sentosa
financial report
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Statement by the Corporation Year ended 31 March 2006

Sentosa Development Corporation and its Subsidiaries

In our opinion, the accompanying consolidated financial statements of the Group and the financial statements of the Corporation as set out on pages F03 to F24 are properly drawn up in accordance with the provisions of the Sentosa Development Corporation Act (Chapter 291) and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Corporation as at 31 March 2006, and the results and changes in equity of the Group and of the Corporation, and the cash flows of the Group for the year ended on that date.

On behalf of the Corporation

Philip Ng
Chairman

Darrell Metzger
Chief Executive Officer

Singapore
28 June 2006

Report on the Audit of the Financial Statements of the Sentosa Development Corporation for the Year ended 31 March 2006

Sentosa Development Corporation and its Subsidiaries

The financial statements of the Sentosa Development Corporation, set out on pages F03 to F24, have been audited under my direction and in accordance with the provisions of the Sentosa Development Corporation Act (Chapter 291). These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on the audit.

The audit was conducted in accordance with the Sentosa Development Corporation Act (Chapter 291) and Singapore Standards on Auditing. Those Standards require that the audit be planned and performed in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Corporation's management, as well as evaluating the overall financial statements presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion,

(a) the consolidated financial statements of the Group and the financial statements of the Corporation are properly drawn up in accordance with the provisions of the Sentosa Development Corporation Act (Chapter 291) and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Corporation as at 31 March 2006, and the results and changes in equity of the Group and of the Corporation, and the cash flows of the Group for the year ended on that date;

(b) proper accounting and other records of the Corporation have been kept, including records of all assets of the Corporation whether purchased, donated or otherwise; and

(c) receipts, expenditure and investment of moneys and the acquisition and disposal of assets by the Corporation during the financial year have been in accordance with the provisions of the Sentosa Development Corporation Act (Chapter 291).

CHUANG KWONG YONG
Auditor-General

Singapore
28 June 2006

BALANCE SHEET as at 31 March 2006

Sentosa Development Corporation and its Subsidiaries

	Note	Group 2005/2006 $	Group 2004/2005 $	Corporation 2005/2006 $	Corporation 2004/2005 $
Capital and reserves					
Capital account	4	**3,589,495**	3,589,495	**3,589,495**	3,589,495
Accumulated surplus	5				
- General fund		**795,886,560**	307,545,250	**772,274,060**	304,122,303
- Restricted funds		**39,147,616**	7,200,000	**39,147,616**	7,200,000
		835,034,176	314,745,250	**811,421,676**	311,322,303
Capital reserve	6	**3,662,141**	3,662,141	**-**	-
		842,285,812	321,996,886	**815,011,171**	314,911,798
Non-current assets					
Heritage materials	7	**26,398,500**	26,398,500	**-**	-
Property, plant and equipment	8	**617,416,663**	513,359,941	**617,072,024**	513,209,606
Investment in subsidiaries	9	**-**	-	**1,200,002**	1,200,002
Interest in an associate	10	**15,587,102**	13,052,224	**699,620**	699,620
Deferred tax asset	11	**196,700**	-	**-**	-
Entrance fees receivable		**956,600**	2,089,100	**956,600**	2,089,100
Held-to-maturity investments	12	**3,997,755**	3,996,899	**3,997,755**	3,996,899
		664,553,320	558,896,664	**623,926,001**	521,195,227
Current assets					
Inventories	13	**215,042,561**	505,479,272	**214,028,976**	504,916,004
Trade and other receivables	14	**290,128,216**	69,339,210	**287,056,613**	70,830,939
Loan receivable from a subsidiary	17	**-**	-	**26,398,500**	26,398,500
Cash and cash equivalents	18	**323,313,474**	31,766,476	**321,251,980**	31,119,441
		828,484,251	606,584,958	**848,736,069**	633,264,884
Current liabilities					
Trade and other payables	19	**64,603,472**	56,458,923	**74,707,573**	52,532,523
Loan payable	17	**26,398,500**	26,398,500	**26,398,500**	26,398,500
Loans and borrowings	20	**-**	47,019,516	**-**	47,019,516
Provision for cove infrastructure	21	**4,155,108**	18,305,078	**4,155,108**	18,305,078
Grants received in advance	22	**-**	1,082,325	**-**	1,082,325
Specific fund	23	**4,054,837**	15,968,434	**4,054,837**	15,968,434
Provision for contribution to Consolidated Fund		**124,517,453**	16,795,843	**124,517,453**	16,795,843
Current tax payable		**3,204,961**	10,023	**-**	-
		226,934,331	182,038,642	**233,833,471**	178,102,219
Net current assets		**601,549,920**	424,546,316	**614,902,598**	455,162,665
Non-current liabilities					
Deferred capital grants	24	**344,659,523**	334,034,527	**344,659,523**	334,034,527
Loans and borrowings	20	**-**	240,000,000	**-**	240,000,000
Deferred income	25	**79,157,905**	87,411,567	**79,157,905**	87,411,567
		423,817,428	661,446,094	**423,817,428**	661,446,094
		842,285,812	321,996,886	**815,011,171**	314,911,798

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

Income and Expenditure Statements Year ended 31 March 2006

Sentosa Development Corporation and its Subsidiaries

	Note	Group		Corporation	
		2005/2006 $	2004/2005 $	2005/2006 $	2004/2005 $
Income					
Land Sale		**940,556,585**	200,522,471	**940,556,585**	200,522,471
Admission fees and packages		**23,831,482**	18,787,109	**23,843,384**	18,787,109
Rental and hiring of facilities	27	**11,286,521**	9,659,784	**11,665,712**	9,961,120
Other income	28	**32,875,420**	30,592,044	**30,206,505**	29,174,078
Interest income		**3,968,305**	918,915	**3,954,867**	917,825
Dividend income from an associate		**-**	-	**-**	4,000,008
Tax credit on dividend from an associate		**-**	800,002	**-**	-
	26	**1,012,518,313**	261,280,325	**1,010,227,053**	263,362,611
Expenditure					
Cost of land sale		**258,048,429**	77,460,460	**276,859,561**	83,379,193
Cost of sale on admission fee and packages		**4,393,766**	1,198,140	**4,393,766**	1,198,140
Staff costs	29	**32,185,034**	28,417,656	**30,132,213**	26,806,869
Depreciation of property, plant and equipment	8	**22,698,173**	21,076,999	**22,651,567**	20,997,843
Repairs and maintenance		**11,693,275**	10,458,6301	**11,581,292**	10,427,611
Publicity and promotion		**23,071,236**	12,558,151	**23,532,811**	13,017,243
Inventories consumed		**3,426,134**	2,458,516	**1,918,433**	1,334,031
Interest expenses		**2,425,315**	5,061,149	**2,425,315**	5,060,235
General and administrative expenses	30	**16,075,190**	13,632,014	**18,883,247**	13,502,607
		374,016,552	172,321,715	**392,378,205**	175,723,772
Surplus before Government grants		**638,501,761**	88,958,610	**617,848,848**	87,638,839
Deferred capital grants amortised	24	**6,767,328**	9,298,830	**6,767,328**	9,298,830
Share of profit of an associate		**3,420,442**	5,903,415	**-**	-
Surplus before taxation and contribution to Consolidated Fund		**648,689,531**	104,160,855	**624,616,176**	96,937,669
Income tax expense	31	**(3,883,802)**	(518,881)	**-**	-
Contribution to Consolidated Fund	32	**(124,516,803)**	(19,582,691)	**(124,516,803)**	(19,582,691)
Net surplus for the year transferred to accumulated surplus		**520,288,926**	84,059,283	**500,099,373**	77,354,978

