

# SENTOSA UNLIMITED

**sentosa**  
SINGAPORE'S ISLAND RESORT

**FINANCIAL REPORT**

06/07

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# 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 (the "Group") set out on pages 2 to 27, which comprise the income and expenditure statements of the Group and the Corporation for the financial year ended 31 March 2007, the balance sheets of the Group and the Corporation as at 31 March 2007, the statements of changes in equity of the Group and of the Corporation for the financial year ended 31 March 2007, 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' RESPONSIBILITIES 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 Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 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 income and expenditure statement, 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 Singapore 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 2007, the results, changes in equity of the Group and of the Corporation, and cash flow of the Group for the financial year then ended; and
- (ii) the accounting and other records, and the registers required by the Act to be kept by the Corporation 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**  
Certified Public Accountants

Singapore  
26 June 2007

# INCOME AND EXPENDITURE STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

	Note	Group 2007 \$	Group 2006 \$	Corporation 2007 \$	Corporation 2006 \$
<b>Income</b>					
Land sale		1,524,754,514	940,556,585	1,524,754,514	940,556,585
Admission fees and packages		30,609,962	23,831,482	30,609,962	23,843,384
Rental and hiring of facilities	3	12,512,107	11,286,521	13,240,588	11,665,712
Other income	4, 5	426,512,074	32,879,711	419,427,415	30,210,796
Interest income		14,636,937	3,968,305	14,574,708	3,954,867
		2,009,025,594	1,012,522,604	2,002,607,187	1,010,231,344
<b>Expenditure</b>					
Cost of land sale		340,028,505	258,048,429	366,049,858	276,859,561
Cost of sale on admission fees and packages		8,100,280	4,393,766	8,100,280	4,393,766
Staff costs	6	39,522,316	32,185,034	36,010,844	30,132,213
Depreciation of property, plant and equipment	11	28,154,370	22,698,173	27,967,012	22,651,567
Repairs and maintenance		9,455,340	11,693,275	9,203,152	11,581,292
Publicity and promotion		33,018,532	23,071,236	33,656,030	23,532,811
Inventories consumed		7,308,456	3,426,134	4,422,022	1,918,433
Interest expense		3,308,393	2,425,315	3,308,393	2,425,315
General and administrative expenses	7	32,315,847	16,079,481	33,064,841	18,887,538
		501,212,039	374,020,843	521,782,432	392,382,496
<b>Surplus before Government Grants</b>					
Deferred capital grants amortised	24	1,507,813,555	638,501,761	1,480,824,755	617,848,848
Share of results of an associate		5,386,675	6,767,328	5,386,675	6,767,328
		3,793,500	2,534,878	–	–
Surplus before taxation and contribution to Consolidated Fund		1,516,993,730	647,803,967	1,486,211,430	624,616,176
Taxation	8	(4,568,906)	(2,998,238)	–	–
Contribution to Consolidated Fund	9	(296,617,913)	(124,516,803)	(296,617,913)	(124,516,803)
Net surplus for the year transferred to accumulated surplus		1,215,806,911	520,288,926	1,189,593,517	500,099,373

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

# BALANCE SHEETS

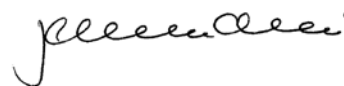
## AS AT 31 MARCH 2007

	Note	Group		Corporation	
		2007 \$	2006 \$	2007 \$	2006 \$
<b>Non-current assets</b>					
Heritage materials	10	26,398,500	26,398,500	–	–
Property, plant and equipment	11	662,097,445	617,416,663	660,650,047	617,072,024
Investments in subsidiaries	12	–	–	2	1,200,002
Investment in an associate	13	19,380,602	15,587,102	699,620	699,620
Deferred tax assets	14	79,500	196,700	–	–
Entrance fees receivable		1,312,700	956,600	1,312,700	956,600
Held-to-maturity investments	15	3,998,857	3,997,755	3,998,857	3,997,755
<b>Current assets</b>					
Inventories	16	232,931,018	215,042,561	231,352,496	214,028,976
Trade and other receivables	17	569,225,171	287,093,221	572,985,535	284,060,820
Prepayments		8,550,752	3,034,995	8,459,513	2,995,793
Loan receivable from a subsidiary	18	–	–	26,398,500	26,398,500
Cash and bank balances	19	1,351,362,359	323,313,474	1,348,312,993	321,251,980
		2,162,069,300	828,484,251	2,187,509,037	848,736,069
<b>Current liabilities</b>					
Trade and other payables	20	198,446,186	64,603,472	235,424,248	74,707,573
Loan payable	21	26,398,500	26,398,500	26,398,500	26,398,500
Provision for cove infrastructure	22	79,998,709	4,155,108	79,998,709	4,155,108
Specific fund	23	9,021,221	4,054,837	9,021,221	4,054,837
Provision for contribution to Consolidated Fund	9	296,836,504	124,517,453	296,836,504	124,517,453
Provision for taxation		4,656,668	3,204,961	–	–
		615,357,788	226,934,331	647,679,182	233,833,471
<b>Net current assets</b>					
		1,546,711,512	601,549,920	1,539,829,855	614,902,598
<b>Non-current liabilities</b>					
Deferred capital grants	24	97,873,620	344,659,523	97,873,620	344,659,523
Deferred income	25	104,012,773	79,157,905	104,012,773	79,157,905
		201,886,393	423,817,428	201,886,393	423,817,428
<b>Net assets</b>					
		2,058,092,723	842,285,812	2,004,604,688	815,011,171
<b>Capital and reserves</b>					
Capital account	26	3,589,495	3,589,495	3,589,495	3,589,495
Accumulated surplus	27				
– General fund		1,975,218,381	795,886,560	1,925,392,487	772,274,060
– Restricted funds		75,622,706	39,147,616	75,622,706	39,147,616
		2,050,841,087	835,034,176	2,001,015,193	811,421,676
Capital reserve	28	3,662,141	3,662,141	–	–
<b>Total capital and reserves</b>					
		2,058,092,723	842,285,812	2,004,604,688	815,011,171



