FINANCIAL REPORT 08/09

Sentosa Development Corporation and its Subsidiaries

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 2009, 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 2009, 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 LLP
Public Accountants and Certified Public Accountants
Singapore

Sentosa Development Corporation and its Subsidiaries

Income and Expenditure Statements for the financial year ended 31 March 2009

		Group		Corporation	
	Note	2009 $	2008 $	2009 $	2008 $
Income					
Land sale		16,520,000	2,247,383,296	16,520,000	2,247,383,296
Admission fees and packages		40,556,055	38,688,047	40,556,055	38,688,047
Rental and hiring of facilities	3	17,929,080	16,192,645	19,949,891	18,178,237
Interest income		35,304,824	47,715,536	35,291,900	47,679,397
Other income	4	59,424,209	53,289,480	49,006,913	45,894,304
		169,734,168	**2,403,269,004**	**161,324,759**	**2,397,823,281**
Expenditure					
Cost of land sale		1,878,592	373,133,961	2,126,392	406,844,710
Cost of sale on admission fees and packages		10,977,443	11,991,767	10,977,443	11,991,767
Staff costs	5	46,130,943	41,954,236	41,176,159	35,321,104
Depreciation of property, plant and equipment	10	55,796,660	54,405,475	55,234,430	54,021,268
Repairs and maintenance		16,146,215	12,906,587	15,634,273	12,560,791
Publicity and promotion		18,247,340	25,798,099	18,024,844	26,030,393
Inventories consumed		8,816,279	8,856,860	3,663,829	3,712,352
Interest expense		1,704	2,526	1,704	2,526
General and administrative expenses	6	32,375,989	122,312,424	35,399,656	124,524,879
		190,371,165	**651,361,935**	**182,238,730**	**675,009,790**
(Deficit)/surplus before Government Grants		(20,636,997)	1,751,907,069	(20,913,971)	1,722,813,491
Deferred capital grants amortised	25	1,443,894	4,777,428	1,443,894	4,777,428
Share of results of an associate	13	3,302,947	3,851,000	–	–
Share of results of a Joint venture	14	(1)	–	–	–
(Deficit)/surplus before taxation and contribution to Consolidated Fund		(15,890,157)	1,760,535,497	(19,470,077)	1,727,590,919
Taxation	7	(1,133,174)	(4,904,558)	–	–
Contribution to Consolidated Fund	8	–	(310,601,162)	–	(310,601,162)
Net (deficit)/surplus for the year transferred to accumulated surplus		**(17,023,331)**	**1,445,029,777**	**(19,470,077)**	**1,416,989,757**

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

Sentosa Development Corporation and its Subsidiaries

Balance Sheets as at 31 March 2009

		Group		Corporation	
	Note	2009 $	2008 $	2009 $	2008 $
ASSETS					
Non-current assets					
Heritage materials	9	26,398,500	26,398,500	–	–
Property, plant and equipment	10	529,247,368	534,044,234	527,241,819	531,671,687
Land use right	11	133,311,585	137,264,667	133,311,585	137,264,667
Investments in subsidiaries	12	–	–	2	2
Investment in an associate	13	23,254,542	19,951,595	699,620	699,620
Investment in a joint venture	14	–	–	–	–
Deferred tax assets	15	–	–	–	–
Held-to-maturity investments	16	2,000,000	1,999,428	2,000,000	1,999,428
		714,211,995	**719,658,424**	**663,253,026**	**671,635,404**
Current assets					
Inventories	17	10,990,604	13,019,637	9,487,564	11,442,040
Trade and other receivables	18	33,531,289	859,778,836	44,050,083	866,402,632
Prepayments		443,781	3,771,714	327,845	3,631,880
Loan receivable from a subsidiary	19	–	–	26,398,500	26,398,500
Cash and bank balances	20	2,680,471,391	2,205,996,418	2,677,010,412	2,198,768,720
		2,725,437,065	3,082,566,605	2,757,274,404	3,106,643,772
Total assets		**3,439,649,060**	**3,802,225,029**	**3,420,527,430**	**3,778,279,176**
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	21	297,195,279	311,214,696	362,340,812	375,049,163
Loan payable	22	26,398,500	26,398,500	26,398,500	26,398,500
Provision for cove infrastructure	23	210,684,524	219,844,354	210,684,524	219,844,354
Specific fund	24	1,544,579	3,600,886	1,544,579	3,600,886
Provision for contribution to Consolidated Fund	8	–	310,601,162	–	310,601,162
Provision for taxation		74,701	5,692,265	–	–
		535,897,583	877,351,863	600,968,415	935,494,065
Net current assets		**2,189,539,482**	**2,205,214,742**	**2,156,305,989**	**2,171,149,707**
Non-current liabilities					
Deferred capital grants	25	18,724,858	5,993,752	18,724,858	5,993,752
Deferred income	26	76,606,349	93,094,474	76,606,349	93,094,474
Deferred tax liabilities	15	217,661	560,000	–	–
		95,548,868	99,648,226	95,331,207	99,088,226
Total liabilities		**631,446,451**	**977,000,089**	**696,299,622**	**1,034,582,291**
Net assets		**2,808,202,609**	**2,825,224,940**	**2,724,227,808**	**2,743,696,885**