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

Statements of Changes in Equity Year ended 31 March 2006

Sentosa Development Corporation and its Subsidiaries

	Note	Capital account	Capital reserve	Restricted funds	General fund	Total
		$	$	$	$	$
Group						
At 1 April 2004, as previously reported		3,589,495	3,662,141	-	239,429,616	246,681,252
Effect of adopting FRS 8	3	-	-	-	(8,743,649)	(8,743,649)
At 1 April 2004, as restated		3,589,495	3,662,141	-	230,685,967	237,937,603
Net surplus for the year:						
- As previously reported		-	-	-	75,315,634	75,315,634
- Effect of adopting FRS 8	3	-	-	-	8,743,649	8,743,649
- As restated		-	-	-	84,059,283	84,059,283
Transfer to sinking fund		-	-	7,200,000	(7,200,000)	-
At 31 March 2005		3,589,495	3,662,141	7,200,000	307,545,250	321,996,886
At 1 April 2005		3,589,495	3,662,141	7,200,000	307,545,250	321,996,886
Net surplus for the year		-	-	-	520,288,926	520,288,926
Transfer to sinking fund		-	-	31,947,616	(31,947,616)	-
At 31 March 2006		3,589,495	3,662,141	39,147,616	795,886,560	842,285,812

	Note	Capital account	Restricted funds	General fund	Total
		$	$	$	$
Corporation					
At 1 April 2004, as previously reported		3,589,495	-	242,710,974	246,300,469
Effect of adopting FRS 8	3	-	-	(8,743,649)	(8,743,649)
At 1 April 2004, as restated		3,589,495	-	233,967,325	237,556,820
Net surplus for the year:					
- As previously reported		-	-	68,611,329	68,611,329
- Effect of adopting FRS 8	3	-	-	8,743,649	8,743,649
- As restated		-	-	77,354,978	77,354,978
Transfer to sinking fund		-	7,200,000	(7,200,000)	-
At 31 March 2005		3,589,495	7,200,000	304,122,303	314,911,798
At 1 April 2005		3,589,495	7,200,000	304,122,303	314,911,798
Net surplus for the year		-	-	500,099,373	500,099,373
Transfer to sinking fund		-	31,947,616	(31,947,616)	-
At 31 March 2006		3,589,495	39,147,616	772,274,060	815,011,171

Consolidated Statement of Cash Flows Year ended 31 March 2006

Sentosa Development Corporation and its Subsidiaries

	Note	2005/2006 $	2004/2005 $
Operating activities			
Surplus before taxation and contribution to Consolidated Fund		648,689,531	104,160,855
Adjustments for:			
Interest expense		2,425,315	5,061,149
Interest income		(3,968,305)	(918,915)
Depreciation of property, plant and equipment		22,698,173	21,076,999
Gain on disposal of property, plant and equipment		(4,291)	(183,670)
Property, plant and equipment written off		2,408,458	-
Allowances reversed for inventories		-	(36,306)
Impairment (reversed)/made for receivables		(1,071,693)	1,587,103
Deferred income recognised		(10,329,265)	(7,856,387)
Share of profit of associate		(3,420,442)	(5,903,415)
Tax credit on dividend from associate		-	(800,002)
Deferred capital grants amortised		(6,767,328)	(9,298,830)
Surplus before working capital changes		650,660,153	106,888,581
Changes in working capital:			
Inventories		290,436,711	43,996,544
Trade and other receivables		(221,065,597)	(71,352,419)
Trade and other payables		8,178,552	40,452,942
Provision for cove infrastructure		(14,149,970)	(624,938)
Cash generated from operations		714,059,849	119,360,710
Lease income received		2,075,603	25,320,000
Contribution to consolidated fund		(16,795,193)	(20,195,398)
Cash flows from operating activities		699,340,259	124,485,312
Investing activities			
Interest received		3,834,733	918,915
Purchase of Heritage materials		(18,133,800)	-
Purchase of property, plant and equipment		(129,165,646)	(72,479,730)
Dividend received from investment in associate		-	3,200,006
Proceeds from disposal of property, plant and equipment		6,584	305,183
Proceeds from disposal of investment		-	4,000,000
Cash flows used in investing activities		(143,458,129)	(64,055,626)
Financing activities			
Interest paid		(2,868,215)	(5,061,149)
Heritage grants received		18,133,800	-
Government grants received		16,309,999	40,163,594
Payments of bank loans and borrowings		(287,019,516)	(113,225,425)
Cash flows used in financing activities		(255,443,932)	(78,122,980)
Net increase/(decrease) in cash and cash equivalents		300,438,198	(17,693,294)
Cash and cash equivalents at beginning of the year		19,798,042	37,491,336
Cash and cash equivalents at end of the year	18	320,236,240	19,798,042

In the previous financial year, the Group acquired property, plant and equipment with aggregate cost of $95,460,834 (Note 8) of which $22,981,104 was transferred from Inventories. Cash payments of $72,479,730 were made to purchase property, plant and equipment.

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

Notes to the Financial Statements Year ended 31 March 2006

Sentosa Development Corporation and its Subsidiaries

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the members of the Corporation on 28 June 2006.

1 PRINCIPAL ACTIVITIES

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 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.

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.

The address of the Corporation's registered office is 33 Allanbrooke Road, Sentosa, Singapore 099981.

The principal activities of the subsidiaries are disclosed in Note 9 to the financial statements.

The consolidated financial statements relate to the Corporation and its Subsidiaries (the "Group") and the Group's interest in an associate.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Sentosa Development Corporation Act (Chapter 291) and Singapore Financial Reporting Standards (FRS).

