sentosa

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FINANCIAL REPORT
2007/08

contents

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"), which comprise the balance sheets of the Group and the Corporation as at 31 March 2008, the income and expenditure statements and 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' 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 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 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 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 2008, 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 and by 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

ERNST & YOUNG
Public Accountants and Certified Public Accountants
Singapore
13 June 2008

Income and Expenditure Statements
for the financial year ended 31 March 2008

		Group		Corporation	
	Note	2008 $	2007 $	2008 $	2007 $
Income					
Land sale		2,247,383,296	1,524,754,514	2,247,383,296	1,524,754,514
Admission fees and packages		38,688,047	30,609,962	38,688,047	30,609,962
Rental and hiring of facilities	3	16,192,645	12,512,107	18,178,237	13,240,588
Interest income		47,715,536	14,636,937	47,679,397	14,574,708
Other income	4	53,289,480	426,512,074	45,894,304	419,427,415
		2,403,269,004	2,009,025,594	2,397,823,281	2,002,607,187
Expenditure					
Cost of land sale		373,133,961	340,028,505	406,844,710	366,049,858
Cost of sale on admission fees and packages		11,991,767	8,100,280	11,991,767	8,100,280
Staff costs	5	41,954,236	39,522,316	35,321,104	36,010,844
Depreciation of property, plant and equipment	10	54,405,475	28,154,370	54,021,268	27,967,012
Repairs and maintenance		12,906,587	9,455,340	12,560,791	9,203,152
Publicity and promotion		25,798,099	33,018,532	26,030,393	33,656,030
Inventories consumed		8,856,860	7,308,456	3,712,352	4,422,022
Interest expense		2,526	3,308,393	2,526	3,308,393
General and administrative expenses	6	122,312,424	32,315,847	124,524,879	33,064,841
		651,361,935	501,212,039	675,009,790	521,782,432
Surplus before Government Grants		1,751,907,069	1,507,813,555	1,722,813,491	1,480,824,755
Deferred capital grants amortised	23	4,777,428	5,386,675	4,777,428	5,386,675
Share of results of an associate		3,851,000	3,793,500	–	–
Surplus before taxation and contribution to Consolidated Fund		1,760,535,497	1,516,993,730	1,727,590,919	1,486,211,430
Taxation	7	(4,904,558)	(4,568,906)	–	–
Contribution to Consolidated Fund	8	(310,601,162)	(296,617,913)	(310,601,162)	(296,617,913)
Net surplus for the year transferred to accumulated surplus		1,445,029,777	1,215,806,911	1,416,989,757	1,189,593,517

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

Balance Sheets
as at 31 March 2008

	Note	Group 2008 $	Group 2007 $	Corporation 2008 $	Corporation 2007 $
ASSETS					
Non-current assets					
Heritage materials	9	26,398,500	26,398,500	–	–
Property, plant and equipment	10	671,308,901	662,097,445	668,936,354	660,650,047
Investments in subsidiaries	11	–	–	2	2
Investment in an associate	12	19,951,595	19,380,602	699,620	699,620
Deferred tax assets	13	–	79,500	–	–
Entrance fees receivable		–	1,312,700	–	1,312,700
Held-to-maturity investments	14	1,999,428	3,998,857	1,999,428	3,998,857
		719,658,424	713,267,604	671,635,404	666,661,226
Current assets					
Inventories	15	13,019,637	232,931,018	11,442,040	231,352,496
Trade and other receivables	16	859,778,836	569,225,171	866,402,632	572,985,535
Prepayments		3,771,714	8,550,752	3,631,880	8,459,513
Loan receivable from a subsidiary	17	–	–	26,398,500	26,398,500
Cash and bank balances	18	2,205,996,418	1,351,362,359	2,198,768,720	1,348,312,993
		3,082,566,605	2,162,069,300	3,106,643,772	2,187,509,037
Total assets		3,802,225,029	2,875,336,904	3,778,279,176	2,854,170,263
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	19	311,214,696	198,446,186	375,049,163	235,424,248
Loan payable	20	26,398,500	26,398,500	26,398,500	26,398,500
Provision for cove infrastructure	21	219,844,354	79,998,709	219,844,354	79,998,709
Specific fund	22	3,600,886	9,021,221	3,600,886	9,021,221
Provision for contribution to Consolidated Fund	8	310,601,162	296,836,504	310,601,162	296,836,504
Provision for taxation		5,692,265	4,656,668	–	–
		877,351,863	615,357,788	935,494,065	647,679,182
Net current assets		2,205,214,742	1,546,711,512	2,171,149,707	1,539,829,855
Non-current liabilities					
Deferred capital grants	23	5,993,752	97,873,620	5,993,752	97,873,620
Deferred income	24	93,094,474	104,012,773	93,094,474	104,012,773
Deferred tax liabilities	13	560,000	–	–	–
		99,648,226	201,886,393	99,088,226	201,886,393
Total liabilities		977,000,089	817,244,181	1,034,582,291	849,565,575
Net assets		2,825,224,940	2,058,092,723	2,743,696,885	2,004,604,688
Capital and reserves					
Capital account	25	3,589,495	3,589,495	3,589,495	3,589,495
Accumulated surplus	26				
- General fund		2,691,902,932	1,975,218,381	2,614,037,018	1,925,392,487
- Restricted funds		126,070,372	75,622,706	126,070,372	75,622,706
		2,817,973,304	2,050,841,087	2,740,107,390	2,001,015,193
Capital reserve	27	3,662,141	3,662,141	–	–
Total capital and reserves		2,825,224,940	2,058,092,723	2,743,696,885	2,004,604,688
Total capital and reserves, and liabilities		3,802,225,029	2,875,336,904	3,778,279,176	2,854,170,263

