated Fund</b>					
		(149,023,938)	(17,826,236)	(151,548,730)	(20,202,077)
<b>Other comprehensive income/(expenses):</b>					
Net fair value gain on available-for-sale financial asset		442,370	–	–	–
Revaluation on acquisition of a subsidiary	31	16,176,290	–	–	–
Share of other comprehensive expenses of associates	31	–	(180,202)	–	–
<b>Other comprehensive income/(expenses) for the year, net of tax</b>					
		16,618,660	(180,202)	–	–
<b>Total comprehensive expenses for the year</b>					
		(132,405,278)	(18,006,438)	(151,548,730)	(20,202,077)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## BALANCE SHEETS

As at 31 March 2010

	Note	Group		Corporation	
		2010 \$	2009 \$ (Restated)	2010 \$	2009 \$
<b>ASSETS</b>					
<b>Non-current assets</b>					
Heritage materials	9	26,398,500	26,398,500	–	–
Property, plant and equipment	10	689,492,198	631,443,739	619,005,236	629,438,190
Land premium	11	28,674,822	31,115,214	28,674,822	31,115,214
Investments in subsidiaries	12	–	–	34,767,622	2
Investment in an associate	13	–	23,487,877	–	699,620
Investments in joint ventures	14	14,743,447	–	–	–
Long-term investments	15	3,043,983	2,000,000	2,000,000	2,000,000
		762,352,950	714,445,330	684,447,680	663,253,026
<b>Current assets</b>					
Inventories	16	10,174,992	10,990,604	7,816,294	9,487,564
Trade and other receivables	17	22,114,052	33,531,289	32,633,038	44,050,083
Prepayments		570,955	443,781	333,676	327,845
Loan receivable from a subsidiary	18	–	–	26,398,500	26,398,500
Cash and bank balances	19	2,361,144,137	2,680,471,391	2,337,838,244	2,677,010,412
		2,394,004,136	2,725,437,065	2,405,019,752	2,757,274,404
<b>Total assets</b>		3,156,357,086	3,439,882,395	3,089,467,432	3,420,527,430
<b>EQUITY AND LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	20	126,677,761	297,107,304	172,474,815	362,992,023
Loans and borrowings	21	32,107,238	26,398,500	26,398,500	26,398,500
Specific fund	22	1,045,176	1,544,579	1,045,176	1,544,579
Provision for cove infrastructure	23	17,966,000	5,889,951	17,966,000	5,889,951
Deferred capital grants	24	2,416,113	1,443,894	2,416,113	1,443,894
Deferred income	25	11,893,553	16,488,125	11,893,553	16,488,125
Provision for contribution to Consolidated Fund	8	–	–	–	–
Income tax payable		727,806	131,606	–	–
		192,833,647	349,003,959	232,194,157	414,757,072
<b>Net current assets</b>		2,201,170,489	2,376,433,106	2,172,825,595	2,342,517,332
<b>Non-current liabilities</b>					
Other payables	20	1,101,480	584,095	63,715	80,789
Provision for cove infrastructure	23	219,054,855	205,030,453	218,926,088	204,794,573
Deferred capital grants	24	13,892,632	17,280,964	13,892,632	17,280,964
Deferred income	25	52,443,762	60,118,224	52,443,762	60,118,224
Deferred tax liabilities	26	1,802,949	231,661	–	–
		288,295,678	283,245,397	285,326,197	282,274,550
<b>Total liabilities</b>		481,129,325	632,249,356	517,520,354	697,031,622
<b>Net assets</b>		2,675,227,761	2,807,633,039	2,571,947,078	2,723,495,808

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS *(cont'd)*

As at 31 March 2010

	Note	Group		Corporation	
		2010 \$	2009 \$ (Restated)	2010 \$	2009 \$
<b>EQUITY AND LIABILITIES</b>					
<b>(CONT'D)</b>					
<b>Equity</b>					
Capital account	27	3,590,495	3,590,495	3,590,495	3,590,495
Accumulated surplus					
- General fund	28 (a)	2,517,289,494	2,672,141,772	2,430,627,471	2,588,004,541
- Restricted funds	28 (b)	137,729,112	131,900,772	137,729,112	131,900,772
		2,655,018,606	2,804,042,544	2,568,356,583	2,719,905,313
Capital reserve	29	-	-	-	-
Fair value reserve	30	442,370	-	-	-
Revaluation reserve	31	16,176,290	-	-	-
<b>Total equity</b>		2,675,227,761	2,807,633,039	2,571,947,078	2,723,495,808
<b>Total equity and liabilities</b>		3,156,357,086	3,439,882,395	3,089,467,432	3,420,527,430



**Dr Loo Choon Yong**  
Chairman



**Jennie Chua Kheng Yeng**  
Board member

## STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2010

Group	Capital account (Note 27)	General fund	Restricted funds	Accumulated surplus (Note 28)	Capital reserve (Note 29)	Fair value reserve (Note 30)	Revaluation reserve (Note 31)	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
<b>2010</b>								
Balance at 1 April 2009, as previously reported	3,590,495	2,668,446,408	131,900,772	2,800,347,180	3,662,141	33,223	–	2,807,633,039
Adjustments to initial accounting for a business combination (Note 37)	–	3,695,364	–	3,695,364	(3,662,141)	(33,223)	–	–
Balance at 1 April 2009, restated	3,590,495	2,672,141,772	131,900,772	2,804,042,544	–	–	–	2,807,633,039
Net deficit for the financial year	–	(149,023,938)	–	(149,023,938)	–	–	–	(149,023,938)
Other comprehensive income for the financial year	–	–	–	–	–	442,370	16,176,290	16,618,660
Total comprehensive (expenses)/ income for the financial year	–	(149,023,938)	–	(149,023,938)	–	442,370	16,176,290	(132,405,278)
Transfer to restricted funds	–	(5,828,340)	5,828,340	–	–	–	–	–
<b>Balance at 31 March 2010</b>	<b>3,590,495</b>	<b>2,517,289,494</b>	<b>137,729,112</b>	<b>2,655,018,606</b>	<b>–</b>	<b>442,370</b>	<b>16,176,290</b>	<b>2,675,227,761</b>
<b>2009</b>								
Balance at 1 April 2008	3,589,495	2,692,103,044	126,070,372	2,818,173,416	3,662,141	213,425	–	2,825,638,477
Net deficit for the financial year	–	(17,826,236)	–	(17,826,236)	–	–	–	(17,826,236)
Other comprehensive expenses for the financial year	–	–	–	–	–	(180,202)	–	(180,202)
Total comprehensive expenses for the financial year	–	(17,826,236)	–	(17,826,236)	–	(180,202)	–	(18,006,438)
Capital injected by the Government	1,000	–	–	–	–	–	–	1,000
Transfer to restricted funds	–	(5,830,400)	5,830,400	–	–	–	–	–
Transfer to general fund	–	3,695,364	–	3,695,364	(3,662,141)	(33,223)	–	–
<b>Balance at 31 March 2009</b>	<b>3,590,495</b>	<b>2,672,141,772</b>	<b>131,900,772</b>	<b>2,804,042,544</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,807,633,039</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY *(cont'd)*

For the financial year ended 31 March 2010

Corporation	Capital account (Note 27) \$	General fund \$	Restricted funds \$	Accumulated surplus (Note 28) \$	Total equity \$
<b>2010</b>					
Balance at 1 April 2009	3,590,495	2,588,004,541	131,900,772	2,719,905,313	2,723,495,808
Net deficit for the financial year	–	(151,548,730)	–	(151,548,730)	(151,548,730)
Total comprehensive expenses for the financial year	–	(151,548,730)	–	(151,548,730)	(151,548,730)
Transfer to restricted funds	–	(5,828,340)	5,828,340	–	–
<b>Balance at 31 March 2010</b>	<b>3,590,495</b>	<b>2,430,627,471</b>	<b>137,729,112</b>	<b>2,568,356,583</b>	<b>2,571,947,078</b>
<b>2009</b>					
Balance at 1 April 2008	3,589,495	2,614,037,018	126,070,372	2,740,107,390	2,743,696,885
Net deficit for the financial year	–	(20,202,077)	–	(20,202,077)	(20,202,077)
Total comprehensive expenses for the financial year	–	(20,202,077)	–	(20,202,077)	(20,202,077)
Capital injected by the Government	1,000	–	–	–	1,000
Transfer to restricted funds	–	(5,830,400)	5,830,400	–	–
<b>Balance at 31 March 2009</b>	<b>3,590,495</b>	<b>2,588,004,541</b>	<b>131,900,772</b>	<b>2,719,905,313</b>	<b>2,723,495,808</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOW

For the financial year ended 31 March 2010

	Group	
	2010	2009
	\$	\$
<b>Cash flow from operating activities</b>		
Deficit before taxation and contribution to Consolidated Fund	(148,380,838)	(16,622,157)
Adjustments for :		
Interest expense	685	1,704
Interest income	(13,892,886)	(35,304,824)
Depreciation of property, plant and equipment	52,103,323	53,356,268
Amortisation of land premium	2,440,392	2,440,392
Gain on disposal of property, plant and equipment	(259,360)	(103,110)
Write-offs of property, plant and equipment	2,332,423	–
Inventories written off	24,483	–
Bad debts written off	15,535	–
Impairment loss on doubtful trade receivables, net	640,424	171,957
Negative goodwill on consolidation	(4,731,949)	–
Deferred income recognised	(12,269,035)	(16,488,125)
Share of results of an associate	864,224	(3,302,947)
Share of results of a joint venture	(91,554)	1
Deferred capital grants amortised	(2,416,113)	(1,443,894)
<b>Deficit before working capital changes</b>	(123,620,246)	(17,294,735)
Decrease in inventories	1,260,931	2,029,033
Decrease in trade and other receivables, and prepayments	9,893,476	836,539,751
Decrease in trade and other payables	(188,760,327)	(18,239,990)
Increase/(decrease) in provision for cove infrastructure	26,100,451	(8,923,950)
<b>Cash flow (used in)/generated from operations</b>	(275,125,715)	794,110,109
Contribution to Consolidated Fund	–	(310,601,162)
Tax paid	(277,876)	(7,093,077)
<b>Net cash flow (used in)/generated from operating activities</b>	(275,403,591)	476,415,870
<b>Cash flow from investing activities</b>		
Interest received	14,131,851	35,264,831
Purchase of property, plant and equipment	(53,856,648)	(47,349,854)
Proceeds from disposal of property, plant and equipment	1,620,344	406,252
Investment in a joint venture	–	(1)
Net cash outflow on acquisition of a subsidiary (Note 12)	(8,031,488)	–
<b>Net cash flow used in investing activities</b>	(46,135,941)	(11,678,772)
<b>Cash flow from financing activities</b>		
Proceeds from loans and borrowings	5,708,738	–
Interest paid	(685)	(1,704)
Capital injected by the Government	–	1,000
Grant received from a statutory board	–	7,175,000
<b>Net cash flow generated from financing activities</b>	5,708,053	7,174,296
Net (decrease)/increase in cash and cash equivalents	(315,831,479)	471,911,394
Cash and cash equivalents at beginning of year	2,675,740,046	2,203,828,652
<b>Cash and cash equivalents at end of year (Note 19)</b>	2,359,908,567	2,675,740,046

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 1. Corporate information

Sentosa Development Corporation (the "Corporation") was established under the Sentosa Development Corporation Act (Chapter 291) (the "Act"), under the purview of the Ministry of Trade and Industry. As a statutory board, the Corporation is subject to the directions of the Ministry of Trade and Industry and is required to implement policies and policy changes as determined by its supervisory ministry and other Government ministries such as the Ministry of Finance from time to time.