In FY2005/2006, the Group adopted the following new/revised FRS which are relevant to its operations:

FRS 1	*(revised 2004)*	*Presentation of Financial Statements*
FRS 2	*(revised 2004)*	*Inventories*
FRS 8	*(revised 2004)*	*Accounting Policies, Changes in Accounting Estimates and Errors*
FRS 10	*(revised 2004)*	*Events After the Balance sheet Date*
FRS 16	*(revised 2004)*	*Property, Plant and Equipment*
FRS 17	*(revised 2004)*	*Leases*
FRS 21	*(revised 2004)*	*The Effects of Changes in Foreign Exchange Rates*
FRS 24	*(revised 2004)*	*Related Party Disclosures*
FRS 27	*(revised 2004)*	*Consolidated and Separate Financial Statements*
FRS 28	*(revised 2004)*	*Investment in Associates*
FRS 32	*(revised 2004)*	*Financial Instruments: Disclosure and Presentation*
FRS 36	*(revised 2004)*	*Impairment of Assets*
FRS 38	*(revised 2004)*	*Intangible Assets*
FRS 39	*(revised 2004)*	*Financial Instruments: Recognition and Measurement*
FRS 103		*Business Combinations*

The adoption of new/revised FRS during the financial year did not result in significant changes to the Group's accounting policies and the financial statements, except as disclosed in Note 3.

The financial statements are presented in Singapore dollars unless otherwise stated. They are prepared on the historical cost basis, except as provided for in Note 2.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by management in the application of FRS that have a significant effect on the financial statements and in arriving at estimates with a significant risk of material adjustment in the following year are discussed in Note 39.

Notes to the Financial Statements Year ended 31 March 2006 (cont'd)

Sentosa Development Corporation and its Subsidiaries

2.2 Basis of consolidation

Subsidiaries

Subsidiaries are those companies controlled by the Corporation. Control exists when the Corporation has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associate

An associate is a company in which the Group has significant influence, but not control over the financial and operating policies.

The Group's share of the results of the associate is included in the income and expenditure statement of the Group. In the Group's balance sheet, the investment in the associate is stated at cost and adjusted for the Group's share of the post-acquisition profits and reserves of the associate.

The share of results and the post-acquisition profits and reserves are based on the latest audited financial statements of the associate made up to the end of the associate's financial year.

2.3 Investment in Subsidiaries

Investments in subsidiaries in the Corporation's balance sheet are stated at cost less accumulated impairment losses.

2.4 Interest in an Associate

Investment in an associate in the Corporation's balance sheet is stated at cost less accumulated impairment losses.

The results of the associate are included in the Corporation's income and expenditure statement to the extent of dividends received and receivable, provided the Corporation's right to receive the dividend is established before the balance sheet date.

2.5 Proprietary Club

Transactions of the Club are accounted for as part of the Corporation's accounts.

2.6 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at rates of exchange approximate to those ruling at the balance sheet date. Transactions in foreign currencies are translated at rates ruling on transaction dates. Translation differences are included in the income and expenditure statement.

2.7 Heritage materials and heritage grant

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

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

2.8 Property, plant and equipment

All capital expenditure, including significant improvements to existing facilities, are capitalised as property, plant and equipment. Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income and expenditure statement on the date of retirement or disposal.

Depreciation of property, plant and equipment is calculated on the straight-line method. Costs of the property, plant and equipment are written off over their estimated useful lives as follows:

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

Development projects-in-progress are not depreciated.

2.8 Property, plant and equipment (cont'd)

Fully depreciated assets are retained in the financial statements until they are no longer in use.

Assets costing less than $1,000 per item are charged to the income and expenditure statement.

2.9 Inventories

Inventories consist of consumables, spare parts, merchandise and land held for sale.

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

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

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

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

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.11 Loan receivable

Loan receivable from subsidiary is a non-derivative financial asset which is not used for trading purposes. The loan is included under current assets, as it is repayable on demand. It is measured at cost.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purposes of the statement of cash flows, cash and cash equivalents are presented net of cash and bank balances held on behalf of the Government related specific funds.

2.13 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is charged to the income and expenditure statement.

Calculation of recoverable amount

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.14 Held-to-maturity investments

Where the Group has the positive intent and ability to hold debt securities to maturity, they are stated at amortised cost less impairment losses. The difference between the acquisition cost and redemption value is recognised in the income and expenditure statement using the effective interest method.

2.15 Financial liabilities

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost on an effective interest basis.

Loan payable on demand to a related statutory board is recognised at cost. Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income and expenditure statements over the period of the borrowing on an effective interest basis.

Notes to the Financial Statements Year ended 31 March 2006 (cont'd)
Sentosa Development Corporation and its Subsidiaries

2.16 Fair value
As at balance sheet date, the carrying values of all financial assets and liabilities excluding held-to-maturity investments approximate their fair values. The fair value of the held-to-maturity investments is disclosed in Note 12.

2.17 Employee benefits
Defined contribution plans
Contributions to defined contribution plans are recognised as an expense in the income and expenditure statement in the period in which the employees render their services.

Short-term employee benefits
All short-term employee benefits, including compensated absences, are recognised in the income and expenditure statement in the period in which the employees render their services.

2.18 Deferred tax
Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised in the financial statements only to the extent that it is probable that future taxable surplus will be available against which the asset can be utilised.

2.19 Provisions
A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

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

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

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

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

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.

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

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

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

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.

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

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

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

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

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

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

2.23 Specific funds

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

2.24 Deferred income

Deferred income comprises the following:

(i) 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.

(ii) 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.

(iii) 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.

2.25 Finance costs

Interest expense and similar charges are expensed in the income and expenditure statement in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale.

3 EFFECT ON FINANCIAL STATEMENTS ON ADOPTION OF NEW AND REVISED FRS

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 March 2006.

FRS 8 (revised) *Accounting Policies, Changes in Accounting Estimates and Errors*

During the previous financial year, the Corporation changed the method of allocation of land cost from site area to gross floor area to better reflect the cost of the various land parcels. The change has been applied retrospectively and resulted in an increase in the cost of land sale in financial year 2003/2004 by $10,929,561. This amount has been charged to the income and expenditure statement for the financial year 2004/2005 and not adjusted to financial year 2003/2004. However, to comply with FRS 8 (revised), which is effective from 1 January 2005, the increase in the cost of land sale to the financial year 2003/2004 had been adjusted.

The adoption of FRS 8 (revised) has affected the following income and expenditure statements items for the year ended 31 March 2005 and 31 March 2004.

	Group and Corporation	
	2004/2005 $	2003/2004 $
Income and expenditure statements		
Decrease/(Increase) in cost of land sale	10,929,561	(10,929,561)
(Increase)/Decrease in contribution to consolidated fund at 20% (2003/2004: 22%)	(2,185,912)	2,404,503
Increase/(Decrease) in net surplus for the year	8,743,649	(8,525,058)

This adjustment gave rise to over-contribution of $218,591 to Consolidated Fund. This will be refunded by claiming against future contribution to Consolidated Fund. The claim is subject to the agreement of the Ministry of Finance and has not been recognised in the current year's financial statements.