Dr Loo Choon Yong, Chairman
13 June 2008

Jennie Chua Kheng Yeng, Director
13 June 2008

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 2008

Group	Capital account (Note 25) $	Accumulated surplus General fund (Note 26) $	Accumulated surplus Restricted funds (Note 26) $	Capital reserve (Note 27) $	Total $
2007					
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 restricted funds	–	(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
2008					
At 31 March 2007 and 1 April 2007	3,589,495	1,975,218,381	75,622,706	3,662,141	2,058,092,723
Net surplus for the year	–	1,445,029,777	–	–	1,445,029,777
Return of surplus	–	(677,897,560)	–	–	(677,897,560)
Transfer to restricted funds	–	(50,447,666)	50,447,666	–	–
At 31 March 2008	3,589,495	2,691,902,932	126,070,372	3,662,141	2,825,224,940

Corporation	Capital account (Note 25) $	Accumulated surplus General fund (Note 26) $	Accumulated surplus Restricted funds (Note 26) $	Total $
2007				
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 restricted funds	–	(36,475,090)	36,475,090	–
At 31 March 2007	3,589,495	1,925,392,487	75,622,706	2,004,604,688
2008				
At 31 March 2007 and 1 April 2007	3,589,495	1,925,392,487	39,147,616	815,011,171
Net surplus for the year	–	1,416,989,757	–	1,416,989,757
Return of surplus	–	(677,897,560)	–	(677,897,560)
Transfer to restricted funds	–	(50,447,666)	50,447,666	–
At 31 March 2008	3,589,495	2,614,037,018	126,070,372	2,743,696,885

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 2008

	Group	
	2008	2007
	$	$
Cash flow from operating activities:		
Surplus before taxation and contribution to Consolidated Fund	1,760,535,497	1,516,993,730
Adjustments for :		
Interest expense	2,526	3,308,393
Interest income	(47,715,536)	(14,636,937)
Depreciation of property, plant and equipment	54,405,475	28,154,370
Loss/(gain) on disposal of property, plant and equipment	119,500	(383,910,274)
Allowance for /(write-back of) doubtful debts	45,397	(448,750)
Bad debts written off	12,718	–
Allowance for inventories obsolescence	148,207	–
Deferred income recognised	(20,734,375)	(14,505,132)
Share of results of an associate	(3,851,000)	(3,793,500)
Deferred capital grants amortised	(4,777,428)	(5,386,675)
Provision for development charges	99,556,382	–
Surplus before working capital changes	1,837,747,363	1,125,775,225
Decrease/(increase) in inventories	219,763,174	(17,888,457)
Increase in trade and other receivables	(284,042,757)	(285,407,644)
Increase in trade and other payables	12,968,986	38,251,579
Increase in provision for cove infrastructure	139,845,645	75,843,601
Cash flow generated from operations	1,926,282,411	936,574,304
Deferred income received	9,816,076	39,360,000
Contribution to Consolidated Fund	(296,836,504)	(124,298,862)
Tax paid	(3,229,461)	(2,199,997)
Net cash flow generated from operating activities	1,636,032,522	849,435,445
Cash flow from investing activities		
Dividend income received from an associate	3,280,007	–
Interest received	47,322,991	12,802,340
Purchase of property, plant and equipment	(63,898,124)	(130,168,981)
Proceeds from disposal of property, plant and equipment	161,693	506,436,009
Proceeds from redemption of held-to-maturity investments	1,999,429	–
Net cash flow (used in)/generated from investing activities	(11,134,004)	389,069,368
Cash flow from financing activities		
Interest paid	(2,526)	(3,308,393)
Grant returned to government	(765,000,000)	(211,000,000)
Net cash flow used in financing activities	(765,002,526)	(214,308,393)
Net increase in cash and cash equivalents	859,895,992	1,024,196,420
Cash and cash equivalents at beginning of year	1,344,432,660	320,236,240
Cash and cash equivalents at end of year (Note 18)	2,204,328,652	1,344,432,660

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

Notes to the Financial Statements - 31 March 2008

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 11 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 Statutory Board Financial Reporting Standards ("SB-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 Adoption of new and revised SB-FRS

On 1 April 2007, the Group and the Corporation adopted the following new and revised SB-FRS, which did not result in any significant change in accounting policies:

SB-FRS 10 (revised)	- Events After the Balance Sheet Date
SB-FRS 12 (revised)	- Income Taxes
SB-FRS 19	- Employee Benefits
SB-FRS 32 (revised)	- Financial Instruments: Disclosure and Presentation

2.3 Future changes in accounting standards

The Group and the Corporation have not applied the following new and revised SB-FRS and Interpretations of Statutory Board Financial Reporting Standards ("INT SB-FRS") that have been issued but not yet effective :-

		Effective date (Annual period beginning on or after)
SB-FRS 1	- Amendment to SB-FRS 1 (revised) Presentation of Financial Statements (Capital Disclosures)	1 January 2009
SB-FRS 2 (revised)	- Inventories	1 January 2009
SB-FRS 7 (revised)	- Cash Flow Statements	1 January 2008
SB-FRS 8 (revised)	- Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2009
SB- FRS 19 (revised)	- Employee Benefits	1 January 2009
SB-FRS 27 (revised)	- Consolidated and Separate Financial Statements	1 January 2009
SB-FRS 36 (revised)	- Impairment of Assets	1 January 2009
SB-FRS 105 (revised)	- Non-Current Assets Held for Sale and Discontinued Operations	1 January 2009
SB-FRS 108	- Operating Segments	1 January 2009
INT SB-FRS 29	- Disclosure – Service Concession Arrangements	1 January 2008
INT SB-FRS 104	- Determining Whether an Arrangement contains a Lease	1 January 2008
INT SB-FRS 112	- Service Concession Arrangements	1 January 2008

Notes to the Financial Statements - 31 March 2008

2. Summary of significant accounting policies (cont'd)
2.3 Future changes in accounting standards (cont'd)

The adoption of the pronouncements listed above is not expected to have significant impact on the financial statements of the Group and the Corporation in the period of initial application, except for the Amendment to SB-FRS 1 as indicated below.

Amendment to SB-FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)
The Amendment to SB-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 the Amendment to SB-FRS 1 from annual period beginning 1 April 2009.

2.4 Change in accounting estimates

During the financial year, the Group and the Corporation changed the useful lives of its improvements to land and buildings from 30 and 5 years, to 10 years. The change was due to changes in the expected level of usage, which impact the economic useful lives and residual values of these assets. The revised change is applied prospectively without adjustment to previously reported amounts. The change in accounting estimates increased the current year's depreciation charge to the Group's and the Corporation's income and expenditure statements by approximately $521,848.

2.5 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 (2007: 3 to 103) years. The carrying amounts of the Group's and the Corporation's property, plant and equipment as at 31 March 2008 are stated in Note 10 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. For changes in useful lives of the Group's improvements to land and buildings, please refer to Note 2.4 for details.

(ii) Impairment of assets

The Group and the Corporation follow the guidance of SB-FRS 36 and 39 on determining when an asset is impaired. The determination requires significant judgement of, among other factors, the duration and extent to which the fair value of the asset is less than its carrying value; and the financial health of and near-term business outlook for the business operations and financial asset, including factors such as industry performance, operational and financing cash flow.

(b) Critical judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management have 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 and buildings. 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 leasehold land and buildings 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)/assets as at 31 March 2008 were $5,692,265 (2007: $4,656,668) and ($560,000) (2007: $79,500) respectively.

Notes to the Financial Statements - 31 March 2008

2. Summary of significant accounting policies (cont'd)
2.5 Significant accounting estimates and judgements (cont'd)

(b) Critical judgements made in applying accounting policies (cont'd)

(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 reclassify these investments as available-for-sale. The investments would therefore be measured at fair value, instead of amortised cost.

(iv) 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 is based on the most reliable estimates using comparable tendered contracts and quotes where available.

2.6 Foreign currencies

Transactions in foreign currencies 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 rate 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.

2.7 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:-

(a) Land sales

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

(b) Admission fees and packages

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

(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.

(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 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, and accepted by customers.

Income from subscription fees are recognised on an accrual basis.

Notes to the Financial Statements - 31 March 2008

2. Summary of significant accounting policies (cont'd)
2.7 Revenue recognition (cont'd)

(e) Sales of merchandise

Revenue on sales of merchandise is recognised upon sales made to customers, net of discounts, which generally coincides with delivery and acceptance of the merchandise sold.

(f) Service, development, and project management fees

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

(g) Food and beverage

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

(h) Interest income

Interest income is recognised using the effective interest method.

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.

2.9 Employee benefits

(a) Defined contribution plan

In Singapore, 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.

2.10 Heritage materials and heritage grant

In accordance with SB-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.

2.11 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 Corporation and the cost of the item can be reliably measured.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. 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 and the Corporation incur as a consequence of installing the asset. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the income and expenditure statements.

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 on derecognition of the asset is included in the income and expenditure statements in the 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.