The registered office and principal place of business of the Corporation is located at 33 Allanbrooke Road, Sentosa, Singapore 099981.

The Corporation's primary function is to control and administer Sentosa Island and encourage the development of services, facilities and amenities on Sentosa Island for tourists and the public. There have been no significant changes in the nature of this function during the financial year.

The Corporation has a division, Sentosa Golf Club (the "Club"), a proprietary club registered with the Registrar of Societies under the Societies Act (Chapter 311). The proprietor of the Club is Sentosa Development Corporation. The principal activities of the Club are to provide and maintain a clubhouse and facilities for golf and other recreational activities for its members. There have been no significant changes in the nature of these activities during the financial year. Transactions of the Club are accounted for as part of the Corporation's accounts.

On 25 November 2009, the Corporation acquired the remaining 50% equity interest in its 50%- owned associate, Mount Faber Leisure Group Pte. Ltd. ("MFLG") for a cash consideration of \$34,068,000. Upon acquisition, MFLG became a wholly-owned subsidiary of the Group (Note 12). The principal activities of MFLG are disclosed in Note 12 to the financial statements.

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

### 2. Summary of significant accounting policies

#### 2.1 Basis of preparation

The consolidated financial statements of the Group, and the balance sheet, and the statements of comprehensive income and changes in equity of the Corporation have been prepared in accordance with the provisions of the Sentosa Development Corporation Act (Chapter 291) and Statutory Board Financial Reporting Standards ("SB-FRS").

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or \$).

#### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 April 2009, the Group adopted the following standards mandatory for annual financial periods beginning on or after 1 January 2009.

- SB-FRS 1, Presentation of Financial Statements (Revised)
- Amendments to SB-FRS 107, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
- Improvements to SB-FRSs issued

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 2. Summary of significant accounting policies (cont'd)

#### 2.2 Changes in accounting policies (Cont'd)

Adoption of these standards did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including, in some cases, revisions to accounting policies.

The principal effects of these changes are as follows:

##### SB-FRS 1, Presentation of Financial Statements – Revised Presentation

The revised SB-FRS 1 separates proprietor and non-proprietor changes in equity. The statement of changes in equity includes only details of transactions with proprietor, with all non-proprietor changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present this statement as one single statement.

##### Amendments to SB-FRS 107, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments

The amendments to SB-FRS 107 require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and liquidity risk disclosures are presented in Notes 34 and 35 to the financial statements respectively.

##### Improvements to SB-FRSs issued

The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

- SB-FRS 1, Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with SB-FRS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet. The Group amended its accounting policy accordingly and analysed whether management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the balance sheet.
- SB-FRS 16, Property, Plant and Equipment: Replaces the term "net selling price" with "fair value less costs to sell".
- SB-FRS 23, Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method calculated in accordance with SB-FRS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 2. Summary of significant accounting policies (cont'd)

#### 2.3 Standards issued but not yet effective

The Group and the Corporation have not adopted the following standards and interpretations that have been issued but not yet effective:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to INT SB-FRS 114, Prepayments of a Minimum Funding Requirement	1 January 2011
Amendments to SB-FRS 27, Consolidated and Separate Financial Statements	1 July 2009
Amendments to SB-FRS 32, Classification of Rights Issues	1 February 2010
Amendments to SB-FRS 39, Financial Instruments: Recognition and Measurement – Eligible Hedged Items	1 July 2009
Amendments to SB-FRS 101, Additional Exemptions for First-time Adopters	1 January 2010
Amendments to SB-FRS 101, Limited Exemption from Comparative SB-FRS 107 Disclosure for First-time Adopters	1 July 2010
Amendments to SB-FRS 102, Group Cash-settled Share-based Payment Transactions	1 January 2010
INT SB-FRS 117, Distributions of Non-cash Assets to Owners	1 July 2009
INT SB-FRS 118, Transfers of Assets from Customers	1 July 2009
INT SB-FRS 119, Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
SB-FRS 101, First-time Adoption of Statutory Board Financial Reporting Standards (Revised)	1 July 2009
SB-FRS 103, Business Combinations (Revised)	1 July 2009
Improvements to SB-FRS:	
- Amendments to SB-FRS 105, Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
- Amendments to SB-FRS 102, Share-based Payment	1 July 2009
- Amendments to SB-FRS 105, Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
- Amendments to SB-FRS 108, Operating Segments	1 January 2010
- Amendments to SB-FRS 1, Presentation of Financial Statements	1 January 2010
- Amendments to SB-FRS 7, Statement of Cash Flows	1 January 2010
- Amendments to SB-FRS 17, Leases	1 January 2010
- Amendments to SB-FRS 18, Revenue	1 January 2010
- Amendments to SB-FRS 36, Impairment of Assets	1 January 2010
- Amendments to SB-FRS 38, Intangible Assets	1 July 2009
- Amendments to SB-FRS 39, Financial Instruments: Recognition and Measurement	1 January 2010
- Amendments to INT SB-FRS 109, Reassessment of Embedded Derivatives	1 July 2009
- Amendments to INT SB-FRS 116, Hedges of a Net Investment in a Foreign Operation	1 July 2009

Except for the revised SB-FRS 103 and the amendments to SB-FRS 27, the Board members expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised SB-FRS 103 and the amendments to SB-FRS 27 are described below.

#### Revised SB-FRS 103, Business Combinations and Amendments to SB-FRS 27, Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2009. The revised SB-FRS 103 introduces a number of changes in the accounting for business combinations occurring after 1 July 2009. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 2. Summary of significant accounting policies (cont'd)

#### 2.3 Standards issued but not yet effective (cont'd)

The amendments to SB-FRS 27 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

Other consequential amendments were made to SB-FRS 7, Cash Flow Statements, SB-FRS 12, Income Taxes, SB-FRS 21, The Effects of Changes in Foreign Exchange Rates, SB-FRS 28, Investments in Associates, and SB-FRS 31, Interests in Joint Ventures. The changes from revised SB-FRS 103 and amendments to SB-FRS 27 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. However, the Group does not intend to early adopt.

#### 2.4 Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

##### (a) Key sources of estimation uncertainty

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

##### (i) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 103 (2009: 3 to 103) years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

A 5% (2009: 5%) difference in the expected useful lives of these assets from management's estimates would result in approximately 2% (2009: 15%) variance in the Group's net deficit for the year.

The carrying amounts of the Group's and the Corporation's property, plant and equipment as at 31 March 2010 are disclosed in Note 10 to the financial statements.

##### (ii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Further details of the key assumptions applied in the impairment assessment of non-financial assets are included in the various notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 2. Summary of significant accounting policies (cont'd)

#### 2.4 Significant accounting estimates and judgements (cont'd)

##### (a) Key sources of estimation uncertainty (cont'd)

###### (iii) Impairment of loans and receivables

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's loans and receivables at the balance sheet date are disclosed in Note 17 to the financial statements.

##### (b) Judgements made in applying accounting policies

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

###### (i) Operating lease commitments – as lessor

The Group has entered into lease agreements with tenants on its leasehold land, buildings, attractions and facilities. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these assets and so accounted for the contracts as operating leases.

###### (ii) Income taxes

Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's provision for taxation and deferred tax liabilities as at 31 March 2010 were \$727,806 (2009: \$131,606) and \$1,802,949 (2009: \$231,661) respectively.

###### (iii) Held-to-maturity investments

The Group follows the guidance of SB-FRS 39 on classifying non-derivatives financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity, other than for specific circumstances explained in SB-FRS 39, it will be required to classify these investments as available-for-sale. The investments would therefore be measured at fair value, instead of amortised cost.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 2. Summary of significant accounting policies (cont'd)

#### 2.4 Significant accounting estimates and judgements (cont'd)

##### (b) Judgements made in applying accounting policies (cont'd)

###### (iv) Impairment of available-for-sale investments

The Group reviews its quoted equity securities classified as available-for-sale investments at each balance sheet date to assess whether they are impaired. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

When the fair value declines, management exercises judgment based on the observable data relating to the possible events that may have caused the decline in value to determine whether the decline in value is an impairment that should be recognised in the statement of comprehensive income.

For the financial year ended 31 March 2010, the Group had not recognised any impairment loss on available-for-sale investments.

###### (v) Provision for cove infrastructure

There is a present, legal and constructive obligation for the provision of infrastructure and amenities to purchasers of the Cove land, for which management expects to incur the expenditure.

The provision for cove infrastructure is based on the most reliable estimates using comparable tendered contracts and quotes where available.

###### (vi) Provision for development charges

In estimating the provision for development charges, management had relied on Interim Orders received from the Urban Redevelopment and computation formulae from the Chief Valuer's Office for development charges. The carrying amount of provision for development charges of the Group and the Corporation at the balance sheet date was \$21,470,000 (2009: \$200,000,000).

#### 2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in preparation of the consolidated financial statements are prepared for the same reporting date as the parent Corporation. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 2. Summary of significant accounting policies (cont'd)

#### 2.5 Basis of consolidation (cont'd)

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the consolidated balance sheet.

Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the statement of comprehensive income on the date of acquisition.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

#### 2.6 Foreign currency

Transactions in foreign currencies are measured in the respective functional currencies of the Corporation and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the comprehensive income.

#### 2.7 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

##### (a) Land sale

Revenue from sale of land is recognised on the sale sites for which sales agreements have been concluded.

##### (b) Admission fees and packages

Income from admission fees and packages is recognised on sale and presentation of admission tickets and packages, net of discount.

##### (c) Rental and hiring of facilities

Rental income is recognised based on the terms of the tenancy agreements.

Lease income from operating leases is recognised on a straight-line basis over the lease terms on ongoing leases. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease terms on a straight-line basis.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 2. Summary of significant accounting policies (cont'd)

#### 2.7 Revenue (cont'd)

##### (d) Club membership - related income

Club membership entrance fee is recognised on a straight-line basis over the remaining lease term of the land occupied by the Club.

Transfer fees on club membership are recognised on approval of transfer.

Nominee registration fees for two nominees are recognised on acceptance of the first nominee by the General Committee of the Club or upon the expiration of three months from admission of the Club Member, whichever is earlier.

Golf course income, representing income from green fees and fees from other social facilities provided by the Club, are recognised when services have been rendered, and accepted by customers.

Income from subscription fees are recognised on an accrual basis.

##### (e) Sales of merchandise

Revenue from sale of merchandise is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, net of trade discounts. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

##### (f) Service, development, and project management fees

Service, development, and project management fees are recognised as revenue when services are rendered, and accepted by customers.

##### (g) Food and beverage

Revenue from sale of food and beverage is recognised upon sales made to customers, net of discounts.

##### (h) Interest income

Interest income is recognised using the effective interest method.

##### (i) Sponsorship income

Sponsorship income from public entities and private third parties are recognised at fair value as income as and when it is reasonably certain that they will be received and conditions for receipt have been met.

#### 2.8 Cost of sales

Cost of land sale is calculated using percentage of saleable gross floor area.

Cost of admission fees and packages comprises cost of island partners' attractions based on agreed settlement rates, logistics and other direct costs incurred in organising the events and packages.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 2. Summary of significant accounting policies (cont'd)

#### 2.9 Employee benefits

##### (a) Defined contribution plan

In Singapore, as required by the law, the Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. CPF contributions are recognised as an expense in the period in which the related services are performed.

##### (b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the balance sheet date.

#### 2.10 Borrowing costs

Borrowing costs are recognised in the statement of comprehensive income as incurred except to the extent that they are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Borrowing cost are capitalised until the assets are ready for their intended use or sale.

#### 2.11 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with.

Government grants for the establishment of the Corporation are taken to the capital account.

Government grants and contributions for the purchase of depreciable property, plant and equipment are taken to the deferred capital grants account. The deferred capital grants are recognised in the statement of comprehensive income over the periods necessary to match the depreciation and gain or loss on disposal of the property, plant and equipment purchased with the grants.

Government grants relating to Jobs Credit Scheme are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants relating to income may be presented as a credit in the statement of comprehensive income. Alternatively, they are deducted in reporting the related expenses.

#### 2.12 Heritage materials and heritage grant

In accordance with SB-FRS 20 paragraph 24, heritage materials purchased by the Group are initially accounted for at cost less heritage grant received. Subsequent to recognition, heritage materials are measured at cost less any accumulated impairment losses.

Heritage grant received is recognised when there is reasonable assurance that the Group has complied with the conditions attached to the heritage materials and that the grant is received or becomes receivable.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 2. Summary of significant accounting policies (cont'd)

#### 2.13 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use, and includes the costs of dismantlement, removal or restoration, the obligation for which the Group incurs as a consequence of installing the asset. Expenditure for additions, improvements and renewals are capitalised, and expenditure for maintenance and repairs are recognised in the statement of comprehensive income.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of comprehensive income in the financial year the asset is derecognised.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

#### 2.14 Depreciation of property, plant and equipment

Depreciation of property, plant and equipment begins when it is available for use and is computed on a straight-line basis over their estimated useful lives as follows:

Leasehold land and improvements to land	- 10 to 103 years or over remaining lease terms
Buildings, attractions, facilities and renovations	- 3 years or over remaining lease terms
Plant and machinery, operating equipment and other assets, comprising:	
i) Plant and machinery	- 5 to 10 years
ii) Cable car system	
- property (operational)	- 10 to 25 years
- plant and machinery	- 3 to 20 years
iii) Motor vehicles	- 5 years
iv) Furniture and fittings	- 3 to 5 years
v) Computer equipment	- 3 years

Development projects-in-progress are not depreciated until commissioned as these assets are not available for use.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets. Assets costing less than \$1,000 per item are charged to the statement of comprehensive income.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 2. Summary of significant accounting policies (cont'd)

#### 2.15 Land premium

Leases of land under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

Land premium for land use rights is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the statement of comprehensive income on a straight-line basis over the lease term.

#### 2.16 Goodwill on acquisition

Goodwill acquired in a business combination is initially measured at cost. Following initial recognition, goodwill on acquisition is measured at cost less any accumulated impairment losses. Any impairment on the basis outlined in Note 2.23 to the financial statements will be written off directly to the statement of comprehensive income.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in comprehensive income. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Any excess, at the date of acquisition, of the Group's share in the acquiree's fair value of the net identifiable assets over the cost of the acquisition is recognised as negative goodwill. Negative goodwill arising on an acquisition is recognised directly in the statement of comprehensive income.

#### 2.17 Investments in subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Corporation's separate financial statements, investments in subsidiaries are accounted for at cost less any accumulated impairment losses.

#### 2.18 Investment in an associate

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investment in an associate is accounted for using the equity method. Under the equity method, the investment in associate is measured in the Group's balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associate in the period in which the investment is acquired.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 2. Summary of significant accounting policies (cont'd)

#### 2.18 Investment in an associate (cont'd)

Where the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the statement of comprehensive income.

When the financial statements of the associate used in applying the equity method are prepared as of a different reporting date from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the reporting date of the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Corporation's separate financial statements, the investment in associate is accounted for at cost less any accumulated impairment losses.

#### 2.19 Investments in joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group recognises its interests in joint ventures using the equity method, from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint ventures. Under the equity method, the investments in joint ventures is carried in the Group's balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures.

Under the equity method, the investments in joint ventures are carried in the Group's balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures.

Any excess of the Group's share of the net fair value of the joint ventures' identifiable assets, liabilities and contingent liabilities over the cost of the investments is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the joint ventures in the period in which the investments are acquired.

Where the Group's share of losses in the joint ventures equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its joint ventures. The Group determines at each balance sheet date whether there is any objective evidence that the investments in the joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and their carrying value and recognises the amount in the comprehensive income.

The financial statements of one of the joint ventures of the Group are prepared as of the same reporting date as the Group unless it is impracticable to do so.

When the financial statements of the other joint venture used in applying the equity method are prepared as of a different reporting date from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the reporting date of the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 2. Summary of significant accounting policies (cont'd)

#### 2.20 Financial assets

Financial assets are recognised on the balance sheets when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group does not have any financial assets designated as fair value through profit or loss.

When financial assets are recognised initially, they are measured at fair value, plus, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the statement of comprehensive income.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

##### (a) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

##### (b) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the assets to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

##### (c) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset, except for impairment losses, are recognised in equity. The cumulative gain or loss previously recognised in equity is reclassified from equity to comprehensive income as a reclassification adjustment when the financial asset is derecognised.

#### 2.21 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash held with banks and Accountant-General's Department ("AGD"), and short-term deposits that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Cash and cash equivalents carried in the balance sheets are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.20 to the financial statements.

For the purposes of the consolidated statement of cash flow, cash and cash equivalents are presented net of cash and cash equivalents held on behalf of the Government-related specific funds, and which form an integral part of the Group's cash management.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 2. Summary of significant accounting policies (cont'd)

#### 2.22 Inventories

Inventories comprise land held for sale, consumables and spare parts, merchandise, and food and beverage products. Inventories are stated at the lower of cost and net realisable value.

Cost of land held for sale includes land alienation costs, development costs, interest and other related expenditure to bring the land to a saleable condition.

Consumables and spare parts, and food and beverage products are stated at lower of cost and net realisable value. The cost of inventories is determined on a first-in-first-out basis.

Merchandise is stated at the lower of cost and net realisable value. The cost of inventories is determined on a weighted average basis.

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

#### 2.23 Impairment of assets

##### (a) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

##### Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the comprehensive income.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the statement of comprehensive income.

##### Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that long-term investments classified as available-for-sale financial assets are impaired.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 2. Summary of significant accounting policies (cont'd)

#### 2.23 Impairment of assets (cont'd)

##### (a) Impairment of financial assets (cont'd)

###### Available-for-sale financial assets (cont'd)

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in comprehensive income, is transferred from equity to comprehensive income. Reversals of impairment losses in respect of equity instruments are recognised in the statement of comprehensive income.

##### (b) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are combined by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. Impairment losses are recognised in comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset may no longer exist or may have decreased. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the statement of comprehensive income.

#### 2.24 Financial liabilities

Financial liabilities within the scope of SB-FRS 39 are recognised on the balance sheets when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

Financial liabilities are initially recognised at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in comprehensive income when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in comprehensive income. Net gains or losses on derivatives include exchange differences.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 2. Summary of significant accounting policies (cont'd)

#### 2.24 Financial liabilities (cont'd)

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the comprehensive income.

#### 2.25 Provisions

Provisions are recognised by the Group when a present obligation (legal or constructive) arises as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

#### 2.26 Specific fund

Specific fund is set up to account for funds received from the Government for specific purposes to be incurred on behalf of the Government.

#### 2.27 Provision for contribution to Consolidated Fund

This represents the provision for contribution to be made to the Consolidated Fund in accordance with the Statutory Corporations (Contribution to Consolidated Fund) Act (Chapter 319A).

#### 2.28 Deferred income

Deferred income comprises the following:

- (a) Unamortised portion of the membership entrance fees, which is amortised and recognised as income on a straight-line basis over the remaining lease term of the land occupied by the Club;
- (b) Premium received in respect of long-term leases, which is amortised and recognised as income on a straight-line basis over the period of the respective leases; and
- (c) Service income and development fee in respect of long-term leases, which is amortised and recognised as income on the basis so as to match the related costs.