4 CAPITAL ACCOUNT

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

5 ACCUMULATED SURPLUS

(i) General Fund

Included in the general fund of the Corporation is the accumulated surplus of Sentosa Golf Club (the "Club"). A summary of the operating results and the assets and liabilities of the Club is disclosed under Note 37.

Notes to the Financial Statements Year ended 31 March 2006 (cont'd)

Sentosa Development Corporation and its Subsidiaries

5 ACCUMULATED SURPLUS (cont'd)

(ii) Restricted funds

	Golf Sinking Fund $	Cove Sinking Fund $	Total
Group and Corporation			
At 1 April 2004	-	-	-
Transfer from accumulated surplus	7,200,000	-	7,200,000
At 31 March 2005	7,200,000	-	7,200,000
At 1 April 2005	7,200,000	-	7,200,000
Transfer from accumulated surplus	5,500,000	26,447,616	31,947,616
At 31 March 2006	12,700,000	26,447,616	39,147,616

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.

6 CAPITAL RESERVE

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 reserves in the joint venture company of the associate.

7 HERITAGE MATERIALS

	Group	
	2005/2006 $	2004/2005 $
Cost of heritage materials		
At 1 April	**26,398,500**	-
Heritage materials acquired	**18,133,800**	34,508,500
Heritage grants deducted	**(18,133,800)**	(8,110,000)
At 31 March	**26,398,500**	26,398,500

Heritage materials represent a cargo of artefacts purchased by a subsidiary company using loan received from the Corporation (Note 17), and the heritage grants received from a statutory board. The cargo of artefacts was pledged as security for a loan payable to the same statutory board.

8 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 2004	241,749,695	354,414,298	37,807,717	26,016,955	659,988,665
Additions	24,357,567	303,437	69,158,151	1,641,679	95,460,834
Adjustments *	-	-	(962,605)	-	(962,605)
Disposals/Write off	-	(19,158,574)	-	(2,158,225)	(21,316,799)
Reclassification	1,549,854	12,402,681	(16,243,250)	2,290,715	-
At 31 March 2005	267,657,116	347,961,842	89,760,013	27,791,124	733,170,095
At 1 April 2005	267,657,116	347,961,842	89,760,013	27,791,124	733,170,095
Additions	1,518,771	132,558	122,817,971	4,696,346	129,165,646
Disposals/Write off	-	(7,849,772)	-	(2,350,305)	(10,200,077)
Reclassification	(12,781)	54,415,956	(60,759,132)	6,355,957	-
At 31 March 2006	269,163,106	394,660,584	151,818,852	36,493,122	852,135,664

8 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Leasehold land and improvements to land $	Buildings, attractions and facilities $	Development projects-in-progress $	Plant, machinery, operating equipment and other assets $	Total $
Accumulated depreciation					
At 1 April 2004	82,450,816	117,652,685	-	19,824,940	219,928,441
Depreciation for the year	6,112,294	11,859,982	-	3,104,723	21,076,999
Disposals/Write off	-	(19,158,574)	-	(2,036,712)	(21,195,286)
At 31 March 2005	88,563,110	110,354,093	-	20,892,951	219,810,154
At 1 April 2005	88,563,110	110,354,093	-	20,892,951	219,810,154
Depreciation for the year	6,166,184	12,835,538	-	3,696,451	22,698,173
Disposals/Write off	-	(5,441,314)	-	(2,348,012)	(7,789,326)
At 31 March 2006	94,729,294	117,748,317	-	22,241,390	234,719,001
Carrying amount					
At 31 March 2005	179,094,006	237,607,749	89,760,013	6,898,173	513,359,941
At 31 March 2006	174,433,812	276,912,267	151,818,852	14,251,732	617,416,663

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 2004	241,749,695	354,414,298	37,807,717	23,419,426	657,391,136
Additions	24,357,567	491,269	69,158,151	2,210,236	96,217,223
Adjustments *	-	-	(962,605)	-	(962,605)
Disposals/Write off	-	(19,158,574)	-	(2,039,381)	(21,197,955)
Reclassification	1,537,073	12,402,681	(16,243,250)	2,303,496	-
At 31 March 2005	267,644,335	348,149,674	89,760,013	25,893,777	731,447,799
At 1 April 2005	267,644,335	348,149,674	89,760,013	25,893,777	731,447,799
Additions	1,518,771	132,558	122,658,271	4,615,136	128,924,736
Disposals/Write off	-	(7,849,772)	-	(2,350,305)	(10,200,077)
Reclassification	-	54,415,956	(60,759,132)	6,343,176	-
At 31 March 2006	269,163,106	394,848,416	151,659,152	34,501,784	850,172,458
Accumulated depreciation					
At 1 April 2004	82,450,815	117,652,685	-	18,224,112	218,327,612
Depreciation for the year	6,108,559	11,859,981	-	3,029,303	20,997,843
Disposals/Write off	-	(19,158,573)	-	(1,928,689)	(21,087,262)
At 31 March 2005	88,559,374	110,354,093	-	19,324,726	218,238,193
At 1 April 2005	88,559,374	110,354,093	-	19,324,726	218,238,193
Depreciation for the year	6,169,920	12,835,538	-	3,646,109	22,651,567
Disposals/Write off	-	(5,441,314)	-	(2,348,012)	(7,789,326)
At 31 March 2006	94,729,294	117,748,317	-	20,622,823	233,100,434
Carrying amount					
At 31 March 2005	179,084,961	237,795,581	89,760,013	6,569,051	513,209,606
At 31 March 2006	174,433,812	277,100,099	151,659,152	13,878,961	617,072,024

* The adjustments relate to:
a) Over-accrual of costs relating to development projects-in-progress; and
b) Reclassification of professional fees to other receivables.

The net book value of properties of the Group and the Corporation which are leased out under operating leases as at 31 March 2006 was $29,467,000 (2004/2005: $27,532,000).

Notes to the Financial Statements Year ended 31 March 2006 (cont'd)

Sentosa Development Corporation and its Subsidiaries

9 INVESTMENT IN SUBSIDIARIES

	Corporation	
	2005/2006	2004/2005
	$	$
Unquoted shares, at cost	**1,200,002**	1,200,002

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity held by the Group	
			2005/2006	2004/2005
			%	%
Held by the Corporation				
@ Sentosa Leisure Management Pte Ltd ("SLMPL")	Wholesaler and retailer of merchandise and acts as agent of the Corporation.	Singapore	100	100
@ Sentosa Cove Pte Ltd ("SCPL")	Marketing managers for the Corporation in the sales of sites and management of the Sentosa Cove project on Sentosa Island.	Singapore	100	100
Held by Sentosa Leisure Management Pte Ltd				
# Sentosa Leisure Holdings Pte Ltd ("SLHPL") (formerly known as Sentosa Estate Management Pte Ltd)	Dormant	Singapore	100	100

@ Audited by KPMG Singapore.

