

**HONG KONG REPERTORY THEATRE LIMITED  
(LIMITED BY GUARANTEE)**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH, 2011**

**丁何關陳會計師行**  
**TING HO KWAN & CHAN**  
Certified Public Accountants  
HONG KONG

**HONG KONG REPERTORY THEATRE LIMITED  
(LIMITED BY GUARANTEE)**

**REPORT OF THE COUNCIL MEMBERS**

The council members submit their report together with the audited financial statements for the year ended 31st March, 2011.

**Principal activities**

The Company continued to be engaged in promotion, maintenance, improvements and advancement of the interest of the public in Hong Kong and elsewhere in drama and various related art forms.

**Results**

The results of the Company for the year ended 31st March, 2011 and the state of the Company's affairs as at that date are set out in the financial statements on pages 3 to 22.

**Property, plant and equipment**

Details of the movements in property, plant and equipment are set out in note 9 to the financial statements.

**Council Members**

The council members during the financial year and up to the date of this report were:

Dr. Wai-man WOO, BBS  
Dr. NG Chui Yiu, Jennifer, JP (Australia)  
Mr. CHUNG Shu Kun, Christopher, BBS, MH, JP  
Ms. AU Ching Mei, Corona, MH (Appointed on 29.09.2010)  
Mr. CHAN Cheuk Chi  
Ms. CHEUNG Sum Yu, Fiona, MH (Appointed on 29.09.2010)  
Miss CHING Yuen Man, Angela (Appointed on 29.09.2010)  
Prof. FONG Chee Fun, Gilbert  
Mr. MONG Tak Yeung, David  
Mr. YICK Chi Ming, Frankie  
Ms. SUEN Chi Lan, Esther (Retired on 29.09.2010)  
Mr. TSANG Chi Hung, JP (Retired on 29.09.2010)  
Dr. YEUNG Hin Chung, John, SBS, OBE, JP (Retired on 29.09.2010)

In accordance with Articles 36 to 40 of the Company's Articles of Association, Dr. Wai-man WOO, BBS will retire by rotation and Mr. MONG Tak Yeung, David, being appointed by the Government, will retire in the forthcoming annual general meeting.

to be continued.....

**HONG KONG REPERTORY THEATRE LIMITED  
(LIMITED BY GUARANTEE)**

**REPORT OF THE COUNCIL MEMBERS**

Continuation - 2 -

**Council Members' interests in contracts**

No contracts of significance in relation to the Company's business to which the Company was a party and in which a council member of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

**Arrangements to acquire shares or debentures**

At no time during the year was the Company a party to any arrangement to enable the council members of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

**Management contracts**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

**Auditors**

Ting Ho Kwan & Chan, Certified Public Accountants retire and, being eligible, offer themselves for re-appointment.

On behalf of the Council

Dr. Wai-man WOO, BBS  
Chairman

Hong Kong, 21 Jul 2011

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF THE HONG KONG REPERTORY THEATRE LIMITED**  
(incorporated in Hong Kong with limited liability by guarantee)

**Report on the Financial Statements**

We have audited the financial statements of Hong Kong Repertory Theatre Limited (the "Company") set out on pages 3 to 22, which comprise the balance sheet as at 31st March, 2011, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Council members' responsibility for the financial statements**

The council members are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the council members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

to be continued.....

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF THE HONG KONG REPERTORY THEATRE LIMITED**  
(incorporated in Hong Kong with limited liability by guarantee)

Continuation - 2 -

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31st March, 2011, and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**Report on other matters under the Agreement between the Government of the Hong Kong Special Administrative Region and the Company (the "Agreement")**

We report that the Company has complied with, in all material respects, the requirements as set by the Government to keep proper books and records and to prepare annual financial report of the Activities in accordance with the books and records, as well as all the accounting requirements in the Agreement and other relevant documents such as the Accounting Standards and Accounting Guidelines.