#### 2.29 Income taxes

##### (a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 2. Summary of significant accounting policies (cont'd)

#### 2.29 Income taxes (cont'd)

##### (b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associate and joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises 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 the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associate and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised outside comprehensive income is recognised outside comprehensive income. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 2. Summary of significant accounting policies (cont'd)

#### 2.29 Income taxes (cont'd)

##### (c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax except:

- Where the goods and services tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of goods and services tax included.

The net amount of goods and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheets.

#### 2.30 Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss.

#### 2.31 Operating leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT SB-FRS 104.

##### As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.7(c).

##### As lessee

Where the Group has the use of assets under operating leases, payments made under the leases are recognised as an expense in the statement of comprehensive income on a straight-line basis over the use of the lease. Lease incentives received are recognised in comprehensive income as a reduction of the rental expense over the lease term on a straight-line basis. Contingent rentals are charged to the statement of comprehensive income in the financial period in which they are incurred.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 2. Summary of significant accounting policies (cont'd)

## 2.32 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheets of the Group and the Corporation.

## 2.33 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

## 3. Rental and hiring of facilities

	Group		Corporation	
	2010 \$	2009 \$	2010 \$	2009 \$
Rental income	19,906,953	17,425,094	21,721,801	19,445,905
Lease income amortised (Note 25)	503,986	503,986	503,986	503,986
	20,410,939	17,929,080	22,225,787	19,949,891

## 4. Other income

Club membership-related income	22,028,624	22,175,133	22,028,624	22,175,133
Sales of merchandise, net of discounts	5,723,631	5,211,483	–	–
Service and development fees (Note 25)	8,052,889	12,271,980	8,052,889	12,271,980
Project management fees	735,612	697,272	499,732	697,272
Sponsorship income	134,021	127,702	134,021	127,702
Food and beverage	10,812,144	11,437,164	4,317,232	4,303,499
Gain on disposal of property, plant and equipment	259,360	103,110	3,898	103,110
Unrealised exchange gain	511,215	355,214	511,215	355,214
Forfeiture of deposit from land sale	–	3,605,600	–	3,605,600
Liquidated damages	3,436,227	889,074	3,436,227	889,074
Amount due to a statutory board written-off (Note 20)	2,062,413	–	–	–
Negative goodwill on consolidation	4,731,949	–	–	–
Others	4,629,392	2,714,833	3,628,320	4,478,329
	63,117,477	59,588,565	42,612,158	49,006,913

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 5. Staff costs

	Group		Corporation	
	2010 \$	2009 \$	2010 \$	2009 \$
Direct staff:				
Wages and salaries	41,011,618	43,756,945	9,170,358	9,820,223
CPF contributions	4,174,356	4,108,700	405,972	927,422
	45,185,974	47,865,645	9,576,330	10,747,645
Outsourced to a subsidiary:				
Wages and salaries	–	–	28,035,890	31,044,744
CPF contributions	–	–	3,052,738	2,743,791
	–	–	31,088,628	33,788,535
Sub-total	45,185,974	47,865,645	40,664,958	44,536,180
Staff costs capitalised in development projects-in-progress	(2,056,327)	(1,870,576)	(2,056,327)	(1,870,576)
	43,129,647	45,995,069	38,608,631	42,665,604

Staff costs for the Group and the Corporation are derived after offsetting an amount of \$2,061,884 (2009: \$609,310) and \$1,819,567 (2009: \$537,433) respectively relating to the Jobs Credit Scheme introduced on 22 January 2009 by the Singapore Government to encourage businesses to preserve jobs during the economic downturn.

6. Provision for development charges  
Cove infrastructure expenditure  
General and administrative expenses

	Group		Corporation	
	2010 \$	2009 \$	2010 \$	2009 \$
Provision for development charges <sup>(1)</sup>	100,000,000	6,074,800	100,000,000	6,074,800
Cove infrastructure expenditure <sup>(2)</sup>	31,990,402	–	32,097,515	–

<sup>(1)</sup> Provision for development charges arises from the enhancements in land value of Sentosa Integrated Resort land as a result of the change in use. Arising from the Corporation's appeal to the Chief Valuer's Office (CVO) to review the quantum of development charge paid, CVO informed the Corporation on 22 April 2010 that it had considered the appeal and revised the quantum downwards by \$73,200,000. The Corporation understands that this revision is subject to the approval of the Urban Redevelopment Authority, for which decision has not been made as at the date of the financial statements. Hence, this potential refund has not been adjusted for in the Corporation's financial statements.

<sup>(2)</sup> This is due to an increase in estimate for provision for Cove infrastructure required to complete the construction works at Cove common areas. The increase arose from management's review of the scope and cost of works required, and was approved by the Board in March 2010.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 6. Provision for development charges Cove infrastructure expenditure General and administrative expenses (cont'd)

The following items have been included in arriving at general and administrative expenses:

	Group		Corporation	
	2010 \$	2009 \$	2010 \$	2009 \$
Impairment loss on doubtful trade receivables, net	640,424	171,957	454,038	171,957
Inventories written off	24,483	–	–	–
Write-offs of property, plant and equipment	2,332,423	–	1,835,568	–
Bad debts written off	15,535	–	372	–
Property taxes	3,586,038	3,581,539	3,534,934	3,581,539
Utilities	5,530,834	6,333,168	4,968,097	5,752,787
Travelling expenses	830,143	313,445	713,889	292,436

## 7. Taxation

## (a) Major components of taxation

The major components of taxation for the financial years ended 31 March 2010 and 2009 are:

	Group	
	2010 \$	2009 \$
<b>Current income tax:</b>		
Current income taxation	566,398	56,905
(Over)/underprovision in respect of previous years	(44,838)	1,475,513
	521,560	1,532,418
<b>Deferred tax:</b>		
Provision for the year (Note 26)	121,540	20,330
Overprovision in respect of previous years (Note 26)	–	(317,558)
Effect of reduction in tax rate (Note 26)	–	(31,111)
	121,540	(328,339)
<b>Total</b>	<b>643,100</b>	<b>1,204,079</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 7. Taxation (cont'd)

## (b) Reconciliation between statutory tax expense and effective tax expense

The reconciliation between the tax expense and the product of accounting deficit multiplied by the applicable corporate tax rate of the Group's subsidiaries for the financial years ended 31 March 2010 and 2009 are as follows:

	Group	
	2010	2009
	\$	\$
Deficit before taxation	(148,380,838)	(16,622,157)
Statutory tax expense at corporate rate of 17% (2009: 17%)	(25,224,742)	(2,825,767)
<b>Adjustments for:</b>		
Non-deductible expenses	25,172,202	3,475,523
Effect of partial tax exemption	(44,173)	–
Effect of reduction in tax rate	–	(31,111)
(Over)/underprovision in respect of previous years, net	(44,838)	1,157,955
Share of results of an associate	–	(561,501)
Share of results of joint ventures	7,837	–
Utilisation of previously unrecognised temporary differences	(2,301)	(11,064)
Deferred tax assets not recognised	712,740	618
Others	66,375	(574)
Effective tax expense	643,100	1,204,079

## Corporation

The Corporation is not subject to income tax. However, it is required to contribute to the Consolidated Fund (Note 8).

## 8. Contribution to consolidated fund

## Corporation

The Corporation is required to contribute to the Consolidated Fund in accordance with the Statutory Corporations (Contribution to Consolidated Fund) Act (Chapter 319A).

The Club has obtained written consent from the Ministry of Finance, that membership entrance fees recognised as income upfront prior to 1 April 1999 under the previous revenue recognition policy would not be subject to contribution, when these fees are deferred and recognised as income over the remaining lease term of the land under the current accounting policy. Hence, the membership entrance fee income of \$2,028,910 (2009: \$2,028,910) resulting from the amortisation of deferred income is not subject to contribution to Consolidated Fund.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 8. Contribution to consolidated fund (cont'd)

Corporation (cont'd)

	Corporation	
	2010 \$	2009 \$
Net deficit of the Corporation before contribution to Consolidated Fund	(151,548,730)	(20,202,077)
Deferred income on membership entrance fee	(2,028,910)	(2,028,910)
Net deficit subject to contribution to Consolidated Fund	(153,577,640)	(22,230,987)
Contribution to Consolidated Fund:		
Current year	–	–

The contribution for the financial year under review is based on 17% (2009: 18%) of the net surplus, if any, of the Corporation.

## 9. Heritage materials

	Corporation	
	2010 \$	2009 \$
Cost of heritage materials:		
At 1 April and 31 March	26,398,500	26,398,500

Heritage materials represent a cargo of artefacts purchased by a subsidiary using a loan received from the Corporation (Note 18), and the heritage grants received from a statutory board. The cargo of artefacts was pledged as a security for a loan payable to the same statutory board (Note 21).

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 10. Property, plant and equipment

Group	Leasehold land and improvements to land	Buildings, attractions, facilities and renovations	Development projects-in- progress	Plant and machinery, operating equipment and other assets	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
At 1 April 2008	229,689,533	501,397,078	32,291,025	109,286,665	872,664,301
Additions	336,086	204,873	43,695,453	3,113,442	47,349,854
Disposals	(28,145)	(271,064)	–	(3,525,648)	(3,824,857)
Reclassifications	–	1,760,597	(4,126,643)	2,366,046	–
At 31 March 2009 and 1 April 2009	229,997,474	503,091,484	71,859,835	111,240,505	916,189,298
Additions	692,161	304,372	50,220,867	2,639,248	53,856,648
Due to acquisition of a subsidiary	19,300,000	30,700,001	7,168,359	3,307,434	60,475,794
Disposals	–	(2,193,169)	–	(1,568,733)	(3,761,902)
Write-offs	–	–	(2,322,551)	(993,570)	(3,316,121)
Reclassifications	22,636,786	31,660,591	(72,261,183)	17,963,806	–
At 31 March 2010	272,626,421	563,563,279	54,665,327	132,588,690	1,023,443,717
<b>Accumulated depreciation</b>					
At 1 April 2008	64,835,923	126,900,549	–	43,174,534	234,911,006
Charge for the financial year	7,649,560	25,474,979	–	20,231,729	53,356,268
Disposals	–	–	–	(3,521,715)	(3,521,715)
At 31 March 2009 and 1 April 2009	72,485,483	152,375,528	–	59,884,548	284,745,559
Charge for the financial year	7,565,698	24,065,280	–	20,472,345	52,103,323
Disposals	–	(659,153)	–	(1,741,765)	(2,400,918)
Written-offs	–	–	–	(496,445)	(496,445)
Reclassifications	625,034	(29,782)	–	(595,252)	–
At 31 March 2010	80,676,215	175,751,873	–	77,523,431	333,951,519
<b>Net carrying amount</b>					
At 31 March 2010	191,950,206	387,811,406	54,665,327	55,065,259	689,492,198
At 31 March 2009	157,511,991	350,715,956	71,859,835	51,355,957	631,443,739