Notes to the Financial Statements - 31 March 2008

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

2.12 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 to write off the cost of property, plant and equipment over their estimated useful lives. The principal annual rates of depreciation are 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

* The rates of depreciation of certain improvements to land and buildings of the Group and the Corporation have been revised as follows:-

	Prior to 1 April 2007	With effect from 1 April 2007
Improvements to land	30 years	10 years
Buildings	5 years	10 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 income and expenditure statements.

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.

2.13 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.

Investments in subsidiaries are accounted for at cost less any accumulated impairment losses.

(b) Principles of consolidation

The financial years of the Corporation and its subsidiaries end on 31 March.

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.

2.14 Investment in an associate

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence.

The Group's investment in an associate is accounted for using the equity method, from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate. Under the equity method, the investment in the associate is carried in the Group's 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. 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 profit or loss of the associate in the period in which the investment is acquired.

Notes to the Financial Statements - 31 March 2008

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

2.14 Investment in an associate (cont'd)

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 to 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 accumulated impairment losses.

2.15 Financial assets

Financial assets 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 instrument. The Group and the Corporation do not have any financial assets designated as fair value through profit or loss or available-for-sale investments.

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

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognised at fair value, plus, directly attributable transaction costs and subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in the income and expenditure statements when the loan and receivables are derecognised or impaired, as well as 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 income and expenditure statements when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

2.16 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.

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. 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.

Notes to the Financial Statements - 31 March 2008

2. Summary of significant accounting policies (cont'd)
2.16 Impairment of assets (cont'd)

(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 flow is discounted to its 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.

2.17 Inventories

Inventories consist of land held for sale, 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.

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.

2.18 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.

2.19 Financial liabilities

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 the consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the income and expenditure statements when the liabilities are derecognised as well as through the amortisation process.

2.20 Derecognition of financial assets and liabilities

(a) 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.

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where 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 income and expenditure statements.

Notes to the Financial Statements - 31 March 2008

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

2.21 Provisions

Provisions are recognised by the Group and the Corporation when a present obligation arises as a result of a past event, 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.

2.22 Specific fund

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

2.23 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).

2.24 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.

2.25 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.

2.26 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 2008

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

2.26 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) 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.

2.27 Operating leases

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.

2.28 Borrowing costs

Borrowing costs are recognised in the income and expenditure statements as incurred except to the extent that they are capitalised. 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 incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

3. Rental and hiring of facilities

	Group		Corporation	
	2008 $	2007 $	2008 $	2007 $
Rental income	15,051,731	11,988,929	17,037,323	12,717,410
Lease income amortised (Note 24)	1,140,914	523,178	1,140,914	523,178
	16,192,645	12,512,107	18,178,237	13,240,588

Notes to the Financial Statements - 31 March 2008

4. Other income

	Group 2008 $	Group 2007 $	Corporation 2008 $	Corporation 2007 $
Club membership-related income	19,249,675	14,086,473	19,249,675	14,086,473
Sales of merchandise, net of discounts	5,436,488	4,500,885	–	–
Service fee and development fee (Note 24)	15,881,980	10,491,233	15,881,980	10,491,233
Project management fees	677,222	596,256	677,222	596,255
Sponsorship	177,083	85,002	3,930	51,429
Food and beverage	8,778,129	8,431,058	3,794,850	6,163,479
Gain on disposal of property, plant and equipment *	–	383,910,274	–	382,716,773
Unrealised exchange gain	221,823	–	221,823	–
Others	2,867,080	4,410,893	5,887,741	5,321,773
	53,289,480	426,512,074	45,894,304	419,427,415

* In 2007, included in the gain on disposal of property, plant and equipment of the Group and the Corporation was a one-time gain of $382,618,852, arising from the sale of land for the development of a family resort.

5. Staff costs

	Group 2008 $	Group 2007 $	Corporation 2008 $	Corporation 2007 $
Direct staff:				
Wages and salaries	39,523,311	38,213,756	8,454,587	10,087,883
CPF contributions	4,204,517	3,702,317	859,021	779,945
	43,727,828	41,916,073	9,313,608	10,867,828
Outsourced to a subsidiary:				
Wages and salaries	–	–	24,785,808	24,882,363
CPF contributions	–	–	2,773,379	2,654,410
	–	–	27,559,187	27,536,773
	43,727,828	41,916,073	36,872,795	38,404,601
Staff costs capitalised in development projects- in-progress	(1,773,592)	(2,393,757)	(1,551,691)	(2,393,757)
	41,954,236	39,522,316	35,321,104	36,010,844

6. General and administrative expenses

Included in the general and administrative expenses are the following:

	Group 2008 $	Group 2007 $	Corporation 2008 $	Corporation 2007 $
Allowance/(write-back of allowance) for doubtful debts	45,397	(448,750)	45,397	(448,750)
Allowance for inventories obsolescence	148,207	–	–	–
Bad debts written off	12,718	–	–	–
Property tax	7,340,410	17,728,653	7,340,410	17,728,653
Utilities	4,796,827	5,079,576	4,309,017	4,737,734
Travelling expenses	646,445	957,595	607,650	908,676
Provision for development charges*	99,556,382	–	99,556,382	–
Loss on disposal of property, plant and equipment	119,500	–	120,515	–

* Provision for development charges arise from the enhancements in land value of Sentosa Integrated Resort land as a result of the change in use, as well as the increase in allowable gross floor area from the development baseline.

