

## DIRECTORS' REPORT

for the financial year ended 31 March 2007

The Directors present their report to the members together with the audited financial statements of the Company for the financial year ended 31 March 2007.

### Directors

The Directors in office at the date of this report are:

Theresa Foo-Yo Mie Yoen (Chairman)  
Benson Puah Tuan Soon (Chief Executive Officer)  
Peter Chay Fook Yuen  
David Philbrick Conner  
Colin Goh  
Koh Lin-Net (appointed on 8 February 2007)  
Professor Tommy Koh  
Lee Suan Hiang  
Lee Tzu Yang  
Andy Lim  
Lim Neo Chian  
Irene Ng Phek Hoong  
Phua Mei Pin  
Shaun Seow Woon Kwong

### Arrangements to enable Directors to acquire debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### Directors' interests in debentures

According to the register of Directors' shareholdings, none of the Directors at the end of the financial year had any interest in the debentures of the Company either at the beginning or end of the financial year.

### Dividends

In accordance with Clause 4 of the Memorandum of Association of the Company, no dividends shall be paid to its members.

### Directors' contractual benefits

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except that Mr Benson Puah Tuan Soon has an employment relationship with the Company and received remuneration in his capacity as chief executive officer of the Company.

### Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the Directors



THERESA FOO-YO MIE YOEN  
Director



BENSON PUAH TUAN SOON  
Director

16 July 2007

## STATEMENT BY DIRECTORS

In the opinion of the Directors,

- (a) the financial statements as set out on pages 53 to 76 are drawn up so as to give a true and fair view of the state of affairs of the Company at 31 March 2007 and of the results of the business, changes in accumulated funds and cash flows of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors



THERESA FOO-YO MIE YOEN  
Director



BENSON PUAH TUAN SOON  
Director

16 July 2007

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ESPLANADE CO LTD

We have audited the accompanying financial statements of The Esplanade Co Ltd set out on pages 53 to 76, which comprise the balance sheet as at 31 March 2007, the income and expenditure statement, the statement of changes in accumulated funds and the cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory notes.

### *Directors' Responsibility for the Financial Statements*

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, and Singapore Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

### *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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, 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,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 March 2007 and of its results, changes in accumulated funds and cash flows for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



PricewaterhouseCoopers  
Certified Public Accountants

Singapore, 16 July 2007

## INCOME AND EXPENDITURE STATEMENT

for the financial year ended 31 March 2007

	Note	2007 \$	2006 \$
Income	3	22,895,093	19,668,053
Expenditure	5	55,927,724	53,491,232
Deficit before grants		(33,032,631)	(33,823,179)
Share of profit of associated company	17	240,450	346,698
Results after share of profit/(loss) of associated company		(32,792,181)	(33,476,481)
Release of grants			
- Operating grant	14	24,523,614	25,160,713
- Deferred capital grants	23	2,623,100	2,391,637
		27,146,714	27,552,350
Government subvention – rental of property	8	10,584,000	10,584,000
Results for the year transferred to Accumulated Funds		4,938,533	4,659,869
Retained in:			
The Company		4,698,083	4,313,171
The Associated Company		240,450	346,698
		4,938,533	4,659,869

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

**BALANCE SHEET**

As at 31 March 2007

	Note	2007 \$	2006 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	13,914,660	17,988,155
Receivables	13	1,347,272	1,378,905
Grants receivable	14	17,895,093	9,668,053
Merchandise	15	76,798	157,009
Other current assets	16	1,240,843	1,451,490
		<u>34,474,666</u>	<u>30,643,612</u>
<b>Non-current assets</b>			
Investment in associated company	17	3,295,840	3,055,390
Property, plant and equipment	18	11,721,169	10,366,336
Computer software	19	162,586	107,464
		<u>15,179,595</u>	<u>13,529,190</u>
<b>Total assets</b>		<u>49,654,261</u>	<u>44,172,802</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	20	10,671,524	10,834,765
Specific funds – programmes	21	357,902	400,114
Grants in advance	14	-	661,575
		<u>11,029,426</u>	<u>11,896,454</u>
<b>Net assets</b>		<u>38,624,835</u>	<u>32,276,348</u>
<b>Accumulated funds</b>		<u>24,236,075</u>	<u>19,297,542</u>
<b>Deferred grants</b>			
Investment grant	22	2,505,007	2,505,007
Deferred capital grants	23	11,883,753	10,473,799
		<u>14,388,760</u>	<u>12,978,806</u>
		<u>38,624,835</u>	<u>32,276,348</u>