**DR LOO CHOON YONG**  
Chairman

26 June 2007



**JENNIE CHUA KHENG YENG**  
Director

26 June 2007

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

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

Group	Capital account (Note 26) \$	Accumulated surplus		Capital reserve (Note 28) \$	Total \$
		General fund (Note 27) \$	Restricted funds (Note 27) \$		
<b>2006</b>					
At 31 March 2005 and 1 April 2005	3,589,495	307,545,250	7,200,000	3,662,141	321,996,886
Net surplus for the year	–	520,288,926	–	–	520,288,926
Transfer to sinking fund	–	(31,947,616)	31,947,616	–	–
At 31 March 2006	3,589,495	795,886,560	39,147,616	3,662,141	842,285,812
<b>2007</b>					
At 31 March 2006 and 1 April 2006	3,589,495	795,886,560	39,147,616	3,662,141	842,285,812
Net surplus for the year	–	1,215,806,911	–	–	1,215,806,911
Transfer to sinking fund	–	(36,475,090)	36,475,090	–	–
At 31 March 2007	3,589,495	1,975,218,381	75,622,706	3,662,141	2,058,092,723

Corporation	Capital account (Note 26) \$	Accumulated surplus		Total \$
		General fund (Note 27) \$	Restricted funds (Note 27) \$	
<b>2006</b>				
At 31 March 2005 and 1 April 2005	3,589,495	304,122,303	7,200,000	314,911,798
Net surplus for the year	–	500,099,373	–	500,099,373
Transfer to sinking fund	–	(31,947,616)	31,947,616	–
At 31 March 2006	3,589,495	772,274,060	39,147,616	815,011,171
<b>2007</b>				
At 31 March 2006 and 1 April 2006	3,589,495	772,274,060	39,147,616	815,011,171
Net surplus for the year	–	1,189,593,517	–	1,189,593,517
Transfer to sinking fund	–	(36,475,090)	36,475,090	–
At 31 March 2007	3,589,495	1,925,392,487	75,622,706	2,004,604,688

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 2007

	Note	2007 \$	Group 2006 \$
<b>Cash flow from operating activities:</b>			
Surplus before taxation and contribution to Consolidated Fund		1,516,993,730	647,803,967
Adjustments for:			
Interest expense		3,308,393	2,425,315
Interest income		(14,636,937)	(3,968,305)
Depreciation of property, plant and equipment		28,154,370	22,698,173
Gain on disposal of property, plant and equipment		(383,910,274)	(4,291)
Property, plant and equipment written off		–	2,408,458
Write-back of allowance for doubtful debts		(448,750)	(1,071,693)
Deferred income recognised		(14,505,132)	(10,329,265)
Share of results of an associate		(3,793,500)	(2,534,878)
Deferred capital grants amortised		(5,386,675)	(6,767,328)
<b>Surplus before working capital changes</b>		<b>1,125,775,225</b>	<b>650,660,153</b>
(Increase)/decrease in inventories		(17,888,457)	290,436,711
Increase in trade and other receivables		(285,407,644)	(221,065,597)
Increase in trade and other payables		38,251,579	8,178,552
Increase/(decrease) in provision for cove infrastructure		75,843,601	(14,149,970)
<b>Cash flow generated from operations</b>		<b>936,574,304</b>	<b>714,059,849</b>
Deferred income received		39,360,000	2,075,603
Contribution to Consolidated Fund		(124,298,862)	(16,795,193)
Tax paid		(2,199,997)	–
<b>Net cash flow generated from operating activities</b>		<b>849,435,445</b>	<b>699,340,259</b>
<b>Cash flow from investing activities</b>			
Interest received		12,802,340	3,834,733
Purchase of heritage materials		–	(18,133,800)
Purchase of property, plant and equipment		(130,168,981)	(129,165,646)
Proceeds from disposal of property, plant and equipment		506,436,009	6,584
<b>Net cash flow generated/(used in) investing activities</b>		<b>389,069,368</b>	<b>(143,458,129)</b>
<b>Cash flow from financing activities</b>			
Interest paid		(3,308,393)	(2,868,215)
Heritage grants received		–	18,133,800
Government grants received		–	16,309,999
Grant returned to government		(211,000,000)	–
Repayments of bank loans and borrowings		–	(287,019,516)
<b>Net cash flow used in financing activities</b>		<b>(214,308,393)</b>	<b>(255,443,932)</b>
Net increase in cash and cash equivalents		1,024,196,420	300,438,198
Cash and cash equivalents at beginning of year		320,236,240	19,798,042
<b>Cash and cash equivalents at end of year</b>	19	<b>1,344,432,660</b>	<b>320,236,240</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007

## 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.

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, the income and expenditure statement and the statement of changes in equity of the Corporation have been prepared in accordance with the provisions of the Sentosa Development Corporation Act (Chapter 291) and Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis.

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

The accounting policies have been consistently applied by the Group and the Corporation and are consistent with those used in the previous financial year.

### 2.2 FRS and Interpretation of Financial Reporting Standards ("INT FRS") that are not yet effective

The Group and the Corporation have not applied the following FRS and INT FRS that have been issued but not yet effective:

	<i>Effective date (Annual periods beginning on or after)</i>
FRS 1 : Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)	1 January 2008
FRS 107 : Financial Instruments: Disclosures	1 January 2008

#### **FRS 107, Financial Instruments: Disclosures and Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)**

FRS 107 introduces new disclosures to improve the information on financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The Amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply FRS 107 and the Amendment to FRS 1 from annual periods beginning 1 January 2008.

The management expects that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application.

	<i>Effective date (Annual periods beginning on or after)</i>
FRS 40 : Investment Property	1 January 2007
FRS 108 : Operating Segments	1 January 2009
INT FRS 107 : Applying the Restatement Approach under FRS 29, Financial Reporting in Hyperinflationary Economies	1 March 2006
INT FRS 108 : Scope of FRS 102, Share-based Payment	1 May 2006
INT FRS 109 : Reassessment of Embedded Derivatives	1 June 2006
INT FRS 110 : Interim Financial Reporting and Impairment	1 November 2006
INT FRS 111 : Group and Treasury Share Transactions	1 March 2007
INT FRS 112 : Service Concession Arrangements	1 January 2008

These standards and pronouncements do not apply to the activities of the Group and the Corporation.