Notes to the Financial Statements - 31 March 2008

7. Taxation

Group

(a) Major components of taxation

The major components of taxation for the financial years ended 31 March 2008 and 2007 are:

	Group 2008 $	Group 2007 $
Current income tax:		
Current year	5,673,367	4,462,738
Overprovision in respect of previous years	(1,408,309)	(11,032)
	4,265,058	4,451,706
Deferred tax:		
Provision for the year (Note 13)	191,500	117,200
Underprovision in respect of previous years (Note 13)	448,000	–
	639,500	117,200
Total	4,904,558	4,568,906

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

A reconciliation between the statutory tax expense to the Group's effective tax expense applicable to surplus before taxation of the Group's subsidiaries for the financial years ended 31 March 2008 and 2007 is as follows :-

	Group 2008 $	Group 2007 $
Surplus before taxation	1,760,535,497	1,516,993,730
Statutory tax expense at corporate rate of 18% (2007: 18%)	316,896,389	273,058,871
Adjustments for:		
Non-deductible expenses	55,912	64
Income not subject to taxation	(310,375,964)	(267,518,057)
Overprovision in respect of previous years, net	(960,309)	(11,032)
Tax exempt income	(27,450)	–
Effect of changes in tax rate	–	(18,400)
Share of results of an associate	(693,180)	(794,700)
Utilisation of previously unrecognised deferred tax assets	–	(74,418)
Others	9,160	(73,422)
Effective tax expense	4,904,558	4,568,906

Corporation

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

Notes to the Financial Statements - 31 March 2008

8. 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 $2,028,910 (2007: $2,028,910) resulting from the amortisation of deferred income is not subject to contribution to Consolidated Fund.

	Group and Corporation	
	2008	2007
	$	$
Net surplus of the Corporation before contribution to Consolidated Fund	1,727,590,919	1,486,211,430
Deferred income on membership entrance fee (as described above)	(2,028,910)	(2,028,910)
Net surplus subject to contribution to Consolidated Fund	1,725,562,009	1,484,182,520
Contribution to Consolidated Fund:		
Current year	310,601,162	296,836,504
Overprovision in respect of prior year	–	(218,591)
	310,601,162	296,617,913

The contribution for the financial year under review is based on 18% (2007: 20%) of the net surplus of the Corporation.

9. Heritage materials

	Group	
	2008	2007
	$	$
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 loan received from the Corporation (Note 20), 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.

Notes to the Financial Statements - 31 March 2008

10. Property, plant and equipment

Group	Leasehold land and improvements to land $	Buildings attractions and facilities $	Development projects-in-progress $	Plant, machinery, operating equipment other assets $	Total $
Cost					
At 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	(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 and 1 April 2007	287,010,724	453,515,723	41,708,966	100,286,014	882,521,427
Additions	7,303	121,166	57,894,028	5,875,627	63,898,124
Disposals	–	(424,167)	–	(717,660)	(1,141,827)
Reclassifications	15,284,929	48,184,356	(67,311,969)	3,842,684	–
At 31 March 2008	302,302,956	501,397,078	32,291,025	109,286,665	945,277,724
Accumulated depreciation					
At 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	(7,157,140)	(29,953,557)	–	(5,338,692)	(42,449,389)
At 31 March 2006 and 1 April 2007	94,290,818	102,504,814	–	23,628,350	220,423,982
Charge for the financial year	9,602,922	24,541,174		20,261,379	54,405,475
Disposals	–	(145,439)	–	(715,195)	(860,634)
At 31 March 2008	103,893,740	126,900,549	–	43,174,534	273,968,823
Net carrying amount					
At 31 March 2008	198,409,216	374,496,529	32,291,025	66,112,131	671,308,901
At 31 March 2007	192,719,906	351,010,909	41,708,966	76,657,664	662,097,445

Corporation	Leasehold land and improvements to land $	Buildings attractions and facilities $	Development projects-in-progress $	Plant, machinery, operating equipment other assets $	Total $
Cost					
At 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	(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 and 1 April 2007	286,871,137	452,716,398	41,366,829	97,981,737	878,936,101
Additions	7,303	46,636	57,894,028	4,638,336	62,586,303
Disposals	–	(424,167)	–	(714,655)	(1,138,822)
Reclassifications	15,284,929	48,184,356	(66,969,831)	3,500,546	–
At 31 March 2008	302,163,369	500,523,223	32,291,026	105,405,964	940,383,582
Accumulated depreciation					
At 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	(7,296,727)	(30,172,980)	–	(5,311,685)	(42,781,392)
At 31 March 2007 and 1 April 2007	94,151,231	102,198,845	–	21,935,978	218,286,054
Charge for the financial year	9,602,922	24,491,702	–	19,926,644	54,021,268
Disposals	–	(145,439)	–	(714,655)	(860,094)
At 31 March 2008	103,754,153	126,545,108	–	41,147,967	271,447,228
Net carrying amount					
At 31 March 2008	198,409,216	373,978,115	32,291,026	64,257,997	668,936,354
At 31 March 2007	192,719,906	350,517,553	41,366,829	76,045,759	660,650,047

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 2008 was $28,712,649 (2007 : $29,282,861).