No audited financial statements are prepared as this company has remained dormant since incorporation.

10 INTEREST IN AN ASSOCIATE

	Group		Corporation	
	2005/2006	2004/2005	2005/2006	2004/2005
	$	$	$	$
Unquoted shares, at cost	**699,620**	699,620	**699,620**	699,620
Share of post-acquisition profits and reserves	**14,887,482**	12,352,604	**-**	-
	15,587,102	13,052,224	**699,620**	699,620

Details of the associate are as follows:

Name of associate	Principal activities	Place of incorporation and business	Effective equity held by the Group	
			2005/2006	2004/2005
			%	%
Mount Faber Leisure Group (formerly known as Singapore Cable Car (Pte) Ltd)	Operation of the cable car system and wholesale and retail business, marketing of panel advertisement, and provision of ground handling for ferry operation.	Singapore	**50**	50

11 DEFERRED TAX ASSET

The deferred tax asset recognised for the Group relates to the tax value of losses carried forward from the subsidiaries.

12 HELD-TO-MATURITY INVESTMENTS

	Note	Group and Corporation 2005/2006 $	Group and Corporation 2004/2005 $
Quoted bonds, at amortised cost	39	**3,997,755**	3,996,899
Market value	39	**4,007,000**	4,131,200

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 in 1 to 5 years $	Maturing after 5 years $	Total $
Cost				
2005/2006	3.87	1,997,755	2,000,000	3,997,755
2004/2005	3.84	1,996,899	2,000,000	3,996,899

13 INVENTORIES

	Group 2005/2006 $	Group 2004/2005 $	Corporation 2005/2006 $	Corporation 2004/2005 $
Land held for sale	**158,341,976**	448,471,520	**158,341,976**	448,471,520
Land under development	**55,001,564**	55,857,751	**55,100,005**	55,956,192
Merchandise	**1,112,026**	661,709	**-**	-
Consumables and spare parts	**486,177**	388,062	**486,177**	388,062
Food and beverage products	**100,818**	100,230	**100,818**	100,230
	215,042,561	505,479,272	**214,028,976**	504,916,004

Land under development represents the development costs incurred for the Southern Precinct of the Sentosa Cove project undertaken by the Corporation and the Group that are intended for subsequent sale.

14 TRADE AND OTHER RECEIVABLES

	Note	Group 2005/2006 $	Group 2004/2005 $	Corporation 2005/2006 $	Corporation 2004/2005 $
Trade receivables		**268,331,765**	48,441,598	**267,941,609**	47,854,549
Current portion of entrance fees receivable		**1,201,200**	1,342,685	**1,201,200**	1,342,685
Deposits, prepayments and other receivables	15	**11,995,249**	9,754,925	**6,434,068**	6,795,797
Tax recoverable		**800,002**	800,002	**800,002**	800,002
Amount due from lessee		**7,800,000**	9,000,000	**7,800,000**	9,000,000
Amount due from subsidiaries - non-trade	16	**-**	-	**2,879,734**	5,037,906
		290,128,216	69,339,210	**287,056,613**	70,830,939

Included in trade receivables of the Group and Corporation is $261,463,005 (2004/2005: $41,914,111) of receivables relating to the land sale.

Included in trade receivables of the Group and Corporation is $582,241 (2004/2005: $803,850) of receivables relating to expenses incurred for the maintenance of offshore islands on behalf of the Government.

Notes to the Financial Statements Year ended 31 March 2006 (cont'd)

Sentosa Development Corporation and its Subsidiaries

15 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Corporation	
	2005/2006	2004/2005	2005/2006	2004/2005
	$	$	$	$
Deposits	**2,743,198**	4,074,905	**2,722,867**	4,025,434
Prepayments	**3,034,995**	832,775	**2,995,793**	809,539
Other receivables	**6,217,056**	4,847,245	**715,408**	1,960,824
	11,995,249	9,754,925	**6,434,068**	6,795,797

Included in the deposits of the Group and Corporation, are amounts of $2,519,000 (2004/2005 : $4,000,000) recoverable from a contractor for the Southern Islands Reclamation (Note 23).

16 AMOUNTS DUE FROM SUBSIDIARIES (NON-TRADE)

These balances are unsecured, interest-free and have no fixed terms of repayment.

17 LOAN RECEIVABLE FROM A SUBSIDIARY AND LOAN PAYABLE

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

The loan payable represents funds received from the statutory board, to partially fund the purchase of the cargo of artefacts (Note 7). The loan payable is secured against the cargo of artefacts, interest-free and is repayable on demand either by cash or by transferring the cargo of artefacts to the statutory board.

18 CASH AND CASH EQUIVALENTS

	Group		Corporation	
	2005/2006	2004/2005	2005/2006	2004/2005
	$	$	$	$
Cash at bank and in hand	**304,002,281**	29,966,961	**301,940,787**	29,319,926
Fixed deposits	**19,311,193**	1,799,515	**19,311,193**	1,799,515
	323,313,474	31,766,476	**321,251,980**	31,119,441

Included in the cash and cash equivalents of the Group and Corporation are amounts of $3,077,234 (2004/2005: $11,968,434) held on behalf of the Government for the Southern Islands Reclamation Fund. (Note 23)

The weighted average effective interest rates per annum relating to cash and cash equivalents, at balance sheet date for the Group and Corporation are 2.98% (2004/2005: 0.50%) and 2.96% (2004/2005: 0.50%) respectively.

The fixed deposits at the balance sheet date matures in intervals of one, three or six months.

19 TRADE AND OTHER PAYABLES

	Group		Corporation	
	2005/2006	2004/2005	2005/2006	2004/2005
	$	$	$	$
Trade payables and accrued operating expenses	**54,552,644**	36,310,717	**49,523,263**	32,346,722
Amount due to Government	**-**	12,714,930	**-**	12,714,930
Deposits	**2,527,569**	2,256,477	**2,504,657**	2,224,145
Advance receipts	**346,846**	208,670	**346,846**	208,670
Provision for property tax	**1,860,273**	2,574,523	**1,860,273**	2,574,523
Liability for short-term compensating absences	**1,125,082**	676,795	**650,462**	656,410
Amount due to a subsidiary (non-trade)	**-**	-	**17,543,448**	124,579
Amount due to a related statutory board	**1,898,202**	-	**-**	-
Other payables	**2,292,856**	1,716,811	**2,278,624**	1,682,544
	64,603,472	56,458,923	**74,707,573**	52,532,523

The non-trade amount due to a subsidiary is unsecured, interest free and has no fixed terms of repayment.