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 10. Property, plant and equipment (cont'd)

Corporation	Leasehold land and improvements to land	Buildings, attractions, facilities and renovations	Development projects-in- progress	Plant and machinery, operating equipment and other assets	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
At 1 April 2008	229,549,946	500,523,223	32,291,026	105,405,964	867,770,159
Additions	336,086	122,380	43,695,453	3,000,702	47,154,621
Disposals	(28,145)	(271,064)	–	(3,040,540)	(3,339,749)
Reclassifications	–	1,760,597	(4,126,643)	2,366,046	–
At 31 March 2009 and 1 April 2009	229,857,887	502,135,136	71,859,836	107,732,172	911,585,031
Additions	692,161	304,372	40,443,536	2,579,080	44,019,149
Disposals	–	(2,752,836)	–	(1,109,548)	(3,862,384)
Write-offs	–	–	(1,835,568)	–	(1,835,568)
Reclassifications	21,313,699	31,958,360	(72,261,183)	18,989,124	–
At 31 March 2010	251,863,747	531,645,032	38,206,621	128,190,828	949,906,228
<b>Accumulated depreciation</b>					
At 1 April 2008	64,696,336	126,545,108	–	41,147,967	232,389,411
Charge for the financial year	7,649,560	25,197,646	–	19,946,832	52,794,038
Disposals	–	–	–	(3,036,608)	(3,036,608)
At 31 March 2009 and 1 April 2009	72,345,896	151,742,754	–	58,058,191	282,146,841
Charge for the financial year	7,176,329	23,554,595	–	19,790,947	50,521,871
Disposals	–	(747,767)	–	(1,019,953)	(1,767,720)
Reclassifications	(10,002)	263,528	–	(253,526)	–
At 31 March 2010	79,512,223	174,813,110	–	76,575,659	330,900,992
<b>Net carrying amount</b>					
At 31 March 2010	172,351,524	356,831,922	38,206,621	51,615,169	619,005,236
At 31 March 2009	157,511,991	350,392,382	71,859,836	49,673,981	629,438,190

The net carrying value of leasehold land and buildings of the Group and the Corporation which are leased out under operating leases as at 31 March 2010 was \$27,981,361 (2009: \$28,331,485). As at balance sheet date, included in the Group's write-offs during the financial year is an amount of \$487,253 (2009: Nil) being reversal of prior year's overprovision of development projects-in-progress.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 11. Land premium

	Group and Corporation	
	2010	2009
	\$	\$
<b>Cost:</b>		
At 1 April and 31 March	72,613,423	72,613,423
<b>Accumulated amortisation:</b>		
At 1 April	41,498,209	39,057,817
Amortisation charge for the financial year	2,440,392	2,440,392
At 31 March	43,938,601	41,498,209
Net carrying amount	28,674,822	31,115,214

## 12. Investments in subsidiaries

	Corporation	
	2010	2009
	\$	\$
Unquoted equity shares, at cost	34,767,622	2

Details of the subsidiaries as at 31 March are as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost of investments		Percentage of ownership interest held by the Group	
		2010	2009	2010	2009
		\$	\$	%	%
<b>Held by the Corporation:</b>					
Sentosa Leisure Holdings Pte Ltd *(Singapore)	Investment holding (Singapore)	2	2	100	100
Mount Faber Leisure Group Pte. Ltd. **@ (Singapore)	Operation of the cable car system and wholesale and retail business, food and beverage services, marketing of panel advertisement, and provision of ground handling for ferry operation (Singapore)	34,767,620	–	100	–
		34,767,620	2		

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 12. Investments in subsidiaries

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of effective interest held by the Group	
		2010 %	2009 %
<b>Held by subsidiaries:</b>			
Sentosa Leisure Management Pte Ltd * (Singapore)	Wholesaler and retailer of merchandise and acts as agent of the Corporation, and provision of food and beverage services (Singapore)	100	100
Sentosa Cove Pte Ltd * (Singapore)	Marketing managers for the Corporation in the sales of sites and management of the Sentosa Cove project on Sentosa Island (Singapore)	100	100
Sentosa Cove Resort Management Pte Ltd * (Singapore)	Agent for Cove community (Singapore)	100	100
Faber Tours Pte Ltd **@ (Singapore)	A full-fledged tour operator providing both inbound tours and travel related services. (Singapore)	100	–

\* Audited by Ernst &amp; Young LLP, Singapore

\*\* Audited by KPMG LLP, Singapore

@ On 25 November 2009, the Corporation acquired the remaining 50% equity interest in its 50%- owned associate, Mount Faber Leisure Group Pte.Ltd. ("MFLG"). Upon acquisition, MFLG became a wholly-owned subsidiary of the Group (Note 13).

The fair values of the identifiable assets and liabilities of MFLG as at the date of acquisition were:

	Recognised on date of acquisition	Carrying amount before combination
	\$	\$
Property, plant and equipment	60,475,794	28,123,214
Investment in a joint venture	14,651,892	14,651,892
Long-term investments	601,613	601,613
Trade and other receivables	981,688	981,688
Inventories	469,802	469,802
Cash and bank balances	26,036,512	26,036,512
	103,217,301	70,864,721
Trade and other payables	23,815,140	23,815,140
Deferred tax liabilities	1,449,748	1,449,748
Income tax payable	352,516	352,516
	25,617,404	25,617,404
Net identifiable assets	77,599,897	45,247,317

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 12. Investments in subsidiaries (cont'd)

The total cost of the business combination is as follows:

	Carrying amount before combination \$
<b>Consideration for 50% equity interest previously held:</b>	
Cash paid	699,620
<b>Consideration for acquisition of additional 50% equity interest:</b>	
Cash paid	34,000,000
Directly attributable professional fees	68,000
	34,068,000
	34,767,620

The effect of acquisition on cash flow is as follows:

	\$
Total consideration for 50% equity interest acquired and settled in cash	34,068,000
Less: Cash and cash equivalents of subsidiary acquired	(26,036,512)
Net cash outflow on acquisition	8,031,488

The Corporation acquired its initial 50% equity interest in MFLG in stages on 29 September 1975 (250,000 shares), 11 January 1979 (250,001 shares), 9 April 1992 (500,001 shares) and 21 April 1993 (3,000,006 shares) respectively, before SB-FRS 103, Business Combinations became effective. The purchase consideration paid represented the fair value of the share of net identifiable assets acquired on those dates. This acquisition did not give rise to any goodwill.

#### Impact of acquisition on statement of comprehensive income

From the date of acquisition, MFLG has contributed \$3,262,047 to the Group's net deficit. If the combination had taken place at the beginning of the financial year, the Group's net deficit would have been \$149,944,653 and revenue would have been \$188,301,072.

#### Negative goodwill arising on consolidation

A negative goodwill on consolidation of \$4,731,949 has been computed on a provisional basis, and recognised in the consolidated statement of comprehensive income under the header "Other income", as the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeded the cost of the business combination. This is attributable to the revaluation of the land and buildings from the acquisition of the remaining 50% equity interest in MFLG.

The Group is required to finalise the negative goodwill on consolidation within twelve months of the acquisition date in accordance with SB-FRS 103. Goodwill arising from this acquisition will be adjusted for accordingly on a retrospective basis when the amount is finalised.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 13. Investment in an associate

	Group		Corporation	
	2010 \$	2009 \$	2010 \$	2009 \$
Unquoted shares, at cost	30,000	699,620	–	699,620
Share of post-acquisition profits and reserves:				
Share of post-acquisition (losses)/profits, net of tax	(21,965)	22,755,034	–	–
Share of post-acquisition fair value reserve	–	33,223	–	–
Impairment loss	(8,035)	–	–	–
	–	22,788,257	–	–
<b>Total</b>	–	<b>23,487,877</b>	–	<b>699,620</b>

Details of the associate as at 31 March are as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of effective interest held by the Group	
		2010 %	2009 %
Mount Faber Leisure Group Pte. Ltd.* (Note 12) @ (Singapore)	Operation of the cable car system and wholesale and retail business, food and beverage services, marketing of panel advertisement, and provision of ground handling for ferry operation (Singapore)	–	50
<b>Held by a subsidiary:</b> Heritage Cuisine Pte Ltd * (Singapore)	Operation of food outlet for the purpose of provision of food and beverage and related activities (Singapore)	20	–

\* Audited by KPMG LLP, Singapore.

@ In 2010, Mount Faber Leisure Group Pte. Ltd. ("MFLG") became a subsidiary of the Group, as a result of the Group's acquisition of the remaining 50% equity interest in MFLG (Note 12).

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 13. Investment in an associate (cont'd)

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2010 \$	2009 \$
<b>Assets and liabilities</b>		
Current assets	59,294	30,884,362
Non-current assets	–	41,845,707
	59,294	72,730,069
Current liabilities	13,962	25,488,557
Non-current liabilities	–	1,073,490
	13,962	26,562,047
<b>Results</b>		
Revenue	564,552	34,274,944
Profit for the year	4,356	6,605,894

The financial information of Heritage Cuisine Pte Ltd was derived based on unaudited management accounts for the financial year ended 30 September 2009. Management had made a full allowance for impairment loss of \$8,035 for the cost of investment in Heritage Cuisine Pte Ltd since prior years.

## 14. Investments in joint ventures

	Group	
	2010 \$	2009 \$
Unquoted shares, at cost	10,884,259	1
Share of post-acquisition profits and reserves:		
Share of post-acquisition profits (net of tax)	6,074,080	(1)
Goodwill on consolidation written off	(2,214,892)	–
Total	14,743,447	–

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 14. Investments in joint ventures (cont'd)

Details of the joint ventures as at 31 March are as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of effective interest held by the Group	
		2010 %	2009 %
<b>Held by a subsidiary:</b>			
DCP (Sentosa) Pte Ltd * (Singapore)	Construction, development and operation of a district cooling plant supplying chilled water for air-conditioning needs at Sentosa (Singapore)	20	20
Cableways International Pte Ltd ("Cableways") ** (Singapore)	Investment holding (Singapore)	42.84	–
<b>Held by Cableways:</b>			
Singapore Super Technique Limited ("SST") ** (Singapore)	Investment holding (Singapore)	42.84	–
<b>Held by SST:</b>			
Shanxi Hua Mountain San Te Cableway Co. Ltd ("Shanxi Cableway") *** (People's Republic of China)	Operation of the cable car system and wholesale and retail business and food and beverage business (People's Republic of China)	10.71	–

\* Audited by PricewaterhouseCoopers LLP, Singapore.