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

### 2.3 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### (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) Depreciation of plant and equipment

The cost of plant and equipment is depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these plant and equipment to be within 3 to 10 years. The carrying amounts of the Group's and the Corporation's plant and equipment at 31 March 2007 were stated in Note 11 to the financial statements. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

##### (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 assets at 31 March 2007 were \$4,656,668 (2006: \$3,204,961) and \$79,500 (2006: \$196,700) respectively.

#### (b) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

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

The Group follows the guidance of 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 FRS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value, instead of amortised cost.

##### (ii) 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 over the next one year.

The provision for cove infrastructure, based on the most reliable estimates using comparable tendered contracts and quotes, is included in the cost of land sale (Note 22).

### 2.4 Functional and foreign currencies

#### (a) Functional currency

The management has determined the currency of the primary economic environment in which the Corporation operates i.e. functional currency, to be SGD. Income and major expenditure are primarily influenced by fluctuations in SGD.

#### (b) Foreign currency transactions

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 closing 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 income and expenditure statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007 (cont'd)

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

### 2.5 Heritage materials and heritage grant

In accordance with FRS 20 paragraph 24, heritage materials purchased by the Group are accounted for at cost less the heritage grant received and no depreciation is provided, unless otherwise impaired.

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.

### 2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold land and improvements to land	- 3 to 103 years
Buildings, attractions and facilities	- 3 to 103 years
Plant, machinery, operating equipment and other assets	- 3 to 10 years

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

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

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.

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 assets is included in the income and expenditure statements in the year the asset is derecognised.

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 income and expenditure statements.

### 2.7 Investments in subsidiaries and principles of consolidation

#### (a) 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. The Group generally has such power when it, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the Board of directors.

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

#### (b) Principles 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 for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Acquisitions of subsidiaries are accounted for using the purchase method. Subsidiaries are fully 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.8 Investment in an associate

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. This generally coincides with the Group having 20% or more of the voting power, or has representation on the Board of directors.

The Group's investment in an associate is accounted for using the equity method. Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the profit or loss of the associate is recognised in the consolidated income and expenditure statement. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the associate. The 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 most recently available audited financial statements of the associate are used by the Group in applying the equity method. The financial statements of the associate used in applying the equity method are prepared for the same reporting date as the Group. Consistent accounting policies are applied for like transactions and events in similar circumstances.

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

### 2.9 Financial assets

Financial assets within the scope of FRS 39 are classified as either loans and receivables, or held-to-maturity financial assets, as appropriate. Financial assets are recognised on the balance sheets when, and only when, the Group and the Corporation become a party to the contractual provision of the financial instruments.

When financial assets are recognised initially, they are measured at fair value, plus, directly attributable transaction costs. The Group and the Corporation determine the classification of their financial assets after initial recognition and, where allowed and appropriate, re-evaluate this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group and the Corporation commit to purchase the asset.

#### (a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the income and expenditure statements when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Group classifies the following financial assets as loans and receivables:

- Trade and other receivables, including entrance fees receivable and loan receivable from a subsidiary; and
- Cash and bank balances.

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

Non-derivative 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. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest rate method.

This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initially recognised amount and the maturity amount and minus any reduction for impairment or uncollectibility. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

For investments carried at amortised cost, gains and losses are recognised in the income and expenditure statements when the investments are derecognised or impaired, as well as through the amortisation process.

The Group and the Corporation classify their investment in quoted bonds as held-to-maturity financial assets.

The Group and the Corporation have not classified any financial assets as financial assets at fair value through profit or loss, or available-for-sale.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007 (cont'd)

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

### 2.10 Impairment of assets

The Group and the Corporation assess at each balance sheet date whether there is any objective evidence that an asset or a group of assets is impaired.

#### (a) Impairment of financial assets

*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 flow discounted at the financial asset's original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account. The amount of the loss is recognised in the income and expenditure statements.

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. Any subsequent reversal of an impairment loss is recognised in the income and expenditure statements, to extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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

The carrying amounts of the Group's and the Corporation's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the Group and the Corporation make 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 inflow that is largely independent of those from other assets or groups of assets. In assessing value-in-use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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.

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. If such indication exists, the recoverable amount is estimated. 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 assets is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

### 2.11 Derecognition of financial assets

A financial asset is derecognised where the contractual rights to receive cash flow from the asset have expired.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the income and expenditure statements.

### 2.12 Inventories

Inventories consist of land held for sale, land under development, merchandise, consumables and spare parts, and food and beverage products.

Land held for sale is stated at the lower of cost and their estimated net realisable value. Cost of land includes land alienation costs, development costs, interest and other related expenditure to get the land ready for sale.

Land under development comprises uncompleted piling, civil engineering, building and geotechnical work done on projects undertaken by the Group and the Corporation that are intended for subsequent sale. It is stated at cost which includes materials, sub-contracting fees, labour, overhead, other directly related expenses and interest incurred during the year.

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

Consumables and spare parts, and food and beverage products are stated at cost, determined on a first-in-first-out basis.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

### **2.13 Receivables**

An allowance is made for uncollectible amounts when there is objective evidence that the Group and the Corporation will not be able to collect the debts. Bad debts are written off when identified.

### **2.14 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and at bank, and short-term deposits that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

For the purposes of the consolidated statement of cash flow, cash and cash equivalents are presented net of cash and bank balances held on behalf of the Government-related specific funds.

### **2.15 Financial liabilities**

Financial liabilities include trade payables, which are normally settled on 30 to 90 day terms, other payables and loan payable. Financial liabilities are recognised on the balance sheets when, and only when, the Group and the Corporation become a party to the contractual provisions of the financial instruments. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income and expenditure statements when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

### **2.16 Provisions**

Provisions are recognised when the Group and the Corporation have a present obligation (legal or constructive), as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### **2.17 Specific fund**

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

### **2.18 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).

### **2.19 Income taxes**

#### **(a) Current tax**

Current tax assets and liabilities for the current and prior periods 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.

#### **(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 and associates, 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 (other than those mentioned above), 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007 (cont'd)

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

### 2.19 Income taxes (cont'd)

#### (b) **Deferred tax** (cont'd)

The carrying amount of deferred income 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 income tax asset to be utilised. Unrecognised deferred income 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 recovered.