Sentosa Development Corporation and its Subsidiaries

Balance Sheets as at 31 March 2009

		Group		Corporation	
	Note	2009 $	2008 $	2009 $	2008 $
Capital and reserves					
Capital account	27	3,590,495	3,589,495	3,590,495	3,589,495
Accumulated surplus	28				
- General fund		2,669,049,201	2,691,902,932	2,588,736,541	2,614,037,018
- Restricted funds		131,900,772	126,070,372	131,900,772	126,070,372
		2,800,949,973	2,817,973,304	2,720,637,313	2,740,107,390
Capital reserve	29	3,662,141	3,662,141	–	–
Total capital and reserves		**2,808,202,609**	**2,825,224,940**	**2,724,227,808**	**2,743,696,885**
Total capital and reserves, and liabilities		**3,439,649,060**	**3,802,225,029**	**3,420,527,430**	**3,778,279,176**

Dr Loo Choon Yong
Chairman

Jennie Chua Kheng Yeng
Director

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

Sentosa Development Corporation and its Subsidiaries

Statements of Changes in Equity for the financial year ended 31 March 2009

Group	Capital account (Note 27)	Accumulated surplus: General fund (Note 28) $	Accumulated surplus: Restricted funds (Note 28) $	Captial reserve (Note 29) $	Total $
2009					
At 31 March 2008 and 1 April 2008	3,589,495	2,691,902,932	126,070,372	3,662,141	2,825,224,940
Net deficit for the year	–	(17,023,331)	–	–	(17,023,331)
Additional shares	1,000	–	–	–	1,000
Return of surplus	–	–	–	–	–
Transfer to restricted funds	–	(5,830,400)	5,830,400	–	–
At 31 March 2009	**3,590,495**	**2,669,049,201**	**131,900,772**	**3,662,141**	**2,808,202,609**
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 27) $	Accumulated surplus: General fund (Note 28) $	Accumulated surplus: Restricted funds (Note 28) $	Total $
2009				
At 31 March 2008 and 1 April 2008	3,589,495	2,614,037,018	126,070,372	2,743,696,885
Net deficit for the year	–	(19,470,077)	–	(19,470,077)
Additional shares	1,000	–	–	1,000
Return of surplus	–	–	–	–
Transfer to restricted funds	–	(5,830,400)	5,830,400	–
At 31 March 2009	**3,590,495**	**2,588,736,541**	**131,900,772**	**2,724,227,808**
2008				
At 31 March 2007 and 1 April 2007	3,589,495	1,925,392,487	75,622,706	2,004,604,688
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.

Sentosa Development Corporation and its Subsidiaries

Consolidated Statement of Cash Flow for the financial year ended 31 March 2009

	Group	
	2009 $	2008 $
Cash flow from operating activities :		
(Deficit)/surplus before taxation and contribution to Consolidated Fund	(15,890,157)	1,760,535,497
Adjustments for :		
Interest expense	1,704	2,526
Interest income	(35,305,396)	(47,715,536)
Depreciation of property, plant and equipment	55,796,660	54,405,475
(Gain)/loss on disposal of property, plant and equipment	(103,110)	119,500
Allowance for doubtful debts	48,443	45,397
Bad debts written off	–	12,718
Allowance for inventories obsolescence	–	148,207
Deferred income recognised	(16,488,125)	(20,734,375)
Share of results of an associate	(3,302,947)	(3,851,000)
Deferred capital grants amortised	(1,443,894)	(4,777,428)
Provision for development charges	6,074,800	99,556,382
Surplus before working capital changes	(10,612,022)	1,837,747,363
Decrease in inventories	2,029,033	219,763,174
Decrease/(increase) in trade and other receivables	829,692,903	(284,042,757)
(Decrease)/increase in trade and other payables	(25,153,249)	12,968,986
(Decrease)/increase in provision for cove infrastructure	(9,159,830)	139,845,645
Cash flow generated from operations	786,796,835	1,926,282,411
Deferred income received	–	9,816,076
Contribution to Consolidated Fund	(310,601,162)	(296,836,504)
Tax paid	(6,750,738)	(3,229,461)
Net cash flow generated from operating activities	**469,444,935**	**1,636,032,522**
Cash flow from investing activities		
Dividend income received from an associate	–	3,280,007
Interest received	35,235,766	47,322,991
Purchase of property, plant and equipment	(47,349,855)	(63,898,124)
Proceeds from disposal of property, plant and equipment	406,252	161,693
Proceeds from redemption of held-to-maturity investments	–	1,999,429
Net cash flow (used in)/generated from investing activities	**(11,707,837)**	**(11,134,004)**
Cash flow from financing activities		
Interest paid	(1,704)	(2,526)
Additional shares issued	1,000	–
Grant from a Statutory Board	14,175,000	–
Grant returned to government	–	(765,000,000)
Net cash flow generated from/(used in) financing activities	**14,174,296**	**(765,002,526)**
Net increase in cash and cash equivalents	471,911,394	859,395,992
Cash and cash equivalents at beginning of year	2,203,828,652	1,344,432,660
Cash and cash equivalents at end of year (Note 20)	**2,675,740,046**	**2,203,828,652**