TING HO KWAN & CHAN  
Certified Public Accountants (Practising)

Hong Kong, 21 Jul 2011

**HONG KONG REPERTORY THEATRE LIMITED  
(LIMITED BY GUARANTEE)**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31ST MARCH, 2011**

	Notes	2011 HK\$	2010 HK\$
<b>Income</b>			
Government subvention		30,050,619	29,947,000
Box office income		6,872,620	6,929,714
Commissioned programme fee income		2,597,764	1,697,747
Outreach, education and other activities income		1,241,755	684,850
Other income	5	960,071	558,665
		<u>41,722,829</u>	<u>39,817,976</u>
<b>Expenditure</b>			
Production costs		12,026,835	13,135,581
Marketing and promotion expenses		3,079,855	2,503,302
Personal emoluments		18,624,112	17,937,681
Other operating expenses		6,160,337	5,377,560
		<u>39,891,139</u>	<u>38,954,124</u>
<b>Surplus for the year</b>	6	1,831,690	863,852
<b>Other comprehensive income</b>			
Increase in development fund			
- Surplus for the year	16	135,489	104,541
<b>Total comprehensive surplus for the year</b>		<u><u>1,967,179</u></u>	<u><u>968,393</u></u>

**HONG KONG REPERTORY THEATRE LIMITED  
(LIMITED BY GUARANTEE)**

**BALANCE SHEET**

**AS AT 31ST MARCH, 2011**

	Notes	2011 HK\$	2010 HK\$
<b>Non-current assets</b>			
Property, plant and equipment	9	<u>1,102,183</u>	<u>263,007</u>
<b>Current assets</b>			
Prepayments	10	1,358,401	1,569,732
Deposits and accounts receivable	10	1,245,505	1,010,572
Bank term deposits	11	6,419,102	-
Cash and cash equivalents	11	<u>4,488,188</u>	<u>9,970,314</u>
		<u>13,511,196</u>	<u>12,550,618</u>
<b>Current liabilities</b>			
Box office income and others received in advance	12	330,993	301,850
Accounts payable and accruals	12	<u>2,140,430</u>	<u>2,336,998</u>
		<u>2,471,423</u>	<u>2,638,848</u>
<b>Net current assets</b>		<u>11,039,773</u>	<u>9,911,770</u>
<b>Net assets</b>		<u><u>12,141,956</u></u>	<u><u>10,174,777</u></u>
<b>RESERVES</b>			
Accumulated surplus			
General activities	13	7,839,081	6,960,756
Outbound cultural exchange activities	14	1,884,106	976,786
Venue partnership scheme activities	15	<u>558,103</u>	<u>512,058</u>
		10,281,290	8,449,600
Development fund	16	<u>1,860,666</u>	<u>1,725,177</u>
<b>Total reserves</b>		<u><u>12,141,956</u></u>	<u><u>10,174,777</u></u>

The financial statements were approved and authorised for issue by the Council on 21 Jul 2011

Dr. Wai-man WOO, BBS  
CHAIRMAN

CHUNG Shu Kun, Christopher, BBS, MH, JP  
TREASURER

**HONG KONG REPERTORY THEATRE LIMITED  
(LIMITED BY GUARANTEE)**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31ST MARCH, 2011**

	General activities HK\$	Accumulated surplus		Sub-total HK\$	Development fund HK\$	Total HK\$
		Outbound cultural exchange activities HK\$	Venue partnership scheme activities HK\$			
Total reserves at 1st April, 2009	7,031,343	1,430	552,975	7,585,748	1,620,636	9,206,384
Surplus/(deficit) for the year	(70,587)	975,356	(40,917)	863,852	104,541	968,393
Total reserves at 31st March, 2010	6,960,756	976,786	512,058	8,449,600	1,725,177	10,174,777
Surplus for the year	878,325	907,320	46,045	1,831,690	135,489	1,967,179
Total reserves at 31st March, 2011	7,839,081	1,884,106	558,103	10,281,290	1,860,666	12,141,956



**HONG KONG REPERTORY THEATRE LIMITED**  
**(LIMITED BY GUARANTEE)**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31ST MARCH, 2011**