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

#### (c) **Sales tax**

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales 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 sales tax included.

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

### 2.20 Government grants

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 income and expenditure statements over the periods necessary to match the depreciation and gain/loss on disposal of the property, plant and equipment purchased with the grants.

### 2.21 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.
- (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.

### 2.22 Revenue recognition

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. The following specific recognition criteria must also be met before revenue is recognised:

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

Income from admission fees and packages is recognised on sale of admission tickets and packages.

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

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

A 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.

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

### 2.22 Revenue recognition (cont'd)

Nominee registration fees for two nominees are recognised on acceptance of the first nominee by the Management Committee of the Club or upon the expiration of three months from admission of the Corporate 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.

Revenue on sales of merchandise is recognised upon sales made to customers.

Project management fees are recognised as income when services are rendered.

Revenue on sales of food and beverages are recognised upon sales made to customers.

Income from subscription fees and interest income on fixed deposits are recognised on an accrual basis.

### 2.23 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.

### 2.24 Employee benefits

#### (a) *Defined contribution plan*

As required by law, the Group makes contributions to the state pension scheme, the Central Provident Fund ("CPF"). CPF contributions are recognised as an expense in the same 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.

### 2.25 Operating leases

Operating lease payments are recognised as an expense in the income and expenditure statements on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

### 2.26 Borrowing costs

Borrowings are generally expensed as incurred. Borrowing costs 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 expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

## 3. RENTAL AND HIRING OF FACILITIES

	Group		Corporation	
	2007 \$	2006 \$	2007 \$	2006 \$
Rental income	11,988,929	10,673,689	12,717,410	11,052,880
Lease income amortised (Note 25)	523,178	612,832	523,178	612,832
	12,512,107	11,286,521	13,240,588	11,665,712

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007 (cont'd)

## 4. OTHER INCOME

	Group		Corporation	
	2007 \$	2006 \$	2007 \$	2006 \$
Club membership-related income	17,410,110	17,893,033	17,410,110	17,893,033
Sales of merchandise, net of discounts	4,500,885	2,580,859	–	–
Service fee and development fee (Note 25)	10,491,233	6,326,948	10,491,233	6,326,948
Project management fees	596,256	405,131	596,255	405,131
Sponsorship	85,002	120,829	–	120,829
Food and beverage	8,431,058	3,484,061	6,163,479	3,514,724
Gain on disposal of property, plant and equipment*	383,910,274	4,291	382,716,773	4,291
Realised exchange gain	–	4,308	–	–
Others	1,087,256	2,060,251	2,049,565	1,945,840
	426,512,074	32,879,711	419,427,415	30,210,796

\* Included in the gain on disposal of property, plant and equipment of the Group and the Corporation is a one-time gain of \$382,618,852 (2006: Nil), arising from the sale of land for the development of a family resort.

## 5. INCOME

In financial year 2006, the Group's income did not include heritage grants totalling \$26,243,800, which were netted against the cost of the heritage materials (Note 10), as allowed under FRS 20 paragraph 24. There were no heritage grants received by the Group during this financial year.

## 6. STAFF COSTS

	Group		Corporation	
	2007 \$	2006 \$	2007 \$	2006 \$
Direct staff:				
Wages and salaries	38,213,756	31,364,132	10,087,883	9,465,594
Contributions to defined contribution plan	3,702,317	2,510,858	779,945	643,059
	41,916,073	33,874,990	10,867,828	10,108,653
Outsourced to a subsidiary:				
Wages and salaries	–	–	24,882,363	20,050,972
Contributions to defined contribution plan	–	–	2,654,410	1,662,544
	–	–	27,536,773	21,713,516
	41,916,073	33,874,990	38,404,601	31,822,169
Staff costs capitalised in development projects-in-progress	(2,393,757)	(1,689,956)	(2,393,757)	(1,689,956)
	39,522,316	32,185,034	36,010,844	30,132,213

## 7. GENERAL AND ADMINISTRATIVE EXPENSES

Included in the general and administrative expenses are the following:

	Group		Corporation	
	2007 \$	2006 \$	2007 \$	2006 \$
Write-back of allowance for doubtful debts	(448,750)	(1,071,693)	(448,750)	(1,071,693)
Property tax	17,728,653	5,879,948	17,728,653	5,879,948
Utilities	5,079,576	3,557,738	4,737,734	3,477,271
Travelling expense	957,595	819,380	908,676	775,889
Property, plant and equipment written off	–	2,408,458	–	2,408,458

## 8. TAXATION

### (a) Major components of taxation Group

The major components of income tax expense for the financial years ended 31 March 2007 and 2006 are:

	2007 \$	Group 2006 \$
<i>Current income tax</i>		
Current year	4,462,738	3,204,961
Overprovision in respect of previous year	(11,032)	(10,023)
	4,451,706	3,194,938
Deferred tax expense/(credit) (Note 14)	117,200	(196,700)
	4,568,906	2,998,238

### (b) Reconciliation between taxation and accounting profit

A reconciliation between the taxation and the product of accounting profit multiplied by the applicable tax rates for the financial years ended 31 March 2007 and 2006 is as follows:

	2007 \$	Group 2006 \$
Surplus from ordinary activities before taxation	1,516,993,730	647,803,967
Tax at corporate rate of 18% (2006: 20%)	273,058,871	129,560,793
<i>Adjustments for:</i>		
Non-deductible expenses	64	21,508
Effect of changes in tax rate	(18,400)	-
Income not subject to taxation	(267,518,057)	(124,923,235)
Overprovision in respect of prior year	(11,032)	(10,023)
Unrecognised deferred tax assets	-	(779,539)
Utilisation of previously unrecognised deferred tax assets	(74,418)	(342,784)
Share of results of an associate	(794,700)	(506,976)
Others	(73,422)	(21,506)
Effective tax expense	4,568,906	2,998,238

### Corporation

The Corporation is not subject to income tax. However, it is required to contribute to Consolidated Fund.

## 9. CONTRIBUTION TO CONSOLIDATED FUND

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 S\$2,028,910 (2006: S\$2,028,910) resulting from the amortisation of deferred income is not subject to contribution to Consolidated Fund.