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

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

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 2008, 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 1	- Amendment to SB-FRS 1 (revised) Presentation of Financial Statements (Capital Disclosures)
SB-FRS 17 (revised)	- Leases
SB-FRS 39 (revised)	- Financial Instruments: Recognition and Measurement
SB-FRS 107 (revised)	- Financial Instruments: Disclosure

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

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

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 for annual periods beginning
SB-FRS 1 (revised)	- Presentation of Financial Statements	1 January 2009
SB-FRS 2 (revised)	- Inventories	1 January 2009
SB-FRS 7 (revised)	- Cash Flow Statements	1 January 2009
SB-FRS 8 (revised)	- Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2009
SB- FRS 16 (revised)	- Property, Plant and Equipment	1 January 2009
SB- FRS 19 (revised)	- Employee Benefits	1 January 2009
SB- FRS 23 (revised)	- Borrowing Costs	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 107 (revised)	- Amendments to FRS 107 Financial Instruments: Disclosures-Improving Disclosures about Financial Instruments	1 January 2009
SB-FRS 108	- Operating Segments	1 January 2009

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 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 2009 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.

(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.

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

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

(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 2009 were $74,701 (2008: $5,692,265) and $217,661 (2008: $560,000) respectively.

(iii)Held-to-maturity investments

The Group follows the guidance of *SB-FRS 39* on classifying non-derivatives financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity, other than for specific circumstances explained in *SB-FRS 39*, it will be required to 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.

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

2.5 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.

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

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

2.6 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 General 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.

(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.

2.7 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.

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

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

2.8 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.

2.9 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.

2.10 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.

2.11 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 improvements to land	- 10 years or over remaining lease term
Buildings, attractions and facilities	- 10 years or over remaining lease term
Plant and machinery	- 5 to 10 years
Motor vehicles	- 5 years
Furniture and fittings	- 5 years
Computer equipment	- 3 years

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

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

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

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

2.12 Land use right

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

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

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.

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

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

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

2.15 Investment in joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group recognises its interest in joint venture using the equity method, from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture Under the equity method, the investment in the joint venture is carried in the Group's balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. The Group's share of the profit or loss of the joint venture is recognised in the consolidated income and expenditure statement. Any excess of the Group's share of the net fair value of the joint venture'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 joint venture in the period in which the investment is acquired.

The financial statements of the joint venture are prepared as of the same reporting date as the Corporation. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

2.16 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.

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

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

2.17 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.

(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.

2.18 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.

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

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

2.19 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.

2.20 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.

2.21 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.

2.22 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.

2.23 Specific fund

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

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

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

2.24 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).

2.25 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.

2.26 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.

2.27 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.

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

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

2.27 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.

2.28 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.

2.29 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.

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

	Group		Corporation	
	2009 **$**	**2008** **$**	**2009** **$**	**2008** **$**
3. Rental and hiring of facilities				
Rental income	17,425,094	15,051,731	19,445,905	17,037,323
Lease income amortised (Note 26)	503,986	1,140,914	503,986	1,140,914
	17,929,080	**16,192,645**	**19,949,891**	**18,178,237**
4. Other income				
Club membership-related income	22,175,133	19,249,675	22,175,133	19,249,675
Sales of merchandise, net of discounts	5,211,483	5,436,488	–	–
Service fee and development fee (Note 26)	12,271,980	15,881,980	12,271,980	15,881,980
Project management fees	697,272	677,222	697,272	677,222
Sponsorship	127,702	177,083	127,702	3,930
Food and beverage	11,437,164	8,778,129	4,303,499	3,794,850
Gain on disposal of property, plant and equipment	103,110	–	103,110	–
Unrealised exchange gain	355,214	221,823	355,214	221,823
Forfeiture of deposit from land sale	3,605,600	–	3,605,600	–
Liquidated damages	889,074	–	889,074	–
Others	2,550,477	2,867,080	4,478,329	5,887,741
	59,424,209	**53,289,480**	**49,006,913**	**45,894,304**