	<b>2011</b> HK\$	<b>2010</b> HK\$
<b>Cash flows from operating activities</b>		
Surplus for the year	1,831,690	863,852
Adjustments for:		
Gain on disposal of property, plant and equipment	(3,000)	(13,593)
Interest income	(28,237)	(17,865)
Depreciation	647,434	377,904
<b>Operating profit before changes in working capital</b>	<u>2,447,887</u>	<u>1,210,298</u>
Prepayments	211,331	145,926
Deposits and accounts receivable	(234,933)	359,007
Bank term deposits	(6,419,102)	-
Box office income and others received in advance	29,143	299,100
Accounts payable and accruals	(196,568)	(442,315)
<b>Net cash (used in)/generated from operating activities</b>	<u>(4,162,242)</u>	<u>1,572,016</u>
<b>Cash flows from investing activities</b>		
Payment for the purchase of property, plant and equipment	(1,486,610)	(333,321)
Proceeds from disposal of property, plant and equipment	3,000	15,000
Interest received	28,237	17,865
<b>Net cash used in investing activities</b>	<u>(1,455,373)</u>	<u>(300,456)</u>
<b>Cash flows from financing activities</b>		
Increase in development fund	135,489	104,541
<b>Net cash generated from financing activities</b>	<u>135,489</u>	<u>104,541</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(5,482,126)	1,376,101
<b>Cash and cash equivalents at 1st April</b>	<u>9,970,314</u>	<u>8,594,213</u>
<b>Cash and cash equivalents at 31st March (note 11)</b>	<u><u>4,488,188</u></u>	<u><u>9,970,314</u></u>

**HONG KONG REPERTORY THEATRE LIMITED  
(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2011**

**1 General information**

Hong Kong Repertory Theatre Limited (the “Company”) is a company incorporated in Hong Kong with its liabilities limited by guarantee. Under the provisions of the Company’s memorandum of association, every member shall, in the event of the Company being wound up, to contribute such amount which may be required to meet the liabilities of the Company but not exceeding HK\$100 per member. The address of its registered office is 4/F., Sheung Wan Municipal Services Building, 345 Queen’s Road Central, Hong Kong. Its principal activities continued to be engaged in promotion, maintenance, improvements and advancement of the interest of the public in Hong Kong and elsewhere in drama and various related art forms.

**2 Statement of compliance with Hong Kong Financial Reporting Standard**

The Company’s financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which also include Hong Kong Accounting Standards (“HKAS”) and Interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of significant accounting policies adopted by the Company is set out in note 3.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. However, there are no areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements.

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Company. Note 4 provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

**3 Summary of significant accounting policies**

**(a) Basis of preparation of the financial statements**

The measurement basis used in preparing the financial statements is historical cost.

**HONG KONG REPERTORY THEATRE LIMITED  
(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2011**

**3 Summary of significant accounting policies - Continued**

**(b) Property, plant and equipment**

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, on a straight-line basis over their estimated useful lives as follows:

Furniture and fixtures	3 years
Office and computer equipment	3 years
Audio and stage equipment	3 years

The residual value (if any) and the useful life of an asset are reviewed at least at each financial year-end.

The Company assesses at each balance sheet date whether there is any indication that any items of property, plant and equipment may be impaired and that an impairment loss recognised in prior periods for an item may have decreased. If any such indication exists, the Company estimates the recoverable amount of the item. An impairment loss, being the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, or a reversal of impairment loss is recognised immediately in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

**(c) Deposits and accounts receivable**

Deposits and accounts receivable are initially recognised at fair value and, after initial recognition, at amortised cost less any impairment losses for bad and doubtful debts, except for the following receivables:

- interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less any impairment losses for bad and doubtful debts; and
- short-term receivables without stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any impairment losses for bad and doubtful debts.

**HONG KONG REPERTORY THEATRE LIMITED  
(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2011**

**3 Summary of significant accounting policies - Continued**

**(c) Deposits and accounts receivable - continued**

A provision for impairment of deposits and accounts 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 the receivables. Significant financial difficulties of the debtors, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the accounts receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When an account receivable is uncollectible, it is written off against the allowance account for account receivable. Subsequent recoveries of amounts previously written off are credited against the statement of comprehensive income.

**(d) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand and at bank, demand deposits with bank and other financial institutions, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

**(e) Accounts payable and accruals**

Accounts payable and accruals are initially recognised at fair value and, after initial recognition, at amortised cost, except for the following payables:

- short-term payables without stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount; and
- interest-free loans from related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost.

**HONG KONG REPERTORY THEATRE LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2011**

**3 Summary of significant accounting policies - Continued**

**(f) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(g) Income tax**

The Company is a non-profit-making charitable organisation and the charge for Hong Kong taxation is exempted. Therefore, deferred taxation is not accounted for in these financial statements.

**(h) Revenue recognition**

(i) Government subvention is recognised under the term of agreement on accrual basis.

(ii) Box office income, outreach, education and other activities income and commissioned programme fee income are recognised when the performance presented.

(iii) Donations and sponsorship received and others are recognised on cash receipt basis.