20 LOANS AND BORROWINGS

	Group and Corporation 2005/2006 $	Group and Corporation 2004/2005 $
Non-current liabilities		
Term loans (unsecured)	-	240,000,000
Current liabilities		
Unsecured bank loans	-	47,019,516

The unsecured term loans represent drawings as at 31 March 2005 against a revolving credit facility and transferable term loan facility which were granted on 25 March 2004.

The unsecured bank loans represent total loan drawings as at 31 March 2005 against a revolving credit facility, fixed advance facility and money market facility granted on 12 September 2001, 25 June 2001 and 2 July 2003 respectively.

The above term loan and bank loans were fully repaid during the financial year and bore interest ranging from 2.0% to 2.2% per annum (2004/2005: 0.9% to 2.2%). The purpose of the facilities was to finance the general funding requirements relating to the Sentosa Cove project.

21 PROVISION FOR COVE INFRASTRUCTURE

	Group and Corporation 2005/2006 $	Group and Corporation 2004/2005 $
At 1 April	**18,305,078**	18,930,016
Over provision	**(12,884,456)**	-
Provision utilised	**(1,265,514)**	(624,938)
At 31 March	**4,155,108**	18,305,078

There is a present, legal and constructive obligation for the provision of certain infrastructure and amenities to purchasers of Cove land, for which management expects to incur expenditure over the next one year. The provision for cove infrastructure, based on the most reliable estimates using comparable tendered contracts and quotes, is included in the cost of land sale.

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

22 GRANTS RECEIVED IN ADVANCE

	Group and Corporation 2005/2006 $	Group and Corporation 2004/2005 $
At 1 April	**1,082,325**	(5,743,509)
Amount received during the year	**16,309,999**	40,163,594
Amount utilised and transferred to deferred capital grants	**(17,392,324)**	(33,337,760)
At 31 March	-	1,082,325

These grants were received from Government to partially fund the development of People Mover System (Sentosa Express).

23 SPECIFIC FUND

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

Balance Sheet as at 31 March 2006	Note	Group and Corporation 2005/2006 $	Group and Corporation 2004/2005 $
Accumulated surplus			
Restricted Fund		**4,054,837**	15,968,434
Current assets			
Cash and cash equivalent	18	**3,077,234**	11,968,434
Deposit recoverable	15	**2,519,000**	4,000,000
		5,596,234	15,968,434

Notes to the Financial Statements Year ended 31 March 2006 (cont'd)

Sentosa Development Corporation and its Subsidiaries

23 SPECIFIC FUND (cont'd)

	Note	Group and Corporation 2005/2006 $	Group and Corporation 2004/2005 $
Balance Sheet as at 31 March 2006			
Current liability			
Amount claimable from Government		1,541,397	-
		4,054,837	15,968,434
Drawdown and Disbursement Statement			
Year ended 31 March 2006			
Drawdowns			
Government grant		10,932,462	16,960,000
Interest income		76,948	5,652
Interest refunds		(90,638)	-
		10,918,772	16,965,652
Disbursements			
Civil work		22,261,963	9,271,806
Services		66,511	60,290
Staff cost		423,528	358,064
Other operating expenditure		80,367	168,394
		22,832,369	9,858,554
Movement for the year		(11,913,597)	7,107,098
Balance at 1 April		15,968,434	8,861,336
Balance at 31 March		4,054,837	15,968,434

24 DEFERRED CAPITAL GRANTS

	Group and Corporation 2005/2006 $	Group and Corporation 2004/2005 $
At 1 April	334,034,527	309,995,597
Amounts transferred from grants received in advance	17,392,324	33,337,760
Amounts taken to income and expenditure statement	(6,767,328)	(9,298,830)
At 31 March	344,659,523	334,034,527
Total capital grants received since establishment	494,342,894	478,032,895

25 DEFERRED INCOME

	Note	Group and Corporation 2005/2006 $	Group and Corporation 2004/2005 $
Deferred lease income			
At 1 April		31,928,942	11,075,844
Lease income deferred during the year		2,075,603	25,320,000
Amount taken to income and expenditure statement:			
- Lease income amortised	27	(612,832)	(260,265)
- Service fee and development fee	28	(6,326,948)	(4,206,637)
At 31 March		27,064,765	31,928,942
Deferred membership entrance fees			
At 1 April		55,482,625	58,872,110
Amount taken to income and expenditure statement	37	(3,389,485)	(3,389,485)
At 31 March		52,093,140	55,482,625
		79,157,905	87,411,567

26 INCOME

The Group's income does not include heritage grants totalling $26,243,800, which were netted against the cost of the heritage materials (Note 7), as allowed under FRS 20 paragraph 24.

27 RENTAL AND HIRING OF FACILITIES

	Note	Group 2005/2006 $	Group 2004/2005 $	Corporation 2005/2006 $	Corporation 2004/2005 $
Rental income		10,673,689	9,399,519	11,052,880	9,700,855
Lease income amortised	25	612,832	260,265	612,832	260,265
		11,286,521	9,659,784	11,665,712	9,961,120

28 OTHER INCOME

	Note	Group 2005/2006 $	Group 2004/2005 $	Corporation 2005/2006 $	Corporation 2004/2005 $
Club membership-related income	37	17,893,033	19,765,734	17,893,033	19,765,734
Sales of merchandise, net of discounts		2,580,859	1,430,710	-	-
Service fee and development fee	25	6,326,948	4,206,637	6,326,948	4,206,637
Project management fees		405,131	314,313	405,131	305,503
Sponsorship		120,829	170,154	120,829	170,154
Food and beverage		3,484,061	3,121,750	3,514,724	3,121,750
Realised exchange gain		4,308	58,441	-	58,441
Others		2,060,251	1,524,305	1,945,840	1,545,859
		32,875,420	30,592,044	30,206,505	29,174,078

29 STAFF COSTS

	Group 2005/2006 $	Group 2004/2005 $	Corporation 2005/2006 $	Corporation 2004/2005 $
Direct staff:				
- Wages and salaries	31,364,132	27,569,863	9,465,594	10,364,590
- Contributions to defined contribution plans	2,510,858	2,728,462	643,059	913,372
	33,874,990	30,298,325	10,108,653	11,277,962
Outsourced to a subsidiary:				
- Wages and salaries	-	-	20,050,972	15,902,995
- Contributions to defined contribution plans	-	-	1,662,544	1,506,581
	-	-	21,713,516	17,409,576
	33,874,990	30,298,325	31,822,169	28,687,538
Staff costs capitalised in development projects-in-progress	(1,689,956)	(1,880,669)	(1,689,956)	(1,880,669)
	32,185,034	28,417,656	30,132,213	26,806,869