	Group and Corporation 2007 \$	2006 \$
Net surplus of the Corporation before contribution to Consolidated Fund	1,486,211,430	624,616,176
Deferred income on membership entrance fee (as described above)	(2,028,910)	(2,028,910)
Net surplus subject to contribution to Consolidated Fund	1,484,182,520	622,587,266
Contribution to Consolidated Fund:		
Current year	296,836,504	124,517,453
Overprovision in prior year	(218,591)	(650)
	296,617,913	124,516,803

The contribution for the financial year under review is based on 20% (2006: 20%) of the net surplus of the Corporation.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007 (cont'd)

## 10. HERITAGE MATERIALS

	2007 \$	Group 2006 \$
Cost of heritage materials:		
At 1 April	26,398,500	26,398,500
Heritage materials acquired	–	18,133,800
Heritage grants deducted	–	(18,133,800)
At 31 March	26,398,500	26,398,500

Heritage materials represent a cargo of artefacts purchased by a subsidiary company using loan received from the Corporation (Note 21), 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.

## 11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and improvements to land \$	Buildings, attractions and facilities \$	Development projects-in- progress \$	Plant, machinery, operating equipment and other assets \$	Total \$
<b>Cost</b>					
At 1 April 2005	267,657,116	347,961,842	89,760,013	27,791,124	733,170,095
Additions	1,518,771	132,558	122,817,971	4,696,346	129,165,646
Disposals/write-offs	–	(7,849,772)	–	(2,350,305)	(10,200,077)
Reclassifications	(12,781)	54,415,956	(60,759,132)	6,355,957	–
At 31 March 2006 and 1 April 2006	269,163,106	394,660,584	151,818,852	36,493,122	852,135,664
Additions	228,240	285,091	126,551,245	3,104,405	130,168,981
Disposals/write-offs	(30,364,145)	(52,084,659)	(11,735,599)	(5,598,815)	(99,783,218)
Reclassifications	47,983,523	110,654,707	(224,925,532)	66,287,302	–
At 31 March 2007	287,010,724	453,515,723	41,708,966	100,286,014	882,521,427
<b>Accumulated depreciation</b>					
At 1 April 2005	88,563,110	110,354,093	–	20,892,951	219,810,154
Charge for the financial year	6,166,184	12,835,538	–	3,696,451	22,698,173
Disposals/write-offs	–	(5,441,314)	–	(2,348,012)	(7,789,326)
At 31 March 2006 and 1 April 2006	94,729,294	117,748,317	–	22,241,390	234,719,001
Charge for the financial year	6,718,664	14,710,054	–	6,725,652	28,154,370
Disposals/write-offs	(7,157,140)	(29,953,557)	–	(5,338,692)	(42,449,389)
At 31 March 2007	94,290,818	102,504,814	–	23,628,350	220,423,982
<b>Net carrying amount</b>					
At 31 March 2007	192,719,906	351,010,909	41,708,966	76,657,664	662,097,445
At 31 March 2006	174,433,812	276,912,267	151,818,852	14,251,732	617,416,663

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

Corporation	Leasehold land and improvements to land \$	Buildings, attractions and facilities \$	Development projects-in-progress \$	Plant, machinery, operating equipment and other assets \$	Total \$
<b>Cost</b>					
At 1 April 2005	267,644,335	348,149,674	89,760,013	25,893,777	731,447,799
Additions	1,518,771	132,558	122,658,271	4,615,136	128,924,736
Disposals/write-offs	–	(7,849,772)	–	(2,350,305)	(10,200,077)
Reclassifications	–	54,415,956	(60,759,132)	6,343,176	–
At 31 March 2006 and 1 April 2006	269,163,106	394,848,416	151,659,152	34,501,784	850,172,458
Additions	306,115	193,215	126,180,487	3,101,004	129,780,821
Disposals/write-offs	(30,581,607)	(52,861,610)	(11,735,598)	(5,838,363)	(101,017,178)
Reclassifications	47,983,523	110,536,377	(224,737,212)	66,217,312	–
At 31 March 2007	286,871,137	452,716,398	41,366,829	97,981,737	878,936,101
<b>Accumulated depreciation</b>					
At 1 April 2005	88,559,374	110,354,093	–	19,324,726	218,238,193
Charge for the financial year	6,169,920	12,835,538	–	3,646,109	22,651,567
Disposals/write-offs	–	(5,441,314)	–	(2,348,012)	(7,789,326)
At 31 March 2006 and 1 April 2006	94,729,294	117,748,317	–	20,622,823	233,100,434
Charge for the financial year	6,718,664	14,623,508	–	6,624,840	27,967,012
Disposals/write-offs	(7,296,727)	(30,172,980)	–	(5,311,685)	(42,781,392)
At 31 March 2007	94,151,231	102,198,845	–	21,935,978	218,286,054
<b>Net carrying amount</b>					
At 31 March 2007	192,719,906	350,517,553	41,366,829	76,045,759	660,650,047
At 31 March 2006	174,433,812	277,100,099	151,659,152	13,878,961	617,072,024

The net book value of leasehold land and buildings of the Group and the Corporation which are leased out under operating leases as at 31 March 2007 was \$29,282,861 (2006: \$29,467,000).

## 12. INVESTMENTS IN SUBSIDIARIES

	Corporation	
	2007 \$	2006 \$
Unquoted equity shares, at cost	2	1,200,002

# NOTES TO THE FINANCIAL STATEMENTS

## 31 MARCH 2007 (cont'd)

### 12. INVESTMENTS IN SUBSIDIARIES (cont'd)

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

Name of company	Country of incorporation and place of business	Principal activities	Percentage of ownership interest	
			2007 %	2006 %
<i>Held by the Corporation:</i>				
Sentosa Leisure Holdings Pte Ltd	Singapore	Investment holding	100	100
<i>Held by Sentosa Leisure Holdings Pte Ltd:</i>				
Sentosa Leisure Management Pte Ltd	Singapore	Wholesaler and retailer of merchandise and acts as agent of the Corporation	100	100
Sentosa Cove Pte Ltd	Singapore	Marketing managers for the Corporation in the sales sites and management of the Sentosa Cove project on Sentosa Island	100	100
Sentosa Cove Resort Management Pte Ltd *	Singapore	Agent for Cove community	100	-

\* On 5 May 2006, Sentosa Cove Resort Management Pte Ltd was incorporated with a share capital of \$100,000.