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

## STATEMENT OF CHANGES IN ACCUMULATED FUNDS

*for the financial year ended 31 March 2007*

	\$
Balance at 1 April 2006	19,297,542
Results for the year	4,938,533
Balance at 31 March 2007	<u>24,236,075</u>
Balance at 1 April 2005	14,637,673
Results for the year	4,659,869
Balance at 31 March 2006	<u>19,297,542</u>

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

## CASH FLOW STATEMENT

for the financial year ended 31 March 2007

	Note	2007 \$	2006 \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		22,117,114	20,299,704
Cash paid to suppliers and employees		(42,224,847)	(39,395,038)
<b>Net cash used for operating activities</b>		<b>(20,107,733)</b>	<b>(19,095,334)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(4,137,223)	(2,166,556)
Payment for shares application monies	17	-	(165,240)
Proceeds from sale of property, plant and equipment		25,755	3,385
Interest received		477,653	205,263
<b>Net cash used for investing activities</b>		<b>(3,633,815)</b>	<b>(2,123,148)</b>
<b>Cash flows from financing activities</b>			
Grants received from Government	14	19,668,053	21,773,068
Specific funds received for programmes and projects		-	-
Deposits pledged		(646,000)	-
<b>Net cash from financing activities</b>		<b>19,022,053</b>	<b>21,773,068</b>
<b>Net (decrease)/increase in cash and cash equivalents held</b>		<b>(4,719,495)</b>	<b>554,586</b>
Cash and cash equivalents at the beginning of the financial year		17,988,155	17,433,569
<b>Cash and cash equivalents at the end of the financial year</b>	12	<b>13,268,660</b>	<b>17,988,155</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2007

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

### 1. General

The Esplanade Co Ltd (the Company) is incorporated and domiciled in Singapore and is limited by guarantee. The address of the Company's registered office is as follows:

1 Esplanade Drive  
Singapore 038981

The principal activities of the Company are:

- To manage and operate the Esplanade – Theatres on the Bay, and ancillary facilities for the benefit of the arts;
- To support the presentation and development of artistic productions and activities reflecting Singapore's diverse cultural and international backgrounds; and
- To raise and maintain the standards of arts productions, talent and skills in Singapore.

### 2. Significant accounting policies

#### (a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of incomes and expenses during the financial year. Management has not identified any areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant and critical.

On 1 April 2006, the Company adopted the new or revised FRS and Interpretations to FRS (INT FRS) that are mandatory for application from that date. Changes to Company's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2007

### 2. Significant accounting policies (continued)

#### (a) Basis of preparation (continued)

The following are the FRS that are relevant to the Company.

FRS 19	(Amendment)	Employee Benefits
FRS 21	(Amendment)	The Effects of Changes in Foreign Exchange Rates
FRS 32	(Amendment)	Financial Instruments: Disclosure and Presentation
FRS 39	(Amendment)	Financial Instruments: Recognition and Measurement
INT FRS 104		Determining whether an Arrangement contains a Lease

The adoption of the above FRS or INT FRS did not result in substantial changes to the Company's accounting policies.

#### (b) Income recognition

Income for the Company comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of goods and services tax, rebates and discounts. Revenue is recognised as follows:

##### (1) Venue hire and event services

Income from venue hire and event services is recognised on an accrual basis over the period of hire.