30 GENERAL AND ADMINISTRATIVE EXPENSES

Included in the general and administrative expenses are the following:

	Note	Group 2005/2006 $	Group 2004/2005 $	Corporation 2005/2006 $	Corporation 2004/2005 $
Property, plant and equipment written off		2,408,458	-	2,408,458	-
Gain on disposal of property, land and equipment		(4,291)	(183,670)	(4,291)	(192,693)

31 INCOME TAX EXPENSE

	Group 2005/2006 $	Group 2004/2005 $
Current year tax expense		
Current year	3,204,961	-
Overprovision in prior year	(10,023)	-
	3,194,938	-
Deferred tax expense	(196,700)	-
Share of taxation of associated company	885,564	518,881
	3,883,802	518,881

Notes to the Financial Statements Year ended 31 March 2006 (cont'd)

Sentosa Development Corporation and its Subsidiaries

31 INCOME TAX EXPENSE (cont'd)

	Group	
	2005/2006 $	2004/2005 $
Reconciliation of effective tax rate		
Surplus from ordinary activities before taxation	**648,689,531**	104,160,855
Income tax using the corporate tax rate at 20%	**129,737,906**	20,832,171
Non-deductible expenses	**21,508**	21,925
Net income not subject to income tax	**(124,923,235)**	(19,283,709)
Effect of changes in tax rate:		
- associate	**-**	(30,606)
(Over)/Under provision in respect of prior year		
- subsidiary	**(10,023)**	-
- associate	**233,104**	(379,347)
Unrecognised deferred tax assets	**(779,539)**	-
Utilisation of previously unrecognised deferred tax assets	**(342,784)**	(529,020)
Others	**(53,135)**	(112,533)
	3,883,802	518,881

Unrecognised deferred tax assets

Temporary differences have not been recognised in respect of the following items:

	2005/2006 $	2004/2005 $
Group		
Tax losses	**-**	4,444,000
Deductible temporary difference	**-**	20,000
Property, plant and equipment	**-**	1,106,000
Others	**-**	33,900
	-	5,603,900

In the previous financial year, the tax losses and deductible temporary differences arising from plant and equipment do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because of the uncertainty of the quantum of future taxable profits that will be available against which the subsidiaries can utilise the benefits thereon.

Corporation

The Corporation is not subject to income tax.

32 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 (2004/2005: $2,028,910) resulting from the amortisation of deferred income is not subject to contribution to Consolidated Fund.

	Group and Corporation	
	2005/2006 $	2004/2005 $
Net surplus of the Corporation before contribution to Consolidated Fund	**624,616,176**	96,937,669
Deferred income on membership entrance fees recognised during the year (see above)	**(2,028,910)**	(2,028,910)
Net surplus subject to contribution to Consolidated Fund	**622,587,266**	94,908,759
Contribution to Consolidated Fund		
- current year	**124,517,453**	18,981,752
- (over)/under provision in prior year	**(650)**	600,939
	124,516,803	19,582,691

The adoption of FRS 8 (revised), as mentioned in Note 3, resulted in over-contribution of $218,591 to Consolidated Fund. This will be refunded by claiming against future contribution to Consolidated Fund. The claim is subject to the agreement of the Ministry of Finance and has not been recognised in the current year's financial statements.

33 COMMITMENTS

Capital commitments not included in the financial statements are as follows:

	Group		Corporation	
	2005/2006	2004/2005	2005/2006	2004/2005
	$	$	$	$
Contracted but not incurred for	83,969,589	137,378,043	83,969,589	137,378,043
Authorised but not contracted for	92,812,770	123,421,005	92,812,770	123,421,005
	176,782,359	260,799,048	176,782,359	260,799,048

34 LEASES

The Corporation leases land to certain hotels and other tenants for 10 to 86 years under operating leases. The lease income is based on a fixed lump sum payment, which is amortised over the lease period, a fixed monthly rental and a variable rental payment based on a percentage of the tenant's revenue derived from using the leased land.

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

	Group and Corporation	
	2005/2006	2004/2005
	$	$
Within 1 year	3,667,117	3,107,444
After 1 year but within 5 years	12,507,910	11,735,905
After 5 years	189,127,287	192,071,409
	205,302,314	206,914,758

35 SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

During the financial year, other than as disclosed elsewhere in the financial statements, the more significant transactions with related parties which were carried out in the normal course of business and carried out at arms length commercial terms, were as follows:

	Note	Group and Corporation	
		2005/2006	2004/2005
		$	$
(a) Subsidiaries			
Rental income received		379,191	301,336
Miscellaneous revenue received		49,087	83,054
Management fee paid		(3,167,233)	(164,376)
Sales commission paid		(18,811,132)	(3,984,720)
Publicity and promotion expenses paid		(468,207)	(482,638)
Purchases of merchandise paid		(99,115)	(305,314)
Reimbursement of outsourced staff costs paid	29	(21,713,516)	(17,409,576)
(b) Associate			
Ticket sales received		2,019,468	1,680,876
Rental income received		63,480	84,330
(c) Companies in which certain members of the Corporation were directors			
Rental income received		3,515,066	3,105,938
Other income received		451,432	292,997
Expenses paid		(84,273)	(162,005)
(d) Statutory boards			
Rental income received		34,700	-
Other income received		267,816	58,333
Capital Grants received		4,200,000	1,500,000
Expenses paid		(45,341)	(49,029)
Revenue collected on behalf		744,640	523,930
Agency fee income received		219,201	177,049
Expenditure incurred on behalf		(1,721,394)	(2,529,275)

Notes to the Financial Statements Year ended 31 March 2006 (cont'd)

Sentosa Development Corporation and its Subsidiaries

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

	Note	Group and Corporation 2005/2006 $	2004/2005 $
(e) Government-controlled companies			
Rental income received		**81,226**	78,640
Expenses paid		**(3,568,271)**	(2,973,969)

(f) Key management remuneration

Key management remuneration includes fees, salaries, bonuses, commissions and other emoluments (including benefit-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 2005/2006 $	2004/2005 $
Directors' allowances	**43,663**	39,378
Short-term employee benefits	**3,038,562**	2,752,330
Post-employment benefits	**94,806**	105,029
Termination benefits	**62,500**	-
	3,239,531	2,896,737

36 FINANCIAL RISK MANAGEMENT

The Group's exposure to credit, interest rate, currency risk and liquidity risk arises in the normal course of business.

Credit risk

A substantial part of the Group's sales is transacted on cash terms. Nevertheless, management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Where appropriate, the Group obtains security deposits or bank guarantees from customers.