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

	Group		Corporation	
	2009 **$**	**2008** **$**	**2009** **$**	**2008** **$**
5. Staff costs				
Direct staff:				
Wages and salaries	42,360,361	39,523,311	6,814,831	8,454,587
CPF contributions	4,108,699	4,204,517	927,422	859,021
	46,469,060	43,727,828	7,742,253	9,313,608
Outsourced to a subsidiary:				
Wages and salaries	–	–	31,028,232	24,785,808
CPF contributions	–	–	2,743,791	2,773,379
	–	–	33,772,023	27,559,187
	46,469,060	43,727,828	41,514,276	36,872,795
Staff costs capitalised in development projects-in-progress	(338,117)	(1,773,592)	(338,117)	(1,551,691)
	46,130,943	**41,954,236**	**41,176,159**	**35,321,104**

6. General and administrative expenses

Included in the general and administrative expenses are the following:

	Group 2009 $	Group 2008 $	Corporation 2009 $	Corporation 2008 $
Allowance for doubtful debts	48,443	45,397	48,443	45,397
Allowance for inventories obsolescence	–	148,207	–	–
Bad debts written off	–	12,718	–	–
Property tax	3,581,539	7,340,410	3,581,539	7,340,410
Utilities	6,333,168	4,796,827	5,752,787	4,309,017
Travelling expenses	313,445	646,445	292,436	607,650
Provision for development charges*	6,074,800	99,556,382	6,074,800	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.

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

7. Taxation

Group

(a) Major components of taxation

The major components of taxation for the financial years ended 31 March 2009 and 2008 are:

	Group	
	2009 **$**	**2008** **$**
Current income tax:		
Current year	–	5,673,367
Under/(Over)provision in respect of previous years	1,475,513	(1,408,309)
	1,475,513	4,265,058
Deferred tax:		
(Credit)/provision for the year (Note 15)	(342,339)	191,500
Underprovision in respect of previous years (Note 15)	–	448,000
	(342,339)	639,500
Total	**1,133,174**	**4,904,558**

(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 2009 and 2008 is as follows :-

(Deficit)/surplus before taxation	**(17,023,643)**	**1,760,535,497**
Statutory tax expense at corporate rate of 17% (2008: 18%)	–	316,896,389
Adjustments for:		
Non-deductible expenses	–	55,912
Income not subject to taxation	–	(310,375,964)
Under/(Over)provision in respect of previous years, net	1,473,168	(960,309)
Tax exempt income	–	(27,450)
Share of results of an associate	(688,715)	(693,180)
Others	348,721	9,160
Effective tax expense	**1,133,174**	**4,904,558**

On 22 January 2009, the Singapore Finance Minister announced the revision in the Singapore corporate tax rate from 18% to 17% with effect from year of assessment 2010.

Corporation

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

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

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 (2008: $2,028,910) resulting from the amortisation of deferred income is not subject to contribution to Consolidated Fund.

	Group	
	2009 **$**	**2008** **$**
Net (deficit)/surplus of the Corporation before contribution to Consolidated Fund	(19,470,077)	1,727,590,919
Deferred income on membership entrance fee (as described above)	(2,028,910)	(2,028,910)
Net surplus subject to contribution to Consolidated Fund	(21,498,987)	1,725,562,009
Contribution to Consolidated Fund:		
Current year	–	310,601,162
Overprovision in respect of prior year	–	–
		310,601,162

The contribution for the financial year under review is based on 17% (2008: 18%) of the net surplus of the Corporation.

9. Heritage materials

	Group	
	2009 **$**	**2008** **$**
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 22), 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.