##### (2) Malls and other rentals

Rental income is recognised on a straight-line basis over the lease term.

##### (3) Ticketing

Income from ticket sales are recognised as earned when the show/event has been completed.

##### (4) Sponsorship and donations

Donations are recognised on a receipt basis. Sponsorships are recognised on an accrual basis over the term of sponsorship agreement, except for those made for specified purposes, which are recognised as the specified expenditure is incurred.

##### (5) Carparking

Carparking income is recognised on a receipt basis.

##### (6) Merchandise sales

Revenue from the sale of merchandise is recognised when the goods are delivered to the customer, the customer has accepted the products and collectibility of the related receivable is reasonably assured.

##### (7) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2007

### 2. Significant accounting policies (continued)

#### (c) Grants

Grants are received from the Government of Singapore and its related agencies. Development grants received are to meet major capital improvement works, and operating grants are for the purpose of meeting recurrent operating and capital expenditure, and the presentation of arts and related events.

Grants for depreciable assets are taken to the deferred capital grant account, and credited to the statement of income and expenditure over the periods necessary to match the depreciation of the corresponding depreciable assets.

Grants for investments are taken to the investment grant account, and will be credited to the statement of income and expenditure upon disposal of the investment.

Grants for recurrent and programme expenditure are credited to the statement of income and expenditure on an accrual basis to match the related expenses when incurred.

#### (d) Property, plant and equipment

##### (1) Measurement

##### (i) Property, plant and equipment

Plant and machinery, production equipment, artwork and furniture, fittings and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (note 2(g)).

Equipment which costs less than \$1,000 individually are treated as minor assets and are charged to the income and expenditure statement in the period when these are acquired.

##### (ii) Components of costs

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2007

### 2. Significant accounting policies (continued)

#### (d) Property, plant and equipment (continued)

##### (2) Depreciation

Depreciation is calculated on the straight line method to allocate the depreciable amounts of property, plant and equipment over their estimated useful lives. Useful lives are estimated as follows:

	Useful lives
Leasehold improvements	- 5 to 10 years
Plant and machinery	- 10 to 20 years
Production equipment	- 5 to 10 years
Artwork	- 5 years
Furniture, fittings and equipment	- 3 to 10 years

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date.

##### (3) Subsequent expenditure

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 Company and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense in the financial year in which it is incurred.

##### (4) Disposal

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income and expenditure statement.

#### (e) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Direct expenditure, which enhances or extends the performance of computer software beyond its original specifications and which can be reliably measured, is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software development costs and acquired computer software licenses are stated at cost less accumulated amortisation and accumulated impairment losses (note 2(g)). These costs are amortised using the straight-line method over their useful lives of 3 years.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2007

### 2. Significant accounting policies (continued)

#### (f) *Investment in Associated Company*

Associated companies are entities which the Company has significant influence, but not control, generally accompanying a shareholding of between and including 20% to 50% of the voting rights. Investment in associated company is accounted for in the financial statements using the equity method of accounting. The investments in associated company in the balance sheet include goodwill.

Equity accounting involves recording investments in associated companies initially at costs, and recognising the Company's share of its associated company's post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investments. When the Company's share of losses in an associated company equals or exceeds its interests in the associated company, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

#### (g) *Impairment of assets*

Property, plant and equipment, computer software and investments in associated companies are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. higher of the fair value less costs to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income and expenditure statement, unless the asset is carried at its revalued amount, in which case, such reversal is treated as a revaluation increase.

#### (h) *Trade receivables*

Trade receivables are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method, less allowance for impairment. An allowance for impairment of trade receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of allowance is the difference between the asset's carrying amount and the present value of estimated future cashflows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income and expenditure statement.