(iv) Interest income is recognised using the effective interest method.

**(i) Employee benefits**

(i) Paid leave carried forward

The Company provides paid annual leave to its employees under their employment contracts on a financial year basis. Under certain circumstances, such leave which remains untaken at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

**HONG KONG REPERTORY THEATRE LIMITED  
(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2011**

**3 Summary of significant accounting policies - Continued**

**(i) Employee benefits - continued**

**(ii) Retirement benefit costs**

The Company participates in a defined contribution Mandatory Provident Fund retirement benefits scheme in Hong Kong (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The Company’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

**(j) Operating leases**

Lease where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases.

Where the Company is the lessee, lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease period.

Contingent rents are charged as an expense in the periods in which they are incurred.

**(k) Development fund**

The development fund is used for non-subsided projects which fall outside the ambit of Government Subvention through the Secretary of the Home Affairs. The income statement of the development fund is separated from that for Government Subvention’s through the Secretary of Home Affairs. The fund is to be used for matching any recurrent and non-recurrent financial commitments created by acceptance of donation for specific purpose.

**(l) Related parties**

For the purposes of these financial statements, a party is considered to be related to the Company if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Company or exercise significant influence over the Company in making financial and operating policy decisions, or has joint control over the Company;
- (ii) the Company and the party are subject to common control;
- (iii) the party is an associate of the Company or a joint venture in which the Company is a venturer;

**HONG KONG REPERTORY THEATRE LIMITED  
(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2011**

**3 Summary of significant accounting policies - Continued**

**(l) Related parties - continued**

- (iv) the party is a member of the key management personnel of the Company or the Company's parent or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Company or of any entity that is a related party of the Company.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

**4 The adoption of new and revised HKFRS**

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the year presented as a result of the developments as they are either irrelevant or have no material effect on the Company's financial statements.

The Company has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective for the current accounting period (note 22).

**HONG KONG REPERTORY THEATRE LIMITED**  
**(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2011**

**5 Other income**

	<b>2011</b>	<b>2010</b>
	HK\$	HK\$
Advertisement income	79,200	46,000
Bank interest income	28,237	17,865
Donation and sponsorship received	701,532	313,634
Gain on disposal of property, plant and equipment	3,000	13,593
Membership fees received	4,700	5,900
Rental of props, costume and equipment	98,188	129,250
Souvenirs sales and royalty income	29,530	29,643
Sundry income	15,684	2,780
	<u>960,071</u>	<u>558,665</u>

**6 Surplus for the year**

Surplus for the year is stated after charging:

	<b>2011</b>	<b>2010</b>
	HK\$	HK\$
Auditors' remuneration	26,000	24,500
Depreciation	647,434	377,904
Operating leases		
- office premises rental	2,099,617	1,976,400
- venue rental	2,809,942	3,019,223
Staff costs		
- salaries and allowances	18,054,556	17,380,989
- MPF contributions	569,556	556,692
- temporary and part-time staff	55,466	53,819
- training and welfare	36,554	56,730
	<u>23,639,119</u>	<u>23,865,257</u>

**7 Taxation**

No provision for Hong Kong Profits Tax has been made in the financial statements as there is no tax liability under Section 88 of the Inland Revenue Ordinance. Accordingly, no deferred tax has been accounted for.



**HONG KONG REPERTORY THEATRE LIMITED**  
**(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2011**

**8 Council members' remuneration**

None of the Council members received or will receive any fees or emoluments in respect of their services to the Company for the year (2010: Nil).

**9 Property, plant and equipment**

	<b>Furniture and fixtures HK\$</b>	<b>Office and computer equipment HK\$</b>	<b>Audio and stage equipment HK\$</b>	<b>Total HK\$</b>
<b>Cost</b>				
At 1st April, 2009	312,564	624,959	1,195,928	2,133,451
Additions	-	59,500	273,821	333,321
Disposal	-	-	(16,880)	(16,880)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2010	312,564	684,459	1,452,869	2,449,892
Additions	1,096,879	114,981	274,750	1,486,610
Disposal	-	(35,360)	-	(35,360)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2011	<u>1,409,443</u>	<u>764,080</u>	<u>1,727,619</u>	<u>3,901,142</u>
<b>Accumulated depreciation</b>				
At 1st April, 2009	252,095	554,388	1,017,971	1,824,454
Charge for the year	56,559	69,004	252,341	377,904
Written back on disposal	-	-	(15,473)	(15,473)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2010	308,654	623,392	1,254,839	2,186,885
Charge for the year	369,534	79,561	198,339	647,434
Written back on disposal	-	(35,360)	-	(35,360)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2011	<u>678,188</u>	<u>667,593</u>	<u>1,453,178</u>	<u>2,798,959</u>
<b>Net book value</b>				
At 31st March, 2011	<u>731,255</u>	<u>96,487</u>	<u>274,441</u>	<u>1,102,183</u>
At 31st March, 2010	<u>3,910</u>	<u>61,067</u>	<u>198,030</u>	<u>263,007</u>