\*\* Audited by KPMG LLP, Singapore.

\*\*\* Audited by Zhong Huan Certified Public Accountants, People's Republic of China.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 14. Investments in joint ventures (cont'd)

The aggregate amounts of each of current assets, non-current assets, current liabilities, non-current liabilities, income and expenses related to the Group's interests in the joint ventures are as follows:

	2010 \$	2009 \$
<b>Assets and liabilities</b>		
Current assets	17,066,472	344,000
Non-current assets	13,655,038	9,115,000
	30,721,510	9,459,000
Current liabilities	2,172,481	3,124,000
Non-current liabilities	7,470,800	–
	9,643,281	3,124,000
<b>Income and expenses</b>		
Income	1,194,168	2,517
Expenses	(1,128,341)	(7,804)

Under the supplementary shareholder agreement entered into with other shareholders of Shanxi Cableway, the Group's share of post-acquisition reserves in Shanxi Cableway is computed based on a percentage of the net assets of Shanxi Cableway as reported in the financial statements of Shanxi Cableway. The above financial information includes the Group's share of post-acquisition reserves of Shanxi Cableway using the last available financial statements as at 31 December 2007. The latest financial statements of Shanxi Cableway are not available for the purpose of equity accounting by the Group for the years ended 31 March 2009 and 2010. Accordingly, the results of Shanxi Cableway for the years ended 31 March 2009 and 2010 have not been equity accounted for in these financial statements.

## 15. Long-term investments

	Group		Corporation	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Available-for-sale financial asset:</b>				
Equity securities (quoted)	1,043,983	–	–	–
<b>Held-to-maturity financial asset:</b>				
4.15% per annum SGD bond due on 19 December 2011	2,000,000	2,000,000	2,000,000	2,000,000
	3,043,983	2,000,000	2,000,000	2,000,000
Market value of quoted equity securities	1,043,983	–	–	–

Both investments are principally denominated in Singapore dollars.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 16. Inventories

	Group		Corporation	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Balance sheets:</b>				
Land held for sale	5,401,154	7,097,885	5,401,154	7,097,885
Consumables and spare parts	2,393,268	2,355,098	2,368,789	2,355,098
Merchandise	2,104,654	1,323,445	–	–
Food and beverage products	275,916	214,176	46,351	34,581
	10,174,992	10,990,604	7,816,294	9,487,564
<b>Statements of comprehensive income:</b>				
Inventories recognised as an expense in cost of sales:				
- Inventories written down	24,483	–	–	–

## 17. Trade and other receivables

	Group		Corporation	
	2010 \$	2009 \$	2010 \$	2009 \$
Trade receivables <sup>(1)</sup>	15,498,912	23,717,379	14,565,158	21,307,457
Current portion of entrance fees receivables	–	1,300	–	1,300
Other receivables	5,553,573	4,582,299	4,150,230	4,576,985
Deposits <sup>(2)</sup>	1,061,567	2,430,311	827,980	2,310,026
Amounts due from lessees	–	2,800,000	–	2,800,000
Amounts due from subsidiaries <sup>(3)</sup>	–	–	13,089,670	13,054,315
Total trade and other receivables	22,114,052	33,531,289	32,633,038	44,050,083
Add:				
- Loan receivable from a subsidiary (Note 18)	–	–	26,398,500	26,398,500
- Cash and bank balances (Note 19)	2,361,144,137	2,680,471,391	2,337,838,244	2,677,010,412
<b>Total loans and receivables</b>	<b>2,383,258,189</b>	<b>2,714,002,680</b>	<b>2,396,869,782</b>	<b>2,747,458,995</b>

<sup>(1)</sup> Trade receivables

Trade receivables are non-interest bearing, and are generally on 30 to 60 (2009: 30 to 60) days' credit terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

Included in trade receivables of the Group and Corporation is an amount of \$505,099 (2009: \$3,094,902) relating to receivables for expenses incurred for the maintenance of offshore islands on behalf of the Government.

<sup>(2)</sup> Deposits

Included in deposits of the Group and Corporation is an amount of \$785,041 (2009: \$2,268,387) recoverable from a contractor for the Southern Islands Reclamation (Note 22).

<sup>(3)</sup> Amounts due from subsidiaries

Amounts due from subsidiaries are non-trade in nature, unsecured, non-interest bearing and have no fixed terms of repayment.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 17. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

The Group and the Corporation have trade receivables amounting to \$4,015,234 (2009: \$4,598,483) and \$3,853,131 (2009: \$4,198,617) respectively that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group		Corporation	
	2010 \$	2009 \$	2010 \$	2009 \$
Less than 30 days	2,514,553	651,007	2,471,009	471,013
30 to 60 days	162,637	2,631,387	147,493	2,627,935
61 to 90 days	306,011	469,650	298,783	327,383
More than 90 days	1,032,033	846,439	935,846	772,286
	4,015,234	4,598,483	3,853,131	4,198,617

Receivables that are impaired

The Group and the Corporation's trade receivables that are impaired at the balance sheet date and the movements of the allowance accounts used to record the impairment are as follows:

	Group and Corporation Individually impaired	
	2010 \$	2009 \$
Trade receivables – nominal amounts	874,587	341,824
Allowance for impairment	(874,587)	(341,824)
	–	–
<b>Movements in allowance accounts:</b>		
At 1 April	341,824	293,381
Charged to statement of comprehensive income	655,311	228,331
Due to acquisition of a subsidiary	15,434	–
Write-back during the year	(14,887)	(56,374)
Write-off against allowance	(123,095)	(123,514)
At 31 March	874,587	341,824

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements. There are no balances that are collectively determined to be impaired.

At the balance sheet date, the Group and the Corporation have provided a net allowance for impairment of \$640,424 (2009: \$171,957), and written off bad debts of \$15,535 (2009: Nil) subsequent to a debt recovery assessment performed on trade and other receivables as at 31 March 2010.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 18. Loan receivable from a subsidiary

Loan receivable from a subsidiary is unsecured, interest-free and repayable on demand. This loan is financed by a loan from a statutory board (Note 21).

## 19. Cash and bank balances

	Group		Corporation	
	2010 \$	2009 \$	2010 \$	2009 \$
Cash at bank and on hand	15,846,116	56,617,320	6,286,229	53,156,341
Deposits placed with				
Accountant-General's Department	1,111,695,876	–	1,111,695,876	–
Fixed deposits	1,233,602,145	2,623,854,071	1,219,856,139	2,623,854,071
Total cash and bank balances	2,361,144,137	2,680,471,391	2,337,838,244	2,677,010,412
Less: Cash held on behalf of				
the Government	(735,570)	(4,231,345)	(735,570)	(4,231,345)
Less: Cash held on behalf of				
a statutory board	(500,000)	(500,000)	(500,000)	(500,000)
Total cash and cash equivalents	2,359,908,567	2,675,740,046	2,336,602,674	2,672,279,067

Fixed deposits placed by the Group and deposits placed with the Accountant-General's Department mature in varying periods of between 1 day and 1 year (2009: 1 day and 6 months), depending on the immediate cash requirements of the Group and the Corporation, and earn interest income at the respective fixed deposit rates. In 2009, there were no fixed deposits placed with the Accountant-General's Department.

The weighted average effective interest rate of cash and cash equivalents held by the Group and the Corporation is 0.54% (2009: 1.20%) per annum.

Included in the cash and cash equivalents of the Group and Corporation is an amount of \$735,570 (2009: \$4,231,345) held on behalf of the Government for the Southern Islands Development Fund (Note 22).

Included in the cash and cash equivalents of the Group and Corporation is an amount of \$500,000 (2009: \$500,000) held on behalf of a statutory board for the Southern Islands Maintenance Project.

Included in the cash and cash equivalents of the Group and the Corporation is an amount of \$12,528,000 (2009: Nil) and \$2,945,114 (2009: Nil) denominated in United States Dollars and Euro respectively as at 31 March 2010.

The cash and cash equivalents of the Group and the Corporation included an amount of \$3,224,073 which was denominated in Japanese Yen as at 31 March 2009. There was no such balance as at 31 March 2010.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 20. Trade and other payables

	Group		Corporation	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Current</b>				
Trade payables <sup>(1)</sup>	11,111,276	11,654,874	7,869,093	11,007,696
Accrued operating expenses	59,958,538	68,723,444	49,016,835	61,949,461
Derivative financial instrument (Note 33)	113,402	–	–	–
Provision for development charges	21,470,000	200,000,000	21,470,000	200,000,000
Deposits	3,965,863	2,424,815	3,943,654	2,416,506
Advance receipts	7,740,278	364,306	7,740,278	364,306
Provision for property tax	4,470,575	4,854,748	4,470,575	4,854,748
Liability for short-term compensating absences	1,028,766	894,028	923,651	810,866
Other payables	2,308,739	6,128,676	754,145	6,078,464
Amount due to a joint venture <sup>(2)</sup>	14,510,324	–	–	–
Amounts due to subsidiaries <sup>(3)</sup>	–	–	76,286,584	75,509,976
Amount due to a statutory board <sup>(4)</sup>	–	2,062,413	–	–
	126,677,761	297,107,304	172,474,815	362,992,023
<b>Non-current</b>				
Other payables	1,101,480	584,095	63,715	80,789
Total trade and other payables	127,779,241	297,691,399	172,538,530	363,072,812
Add:				
- Loans and borrowings (Note 21)	32,107,238	26,398,500	26,398,500	26,398,500
<b>Total financial liabilities</b>	<b>159,886,479</b>	<b>324,089,899</b>	<b>198,937,030</b>	<b>389,471,312</b>

<sup>(1)</sup> Trade payables

Trade payables are non-interest bearing, unsecured, and have credit terms of about 30 to 60 days.