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2007

### 2. Significant accounting policies (continued)

#### (i) Leases

##### (1) When the company is the lessee:

###### Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income and expenditure statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

##### (2) When the company is the lessor:

###### Operating leases

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

#### (j) Merchandise

Merchandise is stated at the lower of cost and net realisable value. Cost is determined on weighted average method. Cost includes all costs of purchase and other costs incurred in bringing the goods to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

#### (k) Provisions for other liabilities and charges

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

#### (l) Trade payables

Trade payables are initially measured at fair value, and subsequently measured at amortised costs, using the effective interest method.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2007

### 2. Significant accounting policies (continued)

#### *(m) Employee benefits*

##### *(1) Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Company pay fixed contributions into separate entities such as Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds does not hold sufficient assets to pay all employee benefits relating to employee service in the current and preceding financial years. The Company's contributions to defined contribution plans are recognised in the financial year to which they relate.

##### *(2) Employee leave entitlement*

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

#### *(n) Foreign currency translation*

##### *(1) Functional currency*

Items included in the financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company ("the functional currency"). The financial statements are presented in Singapore Dollars, which is the functional currency of the Company.

##### *(2) Transactions and balances*

Foreign currency transactions are translated into Singapore Dollars using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities are translated into Singapore Dollars at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income and expenditure statement.

#### *(o) Cash and cash equivalents*

Cash and cash equivalents include cash on hand and deposits with financial institutions.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2007

### 3. Income

	Note	Year ended 31 March 2007 \$	Year ended 31 March 2006 \$
Venue hire and event services		6,531,514	5,949,945
Mall and other rentals		5,697,165	5,377,187
Ticketing		4,524,795	3,404,124
Sponsorships and donations	4	3,346,972	2,213,868
Car parking		1,299,271	1,239,962
Specific funds – programmes	21	42,212	136,620
Other income:			
Merchandise sales		484,745	545,383
Interest income on fixed deposits		378,281	275,151
Gain on disposal of property, plant and equipment		-	3,385
Income from guided tours		35,966	57,022
Tenant services		112,628	133,717
Miscellaneous		441,544	331,689
		1,453,164	1,346,347
		<b>22,895,093</b>	<b>19,668,053</b>

### 4. Sponsorships and donations

The total tax-deductible sponsorships and donations, including any donations classified under grants received for the year ended 31 March 2007, amounted to \$2,068,640 (2006: \$1,374,000). These donations are unrestricted, and are given to support the presentation and development of artistic productions and activities.

The value of ex-gratia services and donations in kind received in the same year amounted to \$106,922 (2006: \$39,700).

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2007

### 5. Expenditure

	Note	Year ended 31 March 2007 \$	Year ended 31 March 2006 \$
Employee benefits	6	12,500,720	11,254,718
Property maintenance and utilities	7	11,124,074	11,173,931
Rental of property	8	10,584,000	10,584,000
Programming		9,760,484	8,568,860
Marketing and communications	9	3,899,670	4,467,884
Presentation services and relations	10	2,838,480	2,095,326
Other expenditure	11	5,220,296	5,346,513
		<u>55,927,724</u>	<u>53,491,232</u>

### 6. Employee benefits

	Year ended 31 March 2007 \$	Year ended 31 March 2006 \$
Wages and salaries	10,564,346	9,293,003
Employer's contribution to Central Provident Fund	1,127,685	1,102,809
Other benefits	808,689	858,906
	<u>12,500,720</u>	<u>11,254,718</u>

Average number of persons employed during the financial year:

	2007	2006
Full-time employees	<u>200</u>	<u>184</u>

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2007

### 7. Property maintenance and utilities

	Year ended 31 March 2007	Year ended 31 March 2006
	\$	\$
Building and facilities maintenance	7,677,898	7,775,093
Utilities	3,362,985	3,306,788
Insurance	83,191	92,050
	<u>11,124,074</u>	<u>11,173,931</u>

### 8. Rental of property

The Government of Singapore has charged the Company rental of \$10,584,000 (2006: \$10,584,000) for use of the Esplanade – Theatres on the Bay. The rental is funded by way of a Government's subvention.