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

10. 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 $
Cost					
At 1 April 2007	93,940,924	453,515,723	41,708,966	100,286,014	689,451,627
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 and 1 April 2008	109,233,156	501,397,078	32,291,025	109,286,665	752,207,924
Additions	336,086	204,873	43,695,453	3,113,443	47,349,855
Disposals	(28,145)	(271,064)	–	(3,525,527)	(3,824,736)
Reclassifications	–	1,760,597	(4,126,643)	2,366,046	–
At 31 March 2009	**109,541,097**	**503,091,484**	**71,859,835**	**111,240,627**	**795,733,043**
Accumulated depreciation					
At 1 April 2007	42,438,767	102,504,814	–	23,628,350	168,571,931
Charge for the financial year	5,649,840	24,541,174		20,261,379	50,452,393
Disposals	–	(145,439)	–	(715,195)	(860,634)
At 31 March 2008 and 1 April 2008	48,088,607	126,900,549	–	43,174,534	218,163,690
Charge for the financial year	6,136,870	25,474,979	–	20,231,730	51,843,579
Disposals	–	–	–	(3,521,594)	(3,521,594)
At 31 March 2009	**54,225,477**	**152,375,527**		**59,884,671**	**266,485,675**
Net carrying amount					
At 31 March 2009	55,315,620	350,715,957	71,859,835	51,355,956	529,247,368
At 31 March 2008	**61,144,549**	**374,496,529**	**32,291,025**	**66,112,131**	**534,044,234**

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

10. 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 $
Cost					
At 1 April 2007	93,801,337	452,716,398	41,366,829	97,981,737	685,866,301
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 and 1 April 2008	109,093,569	500,523,223	32,291,026	105,405,964	747,313,782
Additions	336,086	122,378	43,695,453	3,000,701	47,154,618
Disposals	(28,145)	(271,064)	–	(3,040,540)	(3,339,749)
Reclassifications	–	1,760,597	(4,126,643)	2,366,046	–
At 31 March 2009	**109,401,510**	**502,135,134**	**71,859,836**	**107,732,171**	**791,128,651**
Accumulated depreciation					
At 1 April 2007	42,299,180	102,198,845	–	21,935,978	166,434,003
Charge for the financial year	5,649,840	24,491,702	–	19,926,644	50,068,186
Disposals	–	(145,439)	–	(714,655)	(860,094)
At 31 March 2008 and 1 April 2008	47,949,020	126,545,108	–	41,147,967	215,642,095
Charge for the financial year	6,136,870	25,197,644	–	19,946,831	51,281,345
Disposals	–	–	–	(3,036,608)	(3,036,608)
At 31 March 2009	**54,085,890**	**151,742,752**		**58,058,190**	**263,886,832**
Net carrying amount					
At 31 March 2009	55,315,620	350,392,382	71,859,836	49,673,981	527,241,819
At 31 March 2008	**61,144,549**	**373,978,115**	**32,291,026**	**64,257,997**	**531,671,687**

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 2009 was $28,328,861 (2008 : $28,712,649).

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

11. Land use right

	Group		Corporation	
	2009 **$**	**2008** **$**	**2009** **$**	**2008** **$**
Cost:				
At 1 April and 31 March	193,069,800	193,069,800	193,069,800	193,069,800
Accumulated amortisation At 1 April	55,805,133	51,852,051	55,805,133	51,852,051
Amortisation charge for the financial year	3,953,082	3,953,082	3,953,082	3,953,082
At 31 March	59,758,215	55,805,133	59,758,215	55,805,133
Net carrying amount	**133,311,585**	**137,264,667**	**133,311,585**	**137,264,667**

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

12. Investments in subsidiaries

	Corporation	
	2009 $	2008 $
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		Cost of investment held by the Corporation	
			2009 %	2008 %	2009 $	2008 $
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 Cove 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 LLP, Singapore.

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

13. Investment in an associate

	Group		Corporation	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Unquoted shares, at cost	699,620	699,620	699,620	699,620
Share of post-acquisition profits and reserves:				
At 1 April	19,251,975	18,680,982	–	–
Share of post-acquisition profits (net tax)	3,302,947	3,851,000	–	–
Post-acquisition dividend received	–	(3,280,007)	–	–
	22,554,922	19,251,975	–	–
Total	**23,254,542**	**19,951,595**	**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 2009 %	2008 %
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:

	2009 $'000	**2008 $'000**
Assets and liabilities		
Current assets	30,856	32,286
Non-current assets	39,003	30,684
	69,859	**62,970**
Current liabilities	22,642	21,993
Non-current liabilities	1,073	1,073
	23,715	**23,066**
Results		
Revenue	34,764	36,433
Profit for the year	**6,605**	**8,084**

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

14. Investment in a joint venture

	Group		Corporation	
	2009 $	2008 $	2009 $	2008 $
Unquoted shares, at cost	1	–	–	–
Share of post-acquisition profits and reserves:				
At 1 April	–	–	–	–
Share of post-acquisition profits (net tax)	(1)	–	–	–
	(1)	–	–	–
Total				

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

Name of company	Country of incorporation and place of business	Principal activities	Percentage of ownership interest 2009 %	2008 %
DCP (Sentosa) Pte Ltd	Singapore	Construction, development and operation of a district cooling plant supplying chilled water for air-conditioning needs at Sentosa	20	–

*The joint venture is audited by PricewaterhouseCoopers LLP, Singapore.