<sup>(2)</sup> Amount due to a joint venture

Amount due to a joint venture is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

<sup>(3)</sup> Amounts due to subsidiaries

Amounts due to subsidiaries are non-trade in nature, unsecured, non-interest bearing and have no fixed terms of repayment.

<sup>(4)</sup> Amount due to a statutory board

Amount due to a statutory board is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 21. Loans and borrowings

	Group		Corporation	
	2010 \$	2009 \$	2010 \$	2009 \$
Loan payable to a statutory board	26,398,500	26,398,500	26,398,500	26,398,500
Bank loans (unsecured)	5,708,738	–	–	–
<b>Total</b>	<b>32,107,238</b>	<b>26,398,500</b>	<b>26,398,500</b>	<b>26,398,500</b>

Loan payable represents funds received from a statutory board, to partially fund the purchase of the cargo of artefacts (Note 9). The loan payable is secured against the cargo of artefacts, interest-free and is repayable on demand either by cash or transferring the cargo of artefacts to the statutory board.

Bank loans comprise import financing in the form of bills receivable purchase. The bank loans incur interest at Swap Offer Rate plus a margin of 1.65% per annum within 90 days, with an option to extend for a subsequent period of 90 days up to maximum of 1 year, but not exceeding 30 September 2010. The effective interest rate is 0.324% per annum. Interest rate reprices every 3 months.

## 22. Specific fund

The balance in this fund represents unutilised government funds received for the development of the Southern Islands on behalf of the Government.

	Group and Corporation	
	2010 \$	2009 \$
<b>Balance Sheet as at 31 March:</b>		
<b>Accumulated surplus</b>		
Restricted fund	1,045,176	1,544,579
<b>Current assets</b>		
Deposit recoverable (Note 17)	785,041	2,268,387
Cash and bank balances (Note 19)	735,570	4,231,345
	1,520,611	6,499,732
<b>Current liabilities</b>		
Trade payables	(468,023)	(4,843,556)
Other payables	(7,412)	(111,597)
	(475,435)	(4,955,153)
<b>Net assets</b>	<b>1,045,176</b>	<b>1,544,579</b>
<b>Drawdowns and disbursements statement:</b>		
<b>Drawdowns:</b>		
Government grant	3,634,823	4,944,835
Interest income	367	3,609
Interest refunds	–	(3,713)
	3,635,190	4,944,731
<b>Disbursements:</b>		
Civil work	3,414,581	6,496,799
Services	330,790	195,916
Other operating expenditure	389,222	308,323
	4,134,593	7,001,038
Movements for the financial year:	(499,403)	(2,056,307)
At 1 April	1,544,579	3,600,886
At 31 March	1,045,176	1,544,579

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 23. Provision for cove infrastructure

	Group		Corporation	
	2010 \$	2009 \$	2010 \$	2009 \$
At 1 April	210,920,404	219,844,354	210,684,524	219,844,354
Provision during the year	31,990,402	–	32,097,515	–
Provision utilised during the year	(5,889,951)	(8,923,950)	(5,889,951)	(9,159,830)
At 31 March	237,020,855	210,920,404	236,892,088	210,684,524
Comprises:				
Current	17,966,000	5,889,951	17,966,000	5,889,951
Non-current	219,054,855	205,030,453	218,926,088	204,794,573
Total	237,020,855	210,920,404	236,892,088	210,684,524

There is a present, legal and constructive obligation for the provision of certain infrastructure and amenities to purchasers of Cove land, for which management expects to incur expenditure. The provision for cove infrastructure, which is included in the "Cove infrastructure expenditure" line in the statement of comprehensive income, is based on management's best estimate using comparable tendered contracts and quotes where available.

## 24. Deferred capital grants

	Group and Corporation	
	2010 \$	2009 \$
At 1 April	18,724,858	5,993,752
Amounts taken to statement of comprehensive income	(2,416,113)	(1,443,894)
Amounts received/receivable from a statutory board	–	14,175,000
At 31 March	16,308,745	18,724,858
Total capital grants received since establishment	508,517,894	508,517,894
Comprises:		
Current	2,416,113	1,443,894
Non-current	13,892,632	17,280,964
Total	16,308,745	18,724,858

Deferred capital grants relate to grants for the purchase of depreciable property, plant and equipment.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 25. Deferred income

	Group and Corporation	
	2010	2009
	\$	\$
<b>Deferred lease income</b>		
At 1 April	30,567,570	43,343,536
Amounts taken to statement of comprehensive income:		
Lease income amortised (Note 3)	(503,986)	(503,986)
Service fee and development fee (Note 4)	(8,052,889)	(12,271,980)
At 31 March	22,010,695	30,567,570
<b>Deferred membership entrance fee</b>		
At 1 April	46,038,779	49,750,938
Amounts taken to statement of comprehensive income:		
	(3,712,159)	(3,712,159)
At 31 March	42,326,620	46,038,779
<b>Total</b>	<b>64,337,315</b>	<b>76,606,349</b>
Comprises:		
Current	11,893,553	16,488,125
Non-current	52,443,762	60,118,224
Total	64,337,315	76,606,349

Deferred income comprises service income, development fee, and premium received in respect of long-term lease.

## 26. Deferred tax liabilities

Deferred tax liabilities as at 31 March relate to the following:

	Group	
	2010	2009
	\$	\$
<b>Movements in deferred taxation:</b>		
At 1 April	(231,661)	(560,000)
Due to acquisition of a subsidiary (Note 12)	(1,449,748)	–
Provision during the financial year (Note 7)	(121,540)	(20,330)
Overprovision in respect of previous years (Note 7)	–	317,558
Effect of reduction on tax rate (Note 7)	–	31,111
At 31 March	(1,802,949)	(231,661)
<b>Deferred tax assets:</b>		
Unabsorbed capital allowances	1,386	1,386
Gross deferred tax assets	1,386	1,386
<b>Deferred tax liabilities:</b>		
Differences in depreciation	(1,804,335)	(233,047)
Gross deferred tax liabilities	(1,804,335)	(233,047)
<b>Net deferred tax liabilities recognised</b>	<b>(1,802,949)</b>	<b>(231,661)</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 26. Deferred tax liabilities (cont'd)

As at 31 March 2010, the Group has recognised deferred tax assets of \$1,386 (2009: \$1,386) arising from unabsorbed capital allowances of approximately \$8,000 (2009: \$8,000) that are available for offset against future taxable profits of the companies in which the allowances and losses arose. The use of the capital allowances is subject to the agreement of the tax authorities and compliance with certain provisions of the Singapore tax legislation.

The Group has not recognised deferred tax assets of \$975,000 (2009: \$56,000) arising from unutilised tax losses carried forward of approximately \$541,000 (2009: \$330,000) and unabsorbed capital allowances of approximately \$5,190,000 (2009: Nil), as it is not probable that taxable profits will be available against which the deferred tax assets can be utilised.

Unrecognised deferred tax assets also included unrecognised deferred tax assets of \$206,000 arising from the acquisition of a subsidiary during the year (Note 12). These unrecognised deferred tax assets relate to the subsidiaries unabsorbed capital allowances.

### 27. Capital account

The capital account represents government grants given to the Corporation for its establishment, and capital injected by the Government.

### 28. Accumulated surplus

#### (a) General fund

Included in the general fund of the Group and the Corporation is the accumulated surplus of Sentosa Golf Club.

#### (b) Restricted funds

	Golf Sinking Fund \$	Cove Sinking Fund \$	Total \$
<b>Group and Corporation</b>			
At 1 April 2008	23,700,000	102,370,372	126,070,372
Transfer from accumulated surplus	5,500,000	330,400	5,830,400
At 31 March 2009	29,200,000	102,700,772	131,900,772
At 1 April 2009	29,200,000	102,700,772	131,900,772
Transfer from accumulated surplus	5,500,000	328,340	5,828,340
At 31 March 2010	34,700,000	103,029,112	137,729,112

Golf sinking fund represents accumulated surplus set aside by the Corporation for the renewal of the golf course land lease.

Cove sinking fund represents accumulated surplus set aside by the Corporation for capital expenditure and replacements in maintaining the physical environment of Sentosa Cove.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 29. Capital reserve

In 2009, the capital reserve arose from the bonus share issue of the associate through the capitalisation of accumulated profits of the associate in prior years, and the Group's share of capital reserve in the joint venture company of the associate.

The capital reserve was transferred to the general fund of accumulated surplus on the acquisition of the additional 50% equity interest in Mount Faber Leisure Group Pte Ltd during the year (Note 12).

### 30. Fair value reserve

In 2009, fair value reserve represented the Group's share of fair value reserve of the associate. The fair value reserve was transferred to the general fund of accumulated surplus on the acquisition of the additional 50% equity interest in Mount Faber Leisure Group Pte. Ltd. during the year (Note 12).

In 2010, fair value reserve represents the changes in fair value of available-for-sale financial assets.

### 31. Revaluation reserve

Revaluation reserve represents the impact of fair value adjustment on the land and buildings acquired in respect of the acquisition of a subsidiary (Note 12).

### 32. Significant related party transactions

Significant related party transactions entered into by the Group and the Corporation on terms agreed between the Group and the Corporation and these parties are as follows:

	Corporation	
	2010 \$	2009 \$
Transfer of property, plant and equipment to subsidiaries	507,582	–

#### Compensation of key management personnel

Key management remuneration includes fees, salaries, bonuses, commissions and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and the Corporation, and where no cost was incurred, the value of the benefit. The key management personnel remuneration is as follows:

	Group		Corporation	
	2010 \$	2009 \$	2010 \$	2009 \$
Short-term employee benefits	4,305,310	3,832,703	4,213,194	3,832,703
CPF contributions	110,785	107,608	98,810	107,608
Board members' allowances	84,729	52,561	84,729	52,561
Total compensation paid to key management personnel	4,500,824	3,992,872	4,396,733	3,992,872

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 33. Commitments

## (a) Capital commitments

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

	Group	
	2010	2009
	\$	\$
Capital commitments in respect of property, plant and equipment	87,249,575	31,066,077

## (b) Operating lease commitments - as lessor

The Group leases land to certain hotels and other tenants for 10 to 99 (2009: 10 to 99) years under operating leases. There are no restrictions placed upon the Group and the Corporation by entering into these leases. Lease income is based on a fixed lump sum payment, which is amortised over the lease periods, a fixed monthly rental, and a variable rental payment based on a percentage of the tenant's revenue derived from using the leased land.