Notes to the Financial Statements - 31 March 2008

11. Investments in subsidiaries

	Corporation 2008 $	Corporation 2007 $
Unquoted equity shares, at cost	2	2

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 held by the Group 2008 %	Percentage of ownership interest held by the Group 2007 %	Cost of investment held by the Corporation 2008 $	Cost of investment held by the Corporation 2007 $
Held by the Corporation:						
Sentosa Leisure Holdings Pte Ltd	Singapore	Investment holding	100	100	2	2
Held by Sentosa Leisure Holdings Pte Ltd:						
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	100	100		
Sentosa Cove Pte Ltd	Singapore	Marketing managers for the Corporation in the sales of sites and management of the Sentosa Cover project on Sentosa Island	100	100		
Sentosa Cove Resort Management Pte Ltd	Singapore	Agent for Cove community	100	100		

The subsidiaries are audited by Ernst & Young, Singapore.

Notes to the Financial Statements - 31 March 2008

12 Investment in an associate

	Group		Corporation	
	2008 $	2007 $	2008 $	2007 $
Unquoted shares, at cost	699,620	699,620	699,620	699,620
Share of post-acquisition profits and reserves:				
At 1 April	18,680,982	14,887,482	–	–
Share of post-acquisition profits (net tax)	3,851,000	3,793,500	–	–
Post-acquisition dividend received	(3,280,007)	–	–	–
	19,251,975	18,680,982	–	–
Total	19,951,595	19,380,602	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 2008 %	Percentage of ownership interest 2007 %
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.

The summarised financial information of the associate is as follows:

	2008 $'000	2007 $'000
Assets and liabilities		
Current assets	32,286	27,407
Non-current assets	30,684	32,156
	62,970	59,563
Current liabilities	21,993	26,174
Non-current liabilities	1,073	1,187
	23,066	27,361
Results		
Revenue	36,433	34,861
Profit for the year	8,084	7,206

Notes to the Financial Statements - 31 March 2008

13. Deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) as at 31 March relate to the following:

	Group 2008 $	Group 2007 $
Movements in deferred taxation:		
At 1 April	79,500	196,700
Provision during the financial year (Note 7)	(191,500)	(117,200)
Underprovision in respect of previous years (Note 7)	(448,000)	–
At 31 March	(560,000)	79,500
Deferred tax assets:		
Unabsorbed capital allowances	2,803,000	–
Unutilised tax losses	–	87,000
Others	4,000	–
Gross deferred tax assets	2,807,000	87,000
Deferred tax liabilities:		
Differences in depreciation	(3,367,000)	(7,500)
Gross deferred tax liabilities	(3,367,000)	(7,500)
Net deferred tax (liabilities)/assets recognised	(560,000)	79,500
Deferred tax assets not recognised:		
Unabsorbed capital allowances	–	1,325,000

As at 31 March 2008, the Group has unabsorbed capital allowances carried forward of approximately $15,570,000 (2007: $7,363,000) that are available for offset against future taxable profits of the companies in which the allowances arise.

In 2007, there were no deferred tax assets recognised on the unabsorbed capital allowances of $7,363,000, as it was not probable that taxable profits will be available against which the deferred tax assets can be utilised.

As at 31 March 2007, the Group had unutilised tax losses of approximately $483,000 that were available for offset against future taxable profits of the companies in which the losses arise. The utilisation of these unabsorbed capital allowances and unutilised tax losses is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislations.

14. Held-to-maturity investments

	Group and Corporation 2008 $	Group and Corporation 2007 $
Quoted bonds, at amortised cost	1,999,428	3,998,857
Market value	2,000,000	4,000,000

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 $	Total $
2008	4.15	–	1,999,428	1,999,428
2007	3.87	1,998,857	2,000,000	3,998,857

Notes to the Financial Statements - 31 March 2008

15. Inventories

	Group		Corporation	
	2008 $	2007 $	2008 $	2007 $
Land held for sale	8,959,130	229,045,508	8,959,130	229,045,508
Consumables and spare parts	2,415,494	2,247,135	2,415,494	2,247,135
Merchandise	1,559,642	1,479,141	–	–
Food and beverage products	233,578	159,234	67,416	59,853
	13,167,844	232,931,018	11,442,040	231,352,496
Less: Allowance for obsolescence	(148,207)	–	–	–
	13,019,637	232,931,018	11,442,040	231,352,496

During the financial year, an allowance for obsolescence of $148,307 (2007: Nil) was recognised in the income and expenditure statements.