The cash and cash equivalents are placed with three local financial institutions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

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. Interest rate risk is managed on an on-going basis with the primary objective of limiting the extent to which net interest income could be impacted from an adverse movement in interest rates.

Foreign currency risk

In the current year, the Group incurred minimal foreign currency risk on sales and purchases as these are almost entirely denominated in Singapore dollars.

The Group is exposed to foreign currency risk on purchases 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.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by management to finance its operations and mitigate the effects of fluctuations in cash flows.

37 SENTOSA GOLF CLUB

Accumulated surplus of the Club	Note	2005/2006 $	2004/2005 $
Balance at 1 April		**44,646,555**	47,130,374
Income			
Golf course income		**8,035,898**	9,891,199
Membership income		**3,910,950**	3,933,750
Deferred membership entrance fees	25	**3,389,485**	3,389,485
Member's subscription		**2,556,700**	2,551,300
Club membership-related income	28	**17,893,033**	19,765,734
Other operating income		**2,689,044**	2,172,154
		20,582,077	21,937,888

37 SENTOSA GOLF CLUB (cont'd)

Accumulated surplus of the Club	Note	2005/2006 $	2004/2005 $
Expenditure			
Depreciation of property, plant and equipment		(5,903,090)	(6,071,042)
Staff costs		(6,652,503)	(5,538,245)
Other operating expenses		(6,219,654)	(5,612,420)
		(18,775,247)	(17,221,707)
Net surplus for the year		1,806,830	4,716,181
Transfer to Sinking Fund		(5,500,000)	(7,200,000)
Balance at 31 March		40,953,385	44,646,555

Summary of Club's assets and liabilities	Note	2005/2006 $	2004/2005 $
Non-current assets			
Property, plant and equipment		80,775,339	76,681,183
Others		2,955,478	4,087,654
		83,730,817	80,768,837
Current assets			
Loans to Proprietor		23,718,489	24,374,583
Others		4,131,269	6,351,776
		27,849,758	30,726,359
Total assets		111,580,575	111,495,196
Non-current liabilities			
Deferred income		52,093,140	55,482,625
Current liabilities			
Trade and other payables		5,834,050	4,166,016
Total liabilities		57,927,190	59,648,641
Equity			
Proprietor's account		40,953,385	44,646,555
Sinking fund		12,700,000	7,200,000
Total equity		53,653,385	51,846,555
Total equity and liabilities		111,580,575	111,495,196

Sentosa Golf Club's financial statements have been audited by KPMG Singapore

38 SUBSEQUENT EVENT

Subsequent to the year end, the Group carried out a corporate restructuring exercise. All ordinary shares of a wholly owned subsidiary, Sentosa Leisure Holdings Pte Ltd ("SLH"), which was held by Sentosa Leisure Management Pte Ltd was transferred to Sentosa Development Corporation. Simultaneously, all ordinary shares in Sentosa Leisure Management Pte Ltd and Sentosa Cove Pte Ltd were transferred to SLH, which will be the intermediate holding company for all the subsidiaries of the Group. A new wholly-owned subsidiary under SLH, Sentosa Cove Resort Management Pte Ltd has been incorporated to be the managing agent for the Cove Community.

39 ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting judgements in applying the Group and corporation's accounting policies

Held-to-maturity investments

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

If the Group fails to keep these investments to maturity other than for specific circumstances explained in FRS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

If the class of held-to-maturity investments is tainted, the fair value would increase by $9,245 with a corresponding entry in the fair value reserve in equity.

Provision for cove infrastructure

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

The provision for cove infrastructure, based on the most reliable estimates using comparable tendered contracts and quotes, is included in the cost of land sale (Note 21).

Notes to the Financial Statements Year ended 31 March 2006 (cont'd)

Sentosa Development Corporation and its Subsidiaries

40 COMPARATIVE INFORMATION

The following comparative figures have been reclassified in order to better reflect the nature and substance of the transactions and to conform with the current year's presentation:

		Group		Corporation	
	Note	As restated 2004/2005 $	As previously reported 2004/2005 $	As restated 2004/2005 $	As previously reported 2004/2005 $
Non-current assets					
Heritage materials	(i)	34,508,500	-	34,508,500	-
Heritage grant	(ii)	(8,110,000)	-	(8,110,000)	-
		26,398,500	-	26,398,500	-
Current assets					
Trade and other receivables		69,339,210	102,505,025	70,830,939	69,488,254
Heritage materials	(i)	34,508,500	-	-	-
Current portion of entrance fees receivable		-	1,342,685	-	1,342,685
Current liabilities					
Trade and other payables		82,874,001	82,874,001	70,837,601	70,837,601
Heritage grant	(ii)	(8,110,000)	-	-	-
Provision for cove infrastructure	21	(18,305,078)	-	(18,305,078)	-
		56,458,923	82,874,001	52,532,523	70,837,601
Expenditure					
Cost of sale on admission fee and packages	(iii)	1,198,140	-	1,198,140	-
Publicity and promotion	(iii)	12,558,151	13,756,291	13,017,243	14,215,383

(i) The initial acquisition cost of the heritage materials incurred in the previous year was recorded as "deposits" within "trade and other receivables". The heritage materials were received during the year and accordingly, the deposit sum was reclassified to "Heritage materials" as "non-current" assets.

(ii) The heritage grant previously included as "trade and other payables" was set-off against the heritage materials to conform with the Group's policies.

(iii) In the previous year, cost of sale on admission fee and packages was included in the publicity and promotion expenses.

41 NEW ACCOUNTING STANDARDS AND FRS INTERPRETATIONS

Certain new accounting standards and FRS interpretations have been published that are mandatory for the Group for accounting periods beginning on or after 1 April 2006. The Group's assessment of those standards and interpretations that is relevant to the Group is set out below.

FRS 40, Investment Property

Under FRS 40, investment properties are permitted to be stated at either fair value or cost less accumulated depreciation. The Group expects to measure all its investment properties at cost less accumulated depreciation and impairment losses. The adoption of FRS 40 will not have any significant impact on the Group's financial statements.

INT FRS 104, Determining whether an Asset Contains a Lease

INT FRS 104 addresses arrangements that do not take the legal form of a lease, but convey rights to use items for agreed periods of time in return for a payment or series of payments. INT FRS 104 provides guidance for evaluating whether such arrangements are, or contain, leases should be accounted for under FRS 17 Leases. If an agreement is determined to contain a lease, then INT FRS 104 requires FRS 17 to be applied to classify and account for the lease. Implementation of this interpretation is not expected to significantly affect the Group's financial statements.

The Group has not considered the impact of accounting standards issued after the balance sheet date.

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