The summarised financial information of the joint venture as at 31 March is as follows:

	2009 $'000
Assets and liabilities	
Current assets	1,719
Non-current assets	45,575
	47,294
Current liabilities	15,620
Non-current liabilities	–
	15,620
Results	
Revenue	13
Loss for the period	**26**

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

15. Deferred tax assets/(liabilities)

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

	Group	
	2009 $	2008 $
Movements in deferred taxation:		
At 1 April	(560,000)	79,500
Credit/(provision) during the financial year (Note 7)	342,339	(191,500)
Underprovision in respect of previous years (Note 7)	–	(448,000)
At 31 March	**(217,661)**	**(560,000)**
Deferred tax assets :		
Unabsorbed capital allowances	2,803,000	2,803,000
Others	4,000	4,000
Gross deferred tax assets	**2,807,000**	**2,807,000**
Deferred tax liabilities :		
Differences in depreciation	(3,024,661)	(3,367,000)
Gross deferred tax liabilities	(3,024,661)	(3,367,000)
Net deferred tax (liabilities) recognised	**(217,661)**	**(560,000)**

As at 31 March 2009, the Group has unabsorbed capital allowances carried forward of approximately $15,570,000 (2008: $15,570,000) that are available for offset against future taxable profits of the companies in which the allowances arise.

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

16. Held-to-maturity investments

	Group and Corporation	
	2009 $'000	2008 $'000
Quoted bonds, at amortised cost	2,000,000	1,999,428
Market value	2,000,000	2,000,000

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 $
2009	4.15	–	2,000,000	2,000,000
2008	4.15	–	1,999,428	1,999,428

17. Inventories

	Group		Corporation	
	2009 $	2008 $	2009 $	2008 $
Land held for sale	7,097,885	8,959,130	7,097,885	8,959,130
Consumables and spare parts	2,355,098	2,415,494	2,355,098	2,415,494
Merchandise	1,323,445	1,559,642	–	–
Food and beverage products	214,176	233,578	34,581	67,416
	10,990,604	13,167,844	9,487,564	11,442,040
Less: Allowance for obsolescence	–	(148,207)	–	–
	10,990,604	**13,019,637**	**9,487,564**	**11,442,040**

During the financial year, an allowance for obsolescence of $Nil (2008: $148,207) was recognised in the income and expenditure statements.

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

18. Trade and other receivables

	Group		Corporation	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Trade receivables [1]	24,059,203	845,228,285	21,649,281	842,929,754
Current portion of entrance fees receivables	1,300	1,512,800	1,300	1,512,800
Other receivables and deposits [2]	7,012,610	5,831,132	6,887,011	5,608,192
Amounts due from lessees	2,800,000	7,500,000	2,800,000	7,500,000
Amounts due from subsidiaries (non-trade) [3]	–	–	13,054,315	9,145,267
	33,873,113	860,072,217	44,391,907	866,696,013
Less: Allowance for doubtful debts [4]	(341,824)	(293,381)	(341,824)	(293,381)
	33,531,289	**859,778,836**	**44,050,083**	**866,402,632**

[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 $Nil (2008: $823,042,678) relating to receivables for the land sale.

Included in trade receivables of the Group and Corporation is an amount of $3,094,902 (2008: $2,352,787) relating to receivables for expenses incurred for the maintenance of offshore islands on behalf of the Government.

[2] *Other receivables and deposits*

	Group		Corporation	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Other receivables	4,582,299	3,585,411	4,576,985	3,392,935
Deposits	2,430,311	2,245,721	2,310,026	2,215,257
	7,012,610	**5,831,132**	**6,887,011**	**5,608,192**

Included in the deposits of the Group and Corporation is an amount of $2,268,387 (2008: $2,171,580) recoverable from a contractor for the Southern Islands Reclamation (Note 24).

[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.

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

18. Trade and other receivables (cont'd)

(4) *Allowance for doubtful debts*

For the financial year ended 31 March 2009, the Group and the Corporation have made an allowance for doubtful debts of $48,443 (2008: write-back of allowance for doubtful debts of $45,397) recognised in the income and expenditure statements; and no bad debts were written off (2008: $12,718) subsequent to a debt recovery assessment performed on trade and other receivables as at 31 March 2009.