16. Trade and other receivables

	Group		Corporation	
	2008 $	2007 $	2008 $	2007 $
Trade receivables (1)	845,228,285	551,006,761	842,929,754	548,263,502
Current portion of entrance fees receivables	1,512,800	2,188,800	1,512,800	2,188,800
Other receivables and deposits (2)	5,831,132	4,519,138	5,608,192	4,409,125
Amounts due from lessees	7,500,000	11,800,000	7,500,000	11,800,000
Amounts due from subsidiaries (non-trade) (3)	–	–	9,145,267	6,613,636
	860,072,217	569,514,699	866,696,013	573,275,063
Less: Allowance for doubtful debts (4)	(293,381)	(289,528)	(293,381)	(289,528)
	859,778,836	569,225,171	866,402,632	572,985,535

(1) *Trade receivables*

Trade receivables are non-interest bearing, and are generally on 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 $823,042,678 (2007: $536,796,538) relating to receivables for the land sale.

Included in trade receivables of the Group and Corporation is an amount of $2,352,787 (2007: $1,212,862) relating to receivables for expenses incurred for the maintenance of offshore islands on behalf of the Government.

(2) *Other receivables and deposit*

	Group		Corporation	
	2008 $	2007 $	2008 $	2007 $
Other receivables	3,585,411	2,356,015	3,392,935	2,290,121
Deposits	2,245,721	2,163,123	2,215,257	2,119,004
	5,831,132	4,519,138	5,608,192	4,409,125

Included in the deposits of the Group and Corporation is an amount of $2,171,580 (2007: $2,086,840) recoverable from a contractor for the Southern Islands Reclamation (Note 22).

(3) *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.

(4) *Allowance for doubtful debts*

For the financial year ended 31 March 2008, the Group and the Company have made an allowance for doubtful debts of $45,397 (2007: write-back of allowance for doubtful debts of $448,750) recognised in the income and expenditure statements; and written off bad debts of $12,718 (2007: Nil) subsequent to a debt recovery assessment performed on trade and other receivables as at 31 March 2008.

Notes to the Financial Statements - 31 March 2008

17. Loan receivable from a subsidiary

Corporation

Loan receivable from a subsidiary is unsecured, interest-free and repayable on demand. This loan is in turn payable to a statutory board (Note 20).

18. Cash and bank balances

	Group		Corporation	
	2008 $	2007 $	2008 $	2007 $
Cash at bank and on hand	69,128,716	63,915,404	61,901,018	60,866,038
Fixed deposits	2,136,867,702	1,287,446,955	2,136,867,702	1,287,446,955
	2,205,996,418	1,351,362,359	2,198,768,720	1,348,312,993
Less: Cash held on behalf of the Government	(1,667,766)	(6,929,699)	(1,667,766)	(6,929,699)
	2,204,328,652	1,344,432,660	2,197,100,954	1,341,383,294

Fixed deposits mature in varying periods of between 1 day and 6 months (2007: 1 day and 3 months), depending on the immediate cash requirements of the Group and the Corporation, and earn interests at the respective fixed deposit rates.

The weighted average effective interest rate of cash and equivalents held by the Group and the Corporation is 2.11% (2007: 2.79%) per annum.

Included in the cash and cash equivalents of the Group and Corporation are amounts of $1,667,766 (2007: $6,929,699) held on behalf of the Government for the Southern Islands Reclamation Fund (Note 22).

Included in the cash and cash equivalents of the Group and the Corporation is an amount of $3,222,472 (2007: $4,446,955) denominated in Japanese Yen as at 31 March 2008.

19. Trade and other payables

	Group		Corporation	
	2008 $	2007 $	2008 $	2007 $
Trade payables (1)	17,515,211	40,957,591	15,252,616	44,728,426
Accrued operating expenses	87,650,328	53,113,151	82,025,646	45,885,659
Provision for development charges	193,925,200	94,368,818	193,925,200	94,368,818
Deposits	1,552,036	1,540,805	1,513,525	1,517,894
Advance receipts	505,215	215,200	505,215	215,200
Provision for property tax	3,328,181	3,367,184	3,328,181	3,367,184
Liability for short-term compensating absences	829,116	1,329,913	236,507	770,109
Amounts due to subsidiaries (non-trade) (2)	–	–	74,303,527	43,100,696
Amount due to a statutory board (3)	1,898,202	1,898,202	–	–
Other payables	4,011,207	1,655,322	3,958,746	1,470,262
	311,214,696	198,446,186	375,049,163	235,424,248

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

(2) *Amounts due to subsidiaries (non-trade)*
Amounts due to subsidiaries are non-trade in nature, unsecured, non-interest bearing and has no fixed terms of repayment.

(13) *Amount due to a statutory board (non-trade)*
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 2008

20. Loan payable

Group and Corporation

The loan payable represents funds received from the 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.

21. Provision for cove infrastructure

	Group and Corporation	
	2008	2007
	$	$
At 1 April	79,998,709	4,155,108
Provision during the year	145,872,590	78,610,323
Provision utilised during the year	(6,026,945)	(2,766,722)
At 31 March	219,844,354	79,998,709

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 cost of land sale, is based on management's best estimate using comparable tendered contracts and quotes where available.