During the financial year, a corporate restructuring exercise was carried out. As a result, Sentosa Leisure Holdings Pte Ltd, which was previously held by Sentosa Leisure Management Pte Ltd, was made a direct subsidiary under Sentosa Development Corporation. The subsidiaries that were previously held directly under Sentosa Development Corporation became the direct subsidiaries of Sentosa Leisure Holdings Pte Ltd.

The subsidiaries are audited by Ernst & Young, Singapore.

### 13. INVESTMENT IN AN ASSOCIATE

	Group		Corporation	
	2007 \$	2006 \$	2007 \$	2006 \$
Unquoted shares, at cost	699,620	699,620	699,620	699,620
Share of post-acquisition profits and reserves	18,680,982	14,887,482	-	-
	19,380,602	15,587,102	699,620	699,620

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

Name of company	Country of incorporation and place of business	Principal activities	Percentage of ownership interest	
			2007 %	2006 %
Mount Faber Leisure Group *	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	50	50

\* The associate is audited by KPMG, Singapore.

### 13. INVESTMENT IN AN ASSOCIATE (cont'd)

The summarised financial information of the associate is as follows:

	2007 \$'000	2006 \$'000
<b>Assets and liabilities</b>		
Current assets	27,407	19,356
Non-current assets	32,156	32,538
	59,563	51,894
Non-current liabilities	1,187	1,443
Current liabilities	26,174	19,276
	27,361	20,719
<b>Results:</b>		
Revenue	34,861	34,961
Profit for the year	7,206	4,643

### 14. DEFERRED TAX ASSETS

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

	2007 \$	Group 2006 \$
<b>Movement in deferred taxation</b>		
At 1 April	196,700	–
(Provision)/credit during the financial year (Note 8)	(117,200)	196,700
At 31 March	79,500	196,700
<b>Deferred tax liabilities:</b>		
Differences in depreciation	(7,500)	–
<b>Deferred tax assets:</b>		
Unutilised tax losses	87,000	184,000
Others	–	12,700
<b>Gross deferred tax assets</b>	87,000	196,700
<b>Net deferred tax assets recognised</b>	79,500	196,700

The Group has tax losses of approximately \$483,000 (2006: \$920,000) that are available for offset against future taxable profits of the companies in which the losses arise. The utilisation of these tax losses is subject to the agreement of the tax authority and compliance with certain provision of the tax legislations.

### 15. HELD-TO-MATURITY INVESTMENTS

	Group and Corporation	
	2007 \$	2006 \$
Quoted bonds, at amortised cost	3,998,857	3,997,755
Market value	4,000,000	4,007,000

The effective interest rates of the bonds at the balance sheet date and the periods in which they mature are as follows:

Group and Corporation	Effective interest rate %	Maturing within 1 year \$	Maturing in 1 to 5 years \$	Maturing after 5 years \$	Total \$
2007	3.87	1,998,857	2,000,000	–	3,998,857
2006	3.87	–	1,997,755	2,000,000	3,997,755

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007 (cont'd)

## 16. INVENTORIES

	Group		Corporation	
	2007 \$	2006 \$	2007 \$	2006 \$
Land held for sale	229,045,508	158,341,976	229,045,508	158,341,976
Land under development	–	55,001,564	–	55,100,005
Merchandise	1,479,141	1,112,026	–	–
Consumables and spare parts	1,919,378	486,177	1,919,378	486,177
Food and beverage products	486,991	100,818	387,610	100,818
	232,931,018	215,042,561	231,352,496	214,028,976

Land under development represents the development costs incurred for the Southern Precinct of the Sentosa Cove project undertaken by the Group and the Corporation, which was completed during the financial year and was transferred to land held for sale.

## 17. TRADE AND OTHER RECEIVABLES

	Group		Corporation	
	2007 \$	2006 \$	2007 \$	2006 \$
Trade receivables <sup>(1)</sup>	551,006,761	269,904,053	548,263,502	269,513,897
Current portion of entrance fees receivables	2,188,800	1,201,200	2,188,800	1,201,200
Other receivables and deposits <sup>(2)</sup>	4,519,138	8,960,254	4,409,125	3,438,275
Tax recoverable	–	800,002	–	800,002
Amounts due from lessees	11,800,000	7,800,000	11,800,000	7,800,000
Amounts due from subsidiaries (non-trade) <sup>(3)</sup>	–	–	6,613,636	2,879,734
	569,514,699	288,665,509	573,275,063	285,633,108
Allowance for doubtful debts <sup>(4)</sup>	(289,528)	(1,572,288)	(289,528)	(1,572,288)
	569,225,171	287,093,221	572,985,535	284,060,820

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

Included in trade receivables of the Group and Corporation is an amount of \$536,796,538 (2006: \$261,463,005) relating to receivables for the land sale.

Included in trade receivables of the Group and Corporation is an amount of \$1,212,862 (2006: \$582,241) relating to receivables for expenses incurred for the maintenance of offshore islands on behalf of the Government.

Included in the deposits of the Group and Corporation is an amount of \$2,086,840 (2006: \$2,519,000) recoverable from a contractor for the Southern Islands Reclamation (Note 23).

<sup>(2)</sup> *Other receivables and deposits*

	Group		Corporation	
	2007 \$	2006 \$	2007 \$	2006 \$
Other receivables	2,356,015	6,217,056	2,290,121	715,408
Deposits	2,163,123	2,743,198	2,119,004	2,722,867
	4,519,138	8,960,254	4,409,125	3,438,275

<sup>(3)</sup> *Amounts due from subsidiaries (non-trade)*

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

<sup>(4)</sup> *Allowance for doubtful debts*

For the financial year ended 31 March 2007, there was a write-back of allowance for doubtful debts of \$448,750 (2006: \$1,071,693) recognised in the income and expenditure statements of the Group and the Corporation, subsequent to a debt recovery assessment performed on trade and other receivables as at 31 March 2007.