### 9. Marketing and communications

	Year ended 31 March 2007	Year ended 31 March 2006
	\$	\$
Advertising and promotion	3,018,413	3,548,892
Public relations	557,379	506,575
Sponsor services and development	233,208	233,877
Publications costs	90,670	178,540
	<u>3,899,670</u>	<u>4,467,884</u>

### 10. Presentation services and relations

	Year ended 31 March 2007	Year ended 31 March 2006
	\$	\$
Production services	1,859,666	1,326,539
Ticketing and event services	978,814	768,787
	<u>2,838,480</u>	<u>2,095,326</u>

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2007

### 11. Other expenditure

	Year ended 31 March 2007 \$	Year ended 31 March 2006 \$
Depreciation of property, plant and equipment	2,509,911	2,169,592
GST expense	673,773	524,685
Professional and IT support charges	500,218	462,369
Office supplies, postage and communication	339,858	456,404
Minor assets expensed	257,943	354,608
Merchandise		
- Cost of merchandise sold	275,610	327,642
- Allowance for diminution in value	39,225	2,124
Travelling and transport	182,347	251,254
Amortisation of computer software	53,178	222,045
Bank charges	113,519	89,171
Stamp duties paid	-	161,282
Miscellaneous expenses	170,851	179,136
Governance costs		
- Legal and secretarial fees	41,496	25,174
- External auditors' remuneration	45,406	35,312
- Internal auditors' remuneration		
- current year	35,000	69,468
- prior year overprovision	(35,000)	-
	-	69,468
Allowance for doubtful debts/Bad debts (written back)	520	12,666
Loss on disposal of property, plant and equipment	34,256	-
Foreign exchange (gain)/loss	(17,815)	3,581
	<u>5,220,296</u>	<u>5,346,513</u>

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2007

### 12. Cash and cash equivalents

	2007 \$	2006 \$
Cash at bank and on hand	718,660	652,243
Fixed deposits	13,196,000	17,335,912
	<hr/>	<hr/>
Deposits pledged	13,914,660 (646,000)	17,988,155 -
	<hr/>	<hr/>
Cash and cash equivalents in the cashflow statement	13,268,660	17,988,155
	<hr/>	<hr/>

The fixed deposits with financial institutions mature on varying dates within 2 months (2006: varying dates within 6 months) from the financial year end. Interest rates on these deposits are variable, and the weighted average effective interest rate as at 31 March 2007 was 2.80% (2006: 2.44%) per annum.

Deposits of \$646,000 (2006: Nil) have been pledged to a bank for a Bankers' Guarantee issued to a supplier subsequent to the year end.

Cash and cash equivalents are denominated in the following currencies:

	2007 \$	2006 \$
Singapore Dollars	13,810,111	17,903,893
United States Dollars	104,549	84,262
	<hr/>	<hr/>
	13,914,660	17,988,155
	<hr/>	<hr/>

The Company is the secretariat for the Association of Asia Pacific Performing Arts Centres. The cash denominated in United States Dollars and amounting to US\$62,691 (2006: US\$ 49,614) is held in trust by the Company for that association.

### 13. Receivables

	2007 \$	2006 \$
(a) Associated company	6,744	15,217
Third parties	1,340,528	1,363,688
	<hr/>	<hr/>
	1,347,272	1,378,905
	<hr/>	<hr/>
(b) Third party receivables are stated after deducting allowance for doubtful debts	25,734	25,734
	<hr/>	<hr/>

The amounts due from the associated company are unsecured, interest free and repayable within the next twelve months. Receivables are denominated in Singapore Dollars.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2007