**HONG KONG REPERTORY THEATRE LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2011**

**10 Prepayments/deposits and accounts receivables**

Apart from the deposits amounted to HK\$171,963 (2010: HK\$81,280), they are expected to be recovered or recognised as expenses within one year and are neither past due nor impaired. The maximum exposure to credit risk at the balance sheet date is the carrying value as mentioned in the financial statements. The Company does not hold any collateral as security.

**11 Bank term deposits/cash and cash equivalents**

	<b>2011</b>	<b>2010</b>
	HK\$	HK\$
Cash at bank and in hand	1,985,414	1,823,181
Short-term bank deposits	8,921,876	8,147,133
	<u>10,907,290</u>	<u>9,970,314</u>
Less: Bank term deposits matured beyond 3 months	6,419,102	-
	<u><u>4,488,188</u></u>	<u><u>9,970,314</u></u>

The effective interest rates on short term deposits were ranged from 0.01% to 0.7% per annum (2010: 0.01% to 0.1% per annum). These deposits have an average duration of maturity ranged from 2 weeks to 6 months (2010: 3 months).

**12 Box office income and others received in advance/accounts payable and accruals**

They are expected to be settled or recognised as income within one year or are payable on demand.

**13 General activities reserve**

As per the agreement entered with the Government, the Company may keep and carry forward a reserve of not more than 25% of the total expenditure as revealed in the audited annual financial statements for the subvention period to serve as a buffer against contingencies in the subsequent year and as an incentive to economise its spending in the year. Reserve means the surplus (if any) as revealed in the audited annual financial statements net of sponsorship, donations and income and expenditure of self-financing activities.

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14 Outbound cultural exchange activities

	2011 HK\$	2010 HK\$
Balance at 1st April	<u>976,786</u>	<u>1,430</u>
<b>Income:</b>		
Government subvention	1,000,000	1,000,000
Commissioned programme fee income	458,444	266,947
Donation and sponsorship received	14,000	10,000
Bank interest income	229	83
	<u>1,472,673</u>	<u>1,277,030</u>
<b>Expenditure:</b>		
Production costs	461,136	243,248
Marketing and promotion expenses	44,821	8,828
Other operating expenses	59,396	49,598
	<u>565,353</u>	<u>301,674</u>
Surplus for the year	<u>907,320</u>	<u>975,356</u>
Balance at 31st March	<u><u>1,884,106</u></u>	<u><u>976,786</u></u>

An earmarked grant of HK\$1,000,000 (2010: HK\$1,000,000) is received from the Government in support of the outbound cultural exchange activities of the Company. Any unspent portion of the earmarked grant should be carried forward to the next year for the same use.

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15 Venue partnership scheme activities

	2011 HK\$	2010 HK\$
Balance at 1st April	<u>512,058</u>	<u>552,975</u>
<b>Income:</b>		
Government subvention	1,344,619	1,241,000
Box office income	199,265	25,200
Bank interest income	165	283
	<u>1,544,049</u>	<u>1,266,483</u>
<b>Expenditure:</b>		
Production costs	680,746	709,744
Marketing and promotion expenses	180,440	72,760
Personal emoluments	585,593	494,376
Other operating expenses	51,225	30,520
	<u>1,498,004</u>	<u>1,307,400</u>
Surplus/(deficit) for the year	<u>46,045</u>	<u>(40,917)</u>
Balance at 31st March	<u><u>558,103</u></u>	<u><u>512,058</u></u>

The Company was appointed by the Government acting through the Director of Leisure and Cultural Services to be the venue partner at the Hong Kong City Hall under the Venue Partnership Scheme in a view to foster Hong Kong City Hall to become a destination for the theatergoing public. A supplementary Government subvention of HK\$1,241,000 (2010: HK\$1,241,000) was granted to the Company in support of the scheme activities. During the year, the Company also participated in the Trainee Programme organised by the Leisure and Cultural Services Department with the aim of nurturing a pool of arts administrators to support the overall development of arts and culture in Hong Kong through the provision of opportunities for practical training. An additional subvention of HK\$103,619 (2010: Nil) is received from the Department to support the programme.