## 18. LOAN RECEIVABLE FROM A SUBSIDIARY

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

## 19. CASH AND BANK BALANCES

	Group		Corporation	
	2007 \$	2006 \$	2007 \$	2006 \$
Cash at bank and on hand	63,915,404	304,002,281	60,866,038	301,940,787
Fixed deposits	1,287,446,955	19,311,193	1,287,446,955	19,311,193
	1,351,362,359	323,313,474	1,348,312,993	321,251,980
Less: Cash held on behalf of the Government	(6,929,699)	(3,077,234)	(6,929,699)	(3,077,234)
	1,344,432,660	320,236,240	1,341,383,294	318,174,746

Fixed deposits mature in varying periods of between 1 day and 3 months (2006: 1 day and 3 months), depending on the immediate cash requirements of the Group, and earn interests at the respective fixed deposit rates.

The weighted average effective interest rates of cash and equivalents held by the Group and the Corporation is 2.79% (2006: 2.13%) per annum.

Included in the cash and cash equivalents of the Group and Corporation are amounts of \$6,929,699 (2006: \$3,077,234) held on behalf of the Government for the Southern Islands Reclamation Fund (Note 23).

Included in the cash and cash equivalents of the Group and the Corporation is an amount of \$4,446,955 (2006: \$14,120,327) denominated in Japanese Yen at 31 March 2007.

## 20. TRADE AND OTHER PAYABLES

	Group		Corporation	
	2007 \$	2006 \$	2007 \$	2006 \$
Trade payables and accrued operating expenses	188,439,560	54,552,644	184,982,903	49,523,263
Deposits	1,540,805	2,527,569	1,517,894	2,504,657
Advance receipts	215,200	346,846	215,200	346,846
Provision for property tax	3,367,184	1,860,273	3,367,184	1,860,273
Liability for short-term compensating absences	1,329,913	1,125,082	770,109	650,462
Amounts due to subsidiaries (non-trade) <sup>(1)</sup>	–	–	43,100,696	17,543,448
Amount due to a related statutory board <sup>(2)</sup>	1,898,202	1,898,202	–	–
Other payables	1,655,322	2,292,856	1,470,262	2,278,624
	198,446,186	64,603,472	235,424,248	74,707,573

<sup>(1)</sup> *Amount due to subsidiaries (non-trade)*  
Amount due to subsidiaries are non-trade in nature, unsecured, non-interest bearing and has no fixed terms of repayment.

<sup>(2)</sup> *Amount due to a related statutory board (non-trade)*  
Amount due to a related statutory board is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

## 21. LOAN PAYABLE

The loan payable represents funds received from the statutory board, to partially fund the purchase of the cargo of artefacts (Note 10). 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007 (cont'd)

## 22. PROVISION FOR COVE INFRASTRUCTURE

	Group and Corporation	
	2007	2006
	\$	\$
At 1 April	4,155,108	18,305,078
Provisions/(write-back) during the year	78,610,323	(12,884,456)
Provisions utilised during the year	(2,766,722)	(1,265,514)
At 31 March	79,998,709	4,155,108

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 over the next one year. The provision for cove infrastructure, which is included in the cost of land sale, is based on management's best estimate using comparable tendered contracts and quotes where available.

In prior year, the write-back of provision of \$12,884,456 was due to a reduction in previous estimates and infrastructure expenditure not yet committed. This write-back was credited to cost of land sale and land held for sale during the previous financial year, by the amounts of \$8,656,422 and \$4,228,034 respectively.

## 23. SPECIFIC FUND

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

	Group and Corporation	
	2007	2006
	\$	\$
Balance Sheet as at 31 March 2007		
<b>Accumulated surplus</b>		
Restricted fund	9,021,221	4,054,837
<b>Current assets</b>		
Cash and cash equivalents (Note 19)	6,929,699	3,077,234
Amounts payable to the Government	4,682	–
Deposit recoverable (Note 17)	2,086,840	2,519,000
	9,021,221	5,596,234
<b>Current liability</b>		
Amounts claimable from Government	–	1,541,397
<b>Net assets</b>	9,021,221	4,054,837
<b>Drawdown and disbursement statement</b>		
<i>Drawdowns:</i>		
Government grant	19,328,529	10,932,462
Interest income	96,147	76,948
Interest refunds	(91,040)	(90,638)
	19,333,636	10,918,772
<i>Disbursements:</i>		
Civil work	14,111,869	22,261,963
Services	170,649	66,511
Staff cost	–	423,528
Other operating expenditure	84,734	80,367
	14,367,252	22,832,369
Movement for the financial year	4,966,384	(11,913,597)
Balance at 1 April	4,054,837	15,968,434
Balance at 31 March	9,021,221	4,054,837

## 24. DEFERRED CAPITAL GRANTS

	Group and Corporation	
	2007	2006
	\$	\$
At 1 April	344,659,523	334,034,527
Amounts transferred from grants received in advance	–	17,392,324
Amounts taken to income and expenditure statements	(5,386,675)	(6,767,328)
Amounts relating to disposal of property, plant and equipment	(30,399,228)	–
Amounts returned to the Government	(211,000,000)	–
At 31 March	97,873,620	344,659,523
Total capital grants received since establishment	494,342,894	494,342,894

## 25. DEFERRED INCOME

	Group and Corporation	
	2007	2006
	\$	\$
<b>Deferred lease income</b>		
At 1 April	27,064,765	31,928,942
Lease income deferred during the year	34,500,000	2,075,603
Amounts taken to income and expenditure statement:		
Lease income amortised (Note 3)	(523,178)	(612,832)
Service fee and development fee (Note 4)	(10,491,233)	(6,326,948)
At 31 March	50,550,354	27,064,765
<b>Deferred membership entrance fee</b>		
At 1 April	52,093,140	55,482,625
Entrance fee deferred during the year	4,860,000	–
Amounts taken to income and expenditure statement	(3,490,721)	(3,389,485)
At 31 March	53,462,419	52,093,140
Total	104,012,773	79,157,905

## 26. CAPITAL ACCOUNT

The capital account represents government grants given to the Corporation for its establishment.