(5) *Receivables that are past due but not impaired*

The Group and the Corporation have trade receivables amounting to $4,198,617 and $4,198,617 (2008: $7,107,892 and 7,107,892) respectively that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group		Corporation	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Trade receivables past due:				
Lesser than				
30 days	651,007	5,571,129	471,013	5,547,365
30 to 60 days	2,631,387	430,474	2,627,935	427,231
61 to 90 days	469,650	285,372	327,383	275,655
91 to 120 days	130,585	301,076	56,432	51,402
More than 120 days	715,854	806,239	715,854	806,239
	4,598,483	**7,394,290**	**4,198,617**	**7,107,892**

19. 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 23).

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

20. Cash and bank balances

	Group		Corporation	
	2009 $	2008 $	2009 $	2008 $
Cash at bank and on hand	56,617,320	69,128,716	53,156,341	61,901,018
Fixed deposits	2,623,854,071	2,136,867,702	2,623,854,071	2,136,867,702
	2,680,471,391	2,205,996,418	2,677,010,412	2,198,768,720
Less: Cash held on behalf of the Government	(4,231,345)	(1,667,766)	(4,231,345)	(1,667,766)
Less: Cash held on behalf of Statutory Board	(500,000)	(500,000)	(500,000)	(500,000)
	2,675,740,046	**2,203,828,652**	**2,672,279,067**	**2,196,009,954**

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 1.20% (2008: 2.11%) per annum.

Included in the cash and cash equivalents of the Group and Corporation are amounts of $4,231,345 (2008: $1,667,766) held on behalf of the Government for the Southern Islands Development Fund (Note 25).

Included in the cash and cash equivalents of the Group and Corporation are amounts of $500,000 (2008: $500,000) held on behalf of a Statutory Board for the Southern Islands Maintenance Project.

Included in the cash and cash equivalents of the Group and the Corporation is an amount of $3,224,073 (2008: $3,222,472) denominated in Japanese Yen as at 31 March 2009.

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

21. Trade and other payables

	Group		Corporation	
	2009 $	2008 $	2009 $	2008 $
Trade payables [1]	11,654,874	17,395,211	11,007,696	15,132,616
Accrued operating expenses	69,543,419	87,650,328	62,030,252	82,025,646
Provision for development charges	200,000,000	193,925,200	200,000,000	193,925,200
Deposits	2,424,815	1,672,036	2,416,506	1,633,525
Advance receipts	364,306	505,215	364,306	505,215
Provision for property tax	4,854,748	3,328,181	4,854,748	3,328,181
Liability for short-term compensating absences	894,028	829,116	810,866	236,507
Amounts due to subsidiaries (non-trade)[2]	–	–	75,509,976	74,303,527
Amount due to a statutory board [3]	2,062,413	1,898,202	–	–
Other payables	5,396,676	4,011,207	5,346,462	3,958,746
	297,195,279	**311,214,696**	**362,340,812**	**375,049,163**

(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.

(3) *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.

22. 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.

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

23. Provision for cove infrastructure

	Group and Corporation 2009 $	2008 $
At 1 April	219,844,354	79,998,709
Provision during the year	–	145,872,590
Provision utilised during the year	(9,159,830)	(6,026,945)
At 31 March	**210,684,524**	**219,844,354**

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.

24. Specific fund

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

	Group and Corporation 2009 $	2008 $
Balance Sheet as at 31 March:		
Accumulated surplus		
Restricted fund	**1,544,579**	**3,600,886**
Current assets		
Cash and cash equivalents (Note 20)	4,231,345	1,667,766
Deposit recoverable (Note 18)	2,268,387	2,171,580
	6,499,732	3,839,346
Current liabilities		
Trade creditors	(4,843,556)	–
Other payable	(111,597)	(238,460)
	(4,955,153)	(238,460)
Net assets	**1,544,579**	**3,600,886**
Drawdown and disbursement statement:		
Drawdowns :		
Government grant	4,944,835	–
Interest income	3,609	65,401
Interest refunds	(3,713)	(69,715)
	4,944,731	(4,314)
Disbursements :		
Civil work	6,496,799	4,892,241
Services	195,916	55,051
Other operating expenditure	308,323	468,729
	7,001,038	5,416,021
Movements for the financial year:	(2,056,307)	(5,420,335)
At 1 April	3,600,886	9,021,221
At 31 March	**1,544,579**	**3,600,886**

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

25. Deferred capital grants

	Group and Corporation	
	2009	2008
	$	$
At 1 April	5,993,752	97,873,620
Amounts taken to income and expenditure statements	(1,443,894)	(4,777,428)
Amounts returned to the Government	–	(87,102,440)
Amounts received and receivable from a Statutory Board	14,175,000	–
At 31 March	18,724,858	5,993,752
Total capital grants received since establishment	**508,517,894**	**494,342,894**