Lease income recognised in the statements of comprehensive income of the Group and the Corporation during the financial year amounted to \$20,410,939 (2009: \$17,929,080) and \$22,225,787 (2009: \$19,949,891) respectively, of which \$4,508,517 (2009: \$8,712,782) and \$4,508,517 (2009: \$9,135,498) respectively were related to the variable rental income received during the financial year.

Future minimum lease income receivable under non-cancellable operating leases at the balance sheet date are as follows:

	Group	
	2010	2009
	\$	\$
Not later than 1 year	5,661,848	5,730,798
Later than 1 year but not later than 5 years	27,085,642	25,622,836
Later than 5 years	482,677,128	488,886,525
	515,424,618	520,240,159

## (c) Operating lease commitments – as lessee

The operating lease commitments mainly relate to the tenancy of the Group's premises. The leases run for a period of 3 years with an option to renew the leases after that date.

	Group	
	2010	2009
	\$	\$
Not later than 1 year	24,000	–

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 33. Commitments (cont'd)

## (d) Derivative financial instrument

Derivative financial instrument relates to cumulative fair value change of a forward contract.

During the financial year, the Group entered into a derivative financial instrument pertaining to a forward currency contract to purchase Euro 2,820,450 on 22 February 2010.

## 34. Fair values of financial instruments

## (a) Fair values of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Total
	\$	\$	\$
<b>Financial assets:</b>			
Available-for-sale financial asset (Note 15)			
- Equity securities (quoted)	1,043,983	–	1,043,983
Held-to-maturity financial asset (Note 15)			
- 4.15% per annum SGD SIA bond due on 19 December 2011	–	2,000,000	2,000,000
<b>Financial liabilities:</b>			
Derivative financial instrument (Note 20)			
Forward exchange contract	–	(113,402)	(113,402)
<b>Total</b>	<b>1,043,983</b>	<b>1,886,598</b>	<b>2,930,581</b>

Fair value hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities, and
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices).

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 34. Fair values of financial instruments (cont'd)

#### (a) Fair values of financial instruments that are carried at fair value (cont'd)

##### Determination of fair value

Quoted equity securities (Note 15): Fair value is determined directly by reference to their published market bid price at the balance sheet date.

Unquoted corporate bonds (Note 15): Fair value is calculated using discounted cash flow models, based on their maturity periods. The discount rates applied in this exercise are based on the current interest rates of the bonds.

Derivative financial instrument (Note 20): There was an embedded foreign currency derivative instrument arising from a forward exchange contract. As this embedded derivative is closely related to the purchase contract and required payment denominated in the functional currency of the supplier, the Group did not recognise and measure the fair value of the embedded derivative separately from the purchase contract.

#### (b) Fair values of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

*Current trade and other receivables, current and non-current trade and other payables, cash and bank balances, and loans and borrowings*

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date.

### 35. Financial risk management objectives and policies

The Group and the Corporation are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk, and market price risk. The risk management objective of the Group is to minimise these risks.

#### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Corporation's exposure to credit risk arises primarily from trade and other receivables. The Group and the Corporation minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and credit-worthy third parties. It is the Group's corporate credit policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored closely on an on-going basis with the result that the Group's exposure to bad debts is not significant. Security deposits are collected from tenants, and debts are monitored regularly to minimise the risk of non-payment. Hence, the Group does not expect to incur material credit losses.

In addition, the Board members assess the financial positions of its subsidiaries to ensure that they are of good credit standing. As such, the Board members expects these companies to be able to meet their obligations.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 35. Financial risk management objectives and policies (cont'd)

#### (a) Credit risk (cont'd)

##### Exposure to credit risk

The carrying amounts of trade and other receivables, loan receivable from a subsidiary, and cash and cash equivalents represent the Group's and the Corporation's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

##### Credit risk concentration profile

At the balance sheet date, approximately 18% (2009: 63%) of the Group's trade receivables were due from 5 (2009: 5) major customers located in Singapore.

##### Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

##### Financial assets that are either past due or impaired

Information regarding receivables that are either past due or impaired is disclosed in Note 17 to the financial statements.

#### (b) Liquidity risk

Liquidity risk is the risk that the Group or the Corporation will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Corporation's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group manages this risk by monitoring working capital projections, taking into account the available cash and cash equivalents of the Group and ensuring that the Group has adequate working capital to meet current requirements.

The table below analyses the maturity profile of the Group's and Corporation's financial assets and liabilities at the balance sheet date, based on contractual undiscounted repayment obligations.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 35. Financial risk management objectives and policies (cont'd)

## (b) Liquidity risk (cont'd)

Group	Note	2010 \$			2009 \$		
		One year or less	One to five years	Total	One year or less	One to five years	Total
<b>Financial assets:</b>							
Long-term investments	15	–	3,043,983	3,043,983	–	2,000,000	2,000,000
Trade and other receivables	17	22,114,052	–	22,114,052	33,531,289	–	33,531,289
Cash and bank balances	19	2,361,144,137	–	2,361,144,137	2,680,471,391	–	2,680,471,391
Total undiscounted financial assets		2,383,258,189	3,043,983	2,386,302,172	2,714,002,680	2,000,000	2,716,002,680
<b>Financial liabilities:</b>							
Trade and other payables	20	126,677,761	1,101,480	127,779,241	297,107,304	584,095	297,691,399
Loans and borrowings	21	32,107,238	–	32,107,238	26,398,500	–	26,398,500
Total undiscounted financial liabilities		158,784,999	1,101,480	159,886,479	323,505,804	584,095	324,089,899
Total net undiscounted financial assets		2,224,473,190	1,942,503	2,226,415,693	2,390,496,876	1,415,905	2,391,912,781

Corporation	Note	2010 \$			2009 \$		
		One year or less	One to five years	Total	One year or less	One to five years	Total
<b>Financial assets:</b>							
Long-term investments	15	–	2,000,000	2,000,000	–	2,000,000	2,000,000
Trade and other receivables	17	32,633,038	–	32,633,038	44,050,083	–	44,050,083
Loans receivable from a subsidiary	18	26,398,500	–	26,398,500	26,398,500	–	26,398,500
Cash and bank balances	19	2,337,838,244	–	2,337,838,244	2,677,010,412	–	2,677,010,412
Total undiscounted financial assets		2,396,869,782	2,000,000	2,398,869,782	2,747,458,995	2,000,000	2,749,458,995
<b>Financial liabilities:</b>							
Trade and other payables	20	172,474,815	63,715	172,538,530	362,992,023	80,789	363,072,812
Loans and borrowings	21	26,398,500	–	26,398,500	26,398,500	–	26,398,500
Total undiscounted financial liabilities		198,873,315	63,715	198,937,030	389,390,523	80,789	389,471,312
Total net undiscounted financial assets		2,197,996,467	1,936,285	2,199,932,752	2,358,068,472	1,919,211	2,359,987,683

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

## 35. Financial risk management objectives and policies (cont'd)

## (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Corporation's exposure to interest rate risk arises primarily from their fixed deposits. The fixed deposits are placed with financial institutions with varying maturities according to the policies and mandate as approved by the Board. The Group does not use derivative financial instruments to hedge interest rates or interest rate fluctuations.

Sensitivity analysis for interest rate risk

At the balance sheet date, if interest rates had been 25 (2009: 25) basis points higher/lower with all other variables held constant, the Group's net deficit before contribution to Consolidated Fund would have been \$34,731 (2009: \$65,996) lower/higher, arising mainly as a result of higher/lower net interest income from fixed deposits of the Group.

## (d) Foreign currency risk

The Group has transactional currency exposures arising from purchases and commitments that are denominated in currencies other than the functional currency of Group. The foreign currencies in which these transactions are denominated are mainly United States Dollars (USD), Euro and Japanese Yen (JPY). Outstanding foreign currency commitments amount to approximately \$21,718,000 (2009: \$13,980,000) as at 31 March 2010.

During the year, the Group introduced a policy that requires all of its operating entities to buy at spot rates or use forward currency contracts to eliminate the currency exposures on any individual transactions in excess of \$1,000,000 within one month after the Group had entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item.

The Group holds cash and cash equivalents denominated in foreign currencies to hedge their foreign currency exposure. As at balance sheet date, such foreign currency balances (mainly in USD, Euro and JPY) amounted to \$12,528,000, \$2,945,114 and Nil (2009: \$3,224,143) respectively.

At 31 March 2010, the Group has an outstanding forward contract to purchase Euro 2,820,450 (equivalent to \$5,309,779), for which firm commitments existed at the balance sheet date. There was no such forward exchange contract as at 31 March 2009.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's net deficit to a reasonably possible change in the USD, Euro and JPY exchange rates against the Singapore dollar, with all other variables held constant.

	Group Net deficit	
	2010 \$	2009 \$
Euro/SGD - strengthened 10% (2009: 10%)	(294,511)	–
- weakened 10% (2009: 10%)	294,511	–
JPY/SGD - strengthened 10% (2008: 10%)	–	(322,407)
- weakened 10% (2008: 10%)	–	322,407

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 35. Financial risk management objectives and policies (cont'd)

#### (e) Market price risk

Market risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are classified as available-for-sale financial assets.

A 10% increase in the price of quoted equity securities as at the balance sheet date would increase the Group's fair value reserve by approximately \$104,000. A 10% decrease in the price of equity securities would have an equal but opposite effect. This analysis assumes that all other variables remain constant and the equity securities are not impaired.

The Group did not have any investment in quoted equity instruments as at 31 March 2009.

### 36. Capital management

The Group manages its capital in accordance with the Capital Management Framework formulated by the Ministry of Finance. Under this Framework, the Group is required to draw on its accumulated surpluses, existing equity, debt or additional equity injection from the Government.

### 37. Reclassifications and comparative figures

The Group reclassified the capital and fair value reserves of \$3,662,141 and \$33,223 respectively to the general fund of accumulated surplus resulting from the acquisition of Mount Faber Leisure Group Pte. Ltd. (Note 12).

### 38. Event after balance sheet date

On 17 May 2010, the quoted equity securities were disposed off in the open market for a sales consideration of \$1,015,809, which resulted in a loss on disposal of \$28,174. These quoted equity securities had a carrying value of \$1,043,984 as the date of disposal.

### 39. Authorisation of financial statements

The financial statements of the Group and the Corporation for the financial year ended 31 March 2010 were authorised for issue by the Board members of the Corporation on 30 June 2010.

**Sentosa**

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