## 27. ACCUMULATED SURPLUS

### (a) General fund

Included in the general fund of 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 2005	7,200,000	–	7,200,000
Transfer from accumulated surplus	5,500,000	26,447,616	31,947,616
At 31 March 2006	12,700,000	26,447,616	39,147,616
At 1 April 2006	12,700,000	26,447,616	39,147,616
Transfer from accumulated surplus	5,500,000	30,975,090	36,475,090
At 31 March 2007	18,200,000	57,422,706	75,622,706

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007 (cont'd)

## 27. ACCUMULATED SURPLUS (cont'd)

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.

## 28. CAPITAL RESERVE

### Group

The capital reserve arises 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.

## 29. SIGNIFICANT RELATED PARTY DISCLOSURES

### (a) Sales and purchases of goods and services

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place during the financial years ended 31 March at terms agreed between the parties:

	Group and Corporation	
	2007	2006
	\$	\$
<b>(i) Subsidiaries</b>		
Rental income received	970,947	379,191
Miscellaneous revenue received	30,361	49,087
Management fee paid	(1,211,558)	(3,167,233)
Sales commission paid	(25,922,912)	(18,811,132)
Publicity and promotion expenses paid	(706,712)	(468,207)
Purchases of merchandise paid	(800,194)	(99,115)
Reimbursement of outsourced staff costs paid	(24,663,913)	(21,713,516)
<b>(ii) Associate</b>		
Ticket sales received	2,075,947	2,019,468
Rental income received	25,100	63,480
Other income	54,744	-
<b>(iii) Companies in which certain members of the Corporation were directors</b>		
Rental income received	1,687,152	3,515,066
Other income received	296,021	451,432
Expenses paid	(1,132,882)	(84,273)
<b>(iv) Statutory boards</b>		
Rental income received	41,244	34,700
Other income received	443,357	267,816
Capital grants received	-	4,200,000
Revenue collected on behalf	716,021	744,640
Agency fee income received	203,979	219,201
Expenditure incurred on behalf	(3,127,722)	(3,278,311)
<b>(v) Government-controlled companies</b>		
Rental income received	72,100	81,226
Other income	163,392	-
Expenses paid	(6,210,028)	(3,568,271)

**29. SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd)****(b) 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 remuneration is as follows:

	Group and Corporation	
	2007	2006
	\$	\$
Short-term employee benefits	3,298,948	3,038,562
Contribution to defined contribution plan	92,722	94,806
Directors' allowance	43,665	43,663
Others	61,056	62,500
<b>Total compensation paid to key management personnel</b>	<b>3,496,391</b>	<b>3,239,531</b>

**30. CAPITAL COMMITMENTS**

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

	Group		Corporation	
	2007	2006	2007	2006
	\$	\$	\$	\$
Capital commitments in respect of property, plant and equipment	425,835,971	176,782,359	425,835,971	176,782,359

**31. OPERATING LEASE COMMITMENTS**

The Group and the Corporation lease land to certain hotels and other tenants for 9 to 85 (2006: 10 to 86) years under operating leases. There are no restrictions placed upon the Group and the Corporation by entering into these leases. The lease income is based on a fixed lump sum payment, which is amortised over the lease period, 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 receivables under non-cancellable operating leases with the tenants are as follows:

	Group and Corporation	
	2007	2006
	\$	\$
Within 1 year	4,003,274	3,667,117
After 1 year but within 5 years	26,330,310	12,507,910
After 5 years	464,853,341	189,127,287
	<b>495,186,925</b>	<b>205,302,314</b>

**32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments, other than derivative financial instruments comprise cash and fixed deposits. The main purpose of these financial instruments is to finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in derivatives financial instruments shall be undertaken.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007 (cont'd)

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk, interest rate risk, liquidity risk and market risk. The management reviews and agrees policies for managing each of these risks and they are summarised below:

### **Credit risk**

Credit risk arising from the inability of a counterparty to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group. It is the Group's policy to enter into financial instrument contracts with a diversity of credit-worthy counterparties, subsidiaries of good credit standing and reputable financial institutions. 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.

The carrying amounts of trade and other receivables, amounts due from subsidiaries, fixed deposits and cash and bank balances represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

Surplus funds are placed with reputable financial institutions.

### **Foreign currency risk**

In the current year, the Group is exposed to foreign currency risk on expenditures that are denominated in a currency other than Singapore dollars. The currency that will give rise to this risk is primarily the Japanese Yen. Exposure to foreign currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level.

### **Interest rate risk**

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's investment portfolio and debt obligations. The Group's policy is to obtain the most favourable interest rates available without increasing its interest rate exposure. Details of the Group's exposure to interest rate risk are included in Notes 15 and 19 to the financial statements.

### **Liquidity risk**

The Group undertakes a loan from a statutory board to partially fund the purchase of the heritage materials. The Group manages this risk by monitoring working capital projections, taking into account the available cash and bank balances of the Group and ensuring that the Group has adequate working capital to meet current requirements.

### **Market risk**

Market risk refers to the market value of investments purchased for long-term purposes. Fluctuations in economic conditions expose the Group's investments to market risk. The Group monitors its investments on a regular basis and makes timely adjustment to the carrying value of its investments.

## 33. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The following methods and assumptions are used to estimate the fair values of each class of financial instruments:

- (i) *Cash and bank balances, other receivables, other payables, loan receivable from a subsidiary, and loan payable*  
The carrying amounts of these amounts approximate their fair values due to their short-term nature.
- (ii) *Trade receivables and trade payables*  
The carrying amounts of these amounts approximate their fair values because these are subject to normal trade credit terms.
- (iii) *Held-to-maturity investments*  
The fair value of held-to-maturity quoted bonds is calculated using discounted cash flows models, based on their maturity periods. The discount rates applied in this exercise are based on the current interest rates of the bonds.

### 34. COMPARATIVE FIGURES

- (a) The financial statements of the Group and the Corporation for the financial year ended 31 March 2006 were audited by the Auditor-General and a firm of certified public accountants, other than Ernst & Young.
- (b) Certain prior year's comparative figures have been reclassified to conform with the current year's presentation:

	Group	
	As restated 2006 \$	As previously reported 2006 \$
<b>Income and expenditure statement</b>		
Share of results of an associate	(2,534,878)	(3,420,442)
Taxation	2,998,238	3,883,802

### 35. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statement of the Corporation for the financial year ended 31 March 2007 were authorised for issue by the members of the Corporation on 26 June 2007.

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