### 14. Grants in advance/(receivable)

	Development grant \$	Operating grant \$	Total grant \$
<b>Balance as at 1 April 2006</b>	<b>661,575</b>	<b>(9,668,053)</b>	<b>(9,006,478)</b>
Grants received	-	19,668,053	19,668,053
Transfer to deferred capital grants	(661,575)	(3,371,479)	(4,033,054)
Transfer to investment grant	-	-	-
Amount released to income and expenditure statement	-	(24,523,614)	(24,523,614)
<b>Balance as at 31 March 2007</b>	<b>-</b>	<b>(17,895,093)</b>	<b>(17,895,093)</b>
<b>Balance as at 1 April 2005</b>	<b>974,427</b>	<b>(4,773,068)</b>	<b>(3,798,641)</b>
Grants received	-	21,773,068	21,773,068
Transfer to deferred capital grants	(147,612)	(1,507,340)	(1,654,952)
Transfer to investment grant	(165,240)	-	(165,240)
Amount released to income and expenditure statement	-	(25,160,713)	(25,160,713)
<b>Balance as at 31 March 2006</b>	<b>661,575</b>	<b>(9,668,053)</b>	<b>(9,006,478)</b>

Grants in advance/(receivable) are denominated in Singapore Dollars.

Development grants received are to meet major capital improvement works, and operating grants are for the purpose of meeting recurrent operating and capital expenditure, and the presentation of arts and related events.

### 15. Merchandise

	2007 \$	2006 \$
At cost	143,250	184,315
Less: Allowance for impairment	(66,452)	(27,306)
At net realisable value	<b>76,798</b>	<b>157,009</b>

### 16. Other current assets

	2007 \$	2006 \$
Recoverable expenditure and receivables	404,862	907,976
Recoverable from the associated company	262,003	60,927
Prepayments	455,488	374,202
Deposits	118,490	108,385
	<b>1,240,843</b>	<b>1,451,490</b>

Prepayments, deposits, recoverable expenditure and receivables are denominated in Singapore dollars.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2007

### 17. Investment in associated company

	2007 \$	2006 \$
Balance at beginning of year		
- at cost	3,055,390	2,543,452
Additional investment in associated company	-	165,240
	<u>3,055,390</u>	<u>2,708,692</u>
Share of results for the year	240,450	346,698
Balance at end of year	<u>3,295,840</u>	<u>3,055,390</u>

The summarised financial information of the associated company is as follows:

	2007 \$	2006 \$
Assets	19,711,000	13,306,000
Liabilities	14,049,000	5,957,000
Revenues	7,694,000	7,347,000
Net Profits	<u>687,000</u>	<u>1,030,000</u>

Investment in the associated company includes goodwill of \$1,358,735 (2006: \$1,358,735). No amortisation is provided on goodwill.

Details of the investment in associated company are as follows:

Associated company	Principal activities	Country of business	Equity holding		Cost of investment	
			2007 %	2006 %	2007 \$	2006 \$
SISTIC.com Pte Ltd	Ticketing and ticketing related services	Singapore	35	35	<u>2,505,007</u>	<u>2,505,007</u>

Under the terms of the shareholders' agreement, Singapore Sports Council has an option to acquire all of the Company's shares in SISTIC at any time within a period of six months after the termination or expiration of the Application Service & Ticketing agreement between the Company and SISTIC. The purchase price of the shares to be acquired under the call option shall be the fair market value of the shares to be determined in accordance with the terms set out in the agreement.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2007