26. Deferred income

	Group and Corporation	
	2009	2008
	$	$
Deferred lease income		
At 1 April	43,343,536	50,550,354
Lease income deferred during the year	–	9,816,076
Amounts taken to income and expenditure statement:		
Lease income amortised (Note 3)	(503,986)	(1,140,914)
Service fee and development fee (Note 4)	(12,271,980)	(15,881,980)
	30,567,570	43,343,536
Deferred membership entrance fee		
At 1 April	49,750,938	53,462,419
Amounts taken to income and expenditure statement	(3,712,159)	(3,711,481)
At 31 March	46,038,779	49,750,938
Total	**76,606,349**	**93,094,474**

27. Capital account

Group and Corporation

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

28. Accumulated surplus

(a) *General fund*

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

During the financial year, there was a return of surplus to the Government amounting to $Nil (2008: $677,897,560) from the Corporation's general fund.

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

28. Accumulated surplus (cont'd)

(b) Restricted funds

	Golf Sinking Fund $	Cove Sinking Fund $	Total $
Group and Corporation			
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**
At 1 April 2008	23,700,000	102,370,372	126,070,372
Transfer from accumulated surplus	5,500,000	330,400	5,830,400
At 31 March 2009	**29,200,000**	**102,700,772**	**131,900,772**

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.

29. 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.

30. 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	
	2009 $	2008 $
Short-term employee benefits	3,832,703	3,933,015
CPF contributions	107,608	102,651
Directors' allowances	52,561	56,016
Total compensation paid to key management personnel	**3,992,872**	**4,091,682**

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

31. 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	
	2009	2008
	$	$
Capital commitments in respect of property, plant and equipment	**o/s**	**27,807,781**

32. Operating lease commitments

As lessor

The Group and the Corporation lease land to certain hotels and other tenants for 10 to 99 (2008: 10 to 99) 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 $17,929,080 (2008: $16,192,645) and $19,949,891 (2008: $18,178,237) respectively, of which $8,712,782 (2008: $8,701,867) and $9,135,498 (2008: $9,214,126) 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:

Within 1 year	5,313,342	4,801,482
After 1 year but within 5 years	24,948,508	21,298,345
After 5 years	488,886,525	463,104,046
	519,148,375	**489,203,873**

Sentosa Development Corporation and its Subsidiaries

Notes to the Financial Statements - 31 March 2009

33. Financial risk management objectives and policies

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

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

Credit risk

Credit risk arises from the inability of a counterparty to pay within the credit terms extended by the Group. The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and credit-worthy third parties. It is the Group's corporate credit policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored closely on an on-going basis with the result that the Group's exposure to bad debts is not significant.

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

The Group is exposed to foreign currency risk on expenditures that are denominated in currencies 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.

The Group and the Corporation held fixed deposits denominated in Japanese Yen to meet its future committed expenditure. At the balance sheet date, such balances amount to $3,224,000 (2008: $3,222,000) for the Group and the Corporation.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the Japanese Yen exchange rates against SGD, with all other variables held constant.

	Group	
	2009	**2008**
	$	**$**
	Profit net of tax	**Profit net of tax**
Yen/SGD - strengthened 10% (2008: 10%)	+322,407	+322,200
- weakened 10% (2008: 10%)	-322,407	-322,200

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Notes to the Financial Statements - 31 March 2009

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of change in market interest rates. The Group's and the Corporation's exposure to interest rate risk arises primarily from their fixed deposits. These fixed deposits are placed with financial institutions with varying maturities according to the policies and mandate as approved by the Board.

Liquidity risk

Liquidity risk is the risk that the Group or the Corporation will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Corporation's exposure to liquidity risk would arise primarily from mismatch of the maturities of financial assets and liabilities. The Group manages this risk by monitoring working capital projections, taking into account the available cash and bank balances of the Group and ensuring that the Group has adequate working capital to meet current requirements.

34. 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.

35. Capital management

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

36. Post Balance Sheet Event

On 1 April 2009, Management was informed by Ministry of Finance ("MOF") that a sum of $7.5 million would be imposed on the Corporation for calling a tender for a project prior to obtaining the approval from MOF's Development Planning Committee. Upon appeal by the Corporation, MOF subsequently reduced the amount to $3.75 million after deeming it as a non-systemic event. As this is a post balance sheet event, the financial statements for the year ended 31 March 2009 have not been adjusted for this amount.

37. Authorisation of financial statements

The financial statement of the Corporation for the financial year ended 31 March 2009 were authorised for issue by the Board members of the Corporation on ____________.

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