22. 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	
	2008	2007
	$	$
Balance Sheet as at 31 March:		
Accumulated surplus		
Restricted fund	3,600,886	9,021,221
Current assets		
Cash and cash equivalents (Note 18)	1,667,766	6,929,699
Amounts claimable from the Government	–	4,682
Deposit recoverable (Note 16)	2,171,580	2,086,840
	3,839,346	9,021,221
Current liabilities		
Amounts payable to the Government	(238,460)	–
Net assets	3,600,886	9,021,221
Drawdown and disbursement statement:		
Drawdowns:		
Government grant	–	19,328,529
Interest income	65,401	96,147
Interest refunds	(69,715)	(91,040)
	(4,314)	19,333,636
Disbursements:		
Civil work	4,892,241	14,111,869
Services	55,051	170,649
Other operating expenditure	468,729	84,734
	5,416,021	14,367,252
Movements for the financial year:	(5,420,335)	4,966,384
At 1 April	9,021,221	4,054,837
At 31 March	3,600,886	9,021,221

Notes to the Financial Statements - 31 March 2008

23. Deferred capital grants

	Group and Corporation 2008 $	Group and Corporation 2007 $
At 1 April	97,873,620	344,659,523
Amounts taken to income and expenditure statements	(4,777,428)	(5,386,675)
Amounts returned to the Government	(87,102,440)	(211,000,000)
Amounts relating to disposal of property, plant and equipment	–	(30,399,228)
At 31 March	5,993,752	97,873,620
Total capital grants received since establishment	494,342,894	494,342,894

24. Deferred income

	Group and Corporation 2008 $	Group and Corporation 2007 $
Deferred lease income		
At 1 April	50,550,354	27,064,765
Lease income deferred during the year	9,816,076	34,500,000
Amounts taken to income and expenditure statement:		
Lease income amortised (Note 3)	(1,140,914)	(523,178)
Service fee and development fee (Note 4)	(15,881,980)	(10,491,233)
	43,343,536	50,550,354
Deferred membership entrance fee		
At 1 April	53,462,419	52,093,140
Entrance fee deferred during the year	–	4,860,000
Amounts taken to income and expenditure statement	(3,711,481)	(3,490,721)
At 31 March	49,750,938	53,462,419
Total	93,094,474	104,012,773

25. Capital account

Group and Corporation

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

Notes to the Financial Statements - 31 March 2008

26. Accumulated surplus

(a) General fund

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

During the financial year, there was a return of surplus to the Government amounting to $677,897,560 (2007: Nil) from the Group's and the Corporation's general fund.

(b) Restricted funds

	Golf Sinking Fund $	Cove Sinking Fund $	Total $
Group and Corporation			
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
At 1 April 2007	18,200,000	57,422,706	75,622,706
Transfer from accumulated surplus	5,500,000	44,947,666	50,447,666
At 31 March 2008	23,700,000	102,370,372	126,070,372

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.

27. 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.

28. 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:

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 2008 $	2007 $
Short-term employee benefits	3,933,015	3,298,948
CPF contributions	102,651	92,722
Directors' allowances	56,016	43,665
Others	–	61,056
Total compensation paid to key management personnel	4,091,682	3,496,391

Notes to the Financial Statements - 31 March 2008

29. Capital commitments

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

	Group and Corporation 2008 $	Group and Corporation 2007 $
Capital commitments in respect of property, plant and equipment	27,807,781	425,835,971

30. Operating lease commitments

As lessor

The Group and the Corporation lease land to certain hotels and other tenants for 8 to 84 (2007: 9 to 85) 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 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 income and expenditure statements of the Group and the Corporation during the financial year, amounted to $16,192,645 (2007: $12,512,107) and $18,178,237 (2007: $13,240,588) respectively, of which $8,701,867 (2007: $6,218,872) and $9,214,126 (2007: $6,410,772) pertained to the variable rental income received during the financial year.

Lease income receivables under non-cancellable operating leases with the tenants are as follows:

	Group and Corporation 2008 $	Group and Corporation 2007 $
Within 1 year	4,801,482	4,003,274
After 1 year but within 5 years	21,298,345	26,330,310
After 5 years	463,104,046	464,853,341
	489,203,873	495,186,925

31. Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and fixed deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities, such as trade receivables and payables, and loan from a statutory board 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.

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk, interest rate risk, liquidity risk, and market risk. 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, loan receivable from a subsidiary, 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.

Notes to the Financial Statements - 31 March 2008

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

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 14 and 18 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.

32. 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. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate.

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 flow models, based on their maturity periods. The discount rates applied in this exercise are based on the current interest rates of the bonds.

33. Authorisation of financial statements

The financial statement of the Corporation for the financial year ended 31 March 2008 were authorised for issue by the Board members of the Corporation on 13 June 2008.

sentosa

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