### 18. Property, plant and equipment

	Leasehold improvements \$	Plant and machinery \$	Production equipment \$	Artwork \$	Furniture, fittings and equipment \$	Capital projects in progress \$	Total \$
<b>Cost</b>							
At 1 April 2006	2,672,818	2,744,237	5,481,778	357,616	5,074,218	186,923	16,517,590
Additions	21,500	309,025	1,275,123	-	851,562	1,467,545	3,924,755
Disposals	(21,400)	-	-	-	(247,362)	-	(268,762)
Transfers from Capital Projects in Progress	208,415	-	1,034,848	-	135,913	(1,379,176)	-
At 31 March 2007	2,881,333	3,053,262	7,791,749	357,616	5,814,331	275,292	20,173,583
<b>Accumulated depreciation</b>							
At 1 April 2006	654,292	587,011	1,490,086	336,072	3,083,793	-	6,151,254
Depreciation	314,161	258,243	1,046,523	14,347	876,637	-	2,509,911
Disposals	(13,553)	-	-	-	(195,198)	-	(208,751)
At 31 March 2007	954,900	845,254	2,536,609	350,419	3,765,232	-	8,452,414
<b>Net book value</b>							
At 31 March 2007	1,926,433	2,208,008	5,255,140	7,197	2,049,099	275,292	11,721,169
<b>Cost</b>							
At 1 April 2005	2,135,904	2,496,405	4,637,480	357,616	4,694,404	640,475	14,962,284
Additions	33,650	247,832	701,504	-	382,001	192,506	1,557,493
Disposals	-	-	-	-	(2,187)	-	(2,187)
Transfers from Capital Projects in Progress	503,264	-	142,794	-	-	(646,058)	-
At 31 March 2006	2,672,818	2,744,237	5,481,778	357,616	5,074,218	186,923	16,517,590
<b>Accumulated depreciation</b>							
At 1 April 2005	361,780	365,080	656,026	318,800	2,282,163	-	3,983,849
Depreciation	292,512	221,931	834,060	17,272	803,817	-	2,169,592
Disposals	-	-	-	-	(2,187)	-	(2,187)
At 31 March 2006	654,292	587,011	1,490,086	336,072	3,083,793	-	6,151,254
<b>Net book value</b>							
At 31 March 2006	2,018,526	2,157,226	3,991,692	21,544	1,990,425	186,923	10,366,336

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2007

### 19. Computer software

	2007 \$	2006 \$
<b><u>Cost</u></b>		
At beginning of year	1,405,196	1,307,736
Additions	108,300	97,460
Disposals	-	-
At end of year	<u>1,513,496</u>	<u>1,405,196</u>
<b><u>Accumulated depreciation</u></b>		
At beginning of year	1,297,732	1,075,687
Amortisation	53,178	222,045
Disposals	-	-
At end of year	<u>1,350,910</u>	<u>1,297,732</u>
<b><u>Net book value</u></b>		
At end of year	<u>162,586</u>	<u>107,464</u>

### 20. Payables

	2007 \$	2006 \$
Payables	3,527,845	4,008,304
Accrued operating expenses	4,715,252	4,022,898
Deposits received	1,723,066	2,423,918
Deferred income	483,254	171,522
Sundry payables	222,107	208,123
	<u>10,671,524</u>	<u>10,834,765</u>

Deferred income includes a contribution of \$100,000 cash donation towards the outdoor theatre reconstruction project that will be completed by end of financial year ending 31 March 2008.

Payables are denominated in the following currencies:

	2007 \$	2006 \$
Singapore Dollars	10,494,910	10,615,657
Others	176,614	219,108
	<u>10,671,524</u>	<u>10,834,765</u>

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2007

### 21. Specific funds – programmes

Specific funds received represent funding from the Government of Singapore and its related agencies to support the approved programmes and projects.

	2007 \$	2006 \$
Balance at beginning of year	400,114	536,734
Funds received	-	-
Amount released to income and expenditure statement	(42,212)	(136,620)
Balance at end of year	<u>357,902</u>	<u>400,114</u>

### 22. Investment grant

	2007 \$	2006 \$
Balance at beginning of year	2,505,007	2,339,767
Amount transferred from development grant	-	165,240
Balance at end of year	<u>2,505,007</u>	<u>2,505,007</u>

Grants for investments are taken to the investment grant account, and will be credited to the statement of income and expenditure upon disposal of the investment.

### 23. Deferred capital grants

	2007 \$	2006 \$
Balance at beginning of year	10,473,799	11,210,484
Amount transferred from/(to)		
- Development grant	661,575	147,612
- Operating grant	3,371,479	1,507,340
Amount released to income and expenditure statement	(2,623,100)	(2,391,637)
Balance at end of year	<u>11,883,753</u>	<u>10,473,799</u>

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2007

### 24. Significant related party transactions

During the year, the following transactions were entered into by the Company and its related parties on terms and bases agreed between the parties:

(a) Sales and purchases of goods and services with its associated Company

	2007 \$	2006 \$
Commission income	30,710	23,355
Handling fees received	13,628	12,753
Sales commission expense	72,534	53,625
Ticketing agency fees paid	134,849	110,284
Software maintenance fees paid	150,000	146,590
Other services paid	49,167	29,994

In addition, the associated company collects the proceeds from the sale of tickets for all events held at the Esplanade – Theatres on the Bay, on behalf of the Company.

(b) Key management personnel compensation

Key management personnel (including a Director of the company) compensation is as follows:

	2007 \$	2006 \$
Salaries and other short term benefits	1,720,564	1,143,928
Post employment benefits – contribution to CPF	79,311	56,635
	<u>1,799,875</u>	<u>1,200,563</u>

Number of key management in remuneration bands is as follows:

	2007	2006
\$400,000 to below \$500,000	1	1
\$300,000 to below \$400,000	-	-
\$200,000 to below \$300,000	2	1
\$100,000 to below \$200,000	5	5
Below \$100,000	1	-
	<u>9</u>	<u>7</u>

### 25. Tax

The Company has been registered as a charity under the Charities Act (Cap 37). Under the relevant section of the Income Tax Act, Chapter 134, the Company is exempted from Singapore Income Tax on condition that it spends not less than 80% of its income for the financial year on charitable objects. Where the 80% spending is not met, the income would be subject to Singapore Income Tax. As the Company has met the 80% spending requirement, no provision for Singapore income tax has been made for the financial year ended 31 March 2007.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2007

### 26. Commitments

As at the balance sheet date:

(a) Contracted but not provided for:

	2007	2006
	\$	\$
Leasehold improvement, and equipment	30,091	7,143
Production equipment	-	826,632
Works and services	61,229	127,879
	<u>91,320</u>	<u>961,654</u>

(b) Operating lease commitments – where the company is the lessee

The Company leases various photocopiers under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	2007	2006
	\$	\$
Not later than 1 year	16,296	33,679
Later than 1 year but not later than 5 years	32,206	48,502
	<u>48,502</u>	<u>82,181</u>

(c) Operating lease commitments – where the company is the lessor

The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	2007	2006
	\$	\$
Not later than 1 year	4,739,312	4,167,420
Later than 1 year but not later than 5 years	3,463,999	4,760,508
	<u>8,203,311</u>	<u>8,927,928</u>



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2007

### 27. Financial risk management

The Company's business is not exposed to any significant foreign exchange risk and there is no significant concentration of credit risk. The Company has significant interest-bearing assets. Interest rates on these assets are variable (note 12). Income and operating cash flows are substantially independent of changes in market interest rates as Company's operations is funded by other income streams apart from interest income.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of adequate funding. The Company aims to obtain annual funding in advance as well as working capital from the Government and its related agencies.

### 28. Fair values

The carrying amounts of current financial assets and liabilities approximate their fair values.

### 29. New accounting standards and FRS interpretations

The Company has not applied the following FRS and Interpretations to Financial Reporting Standards (INT FRS) that have been issued but are only effective for annual financial periods beginning on 1 January 2007.

FRS 40	Investment Property
FRS 107	Financial Instruments: Disclosures
INT FRS 108	Scope of FRS 102 (FRS 102 : Share Based Payment)
INT FRS 109	Reassessment of Embedded Derivatives
INT FRS 110	Interim Financial Reporting and Impairment

The Company anticipates that the adoption of FRS 107 will not have any significant impact on the financial statements in the period of initial application. The remaining pronouncements listed above are not applicable to the Company.

### 30. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Directors of The Esplanade Co Ltd on 16 July 2007.