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**16 Development fund**

	<b>2011</b>	<b>2010</b>
	HK\$	HK\$
Balance at 1st April	<u>1,725,177</u>	<u>1,620,636</u>
<b>Income:</b>		
Donation and sponsorship received	132,000	100,600
Bank interest income	<u>3,865</u>	<u>3,941</u>
	<u>135,865</u>	<u>104,541</u>
<b>Expenditure:</b>		
Other operating expenses	<u>376</u>	<u>-</u>
Surplus for the year	<u>135,489</u>	<u>104,541</u>
Balance at 31st March	<u><u>1,860,666</u></u>	<u><u>1,725,177</u></u>

The development fund is used for non-subsented projects which fall outside the ambit of Government Subvention through the Secretary of the Home Affairs. The income statement of the development fund was separated from that for Government Subventions through the Secretary of the Home Affairs as the fund did not come from that source of subvention.

**17 Lease commitments**

At 31st March, 2011, the Company's total future minimum lease payments under non-cancellable operating lease is payable as follows:

	<b>2011</b>	<b>2010</b>
	HK\$	HK\$
Land and buildings		
Within one year	2,136,045	1,860,000
After one and within five years	<u>1,896,428</u>	<u>3,720,000</u>
	<u><u>4,032,473</u></u>	<u><u>5,580,000</u></u>

The Company leases certain office premises and outreach studio for a term of 2 to 3 years with fixed monthly rental. None of the leases include contingent rentals.

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**18 Capital management**

The Company is a corporation limited by guarantee without having a share capital. Hence the Company's capital comprises of the accumulated surplus which is subject to a specified level allowable to keep under the funding agreement entered with the Government and development fund stated on the balance sheet. Except for herein mentioned, the Company is not subject to other internally or externally imposed capital requirements. The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to engage in promotion, maintenance, improvements and advancement of the interest of the public in Hong Kong and elsewhere in drama and various related art forms.

The Company manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analyses.

The Company is incorporated without any share capital but by guarantee of the members of the Company who undertake to contribute to the assets of the Company, in the event of its being wound up, for payment of the debts and liabilities of the Company up to the amount of HK\$100.

**19 Financial risk management**

**(A) Financial instruments**

The Company major financial instruments include deposits and accounts receivables, payable and accruals. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

**(B) Financial risk factors**

The Company is exposed to credit, liquidity and market risk arises in the normal course of the Company's business. These risks are limited by the Company's financial management policies and practices described below.

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19 Financial risk management - Continued

(B) Financial risk factors - continued

(a) Credit risk

The main income of the Company is subvention from the Government, hence, the major debtors at 31st March, 2011 are mainly Government agency which should not have any significant credit risk.

The credit risk on liquid funds is limited because the counterparties are authorised financial institutions listed in The Stock Exchange of Hong Kong Limited and regulated under Hong Kong Banking Ordinance.

(b) Liquidity risk

The Company is exposed to minimal liquidity risk as the Company regularly monitors its current and expected liquidity requirements to ensure that it maintains sufficient reserves and bank balances to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Company's non-derivatives financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest the Company can be required to pay.

	2011			2010		
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Accounts payable and accruals	2,140,430	2,140,430	2,140,430	2,336,998	2,336,998	2,336,998

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**NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2011**

**19 Financial risk management - Continued**

**(B) Financial risk factors - continued**

**(c) Market risk**

**(i) Foreign currency risk**

The Company has no exposure to foreign currency risk as nearly all the Company's transactions are denominated in Hong Kong dollars.

**(ii) Cash flow interest rate risk**

Except short term bank deposits bear interest subject to changes in market rate at the time of renewal, the Company has no other significant interest-bearing assets and liabilities. Thus, the Company's income, expense and operating cash flows are substantially independent of changes in market interest rates.

**Sensitivity analysis**

With 1% changes in interest rates, with all other variable held constant, both the Company's results for the year and its funds would be affected by approximately HK\$89,000 (2010: HK\$81,000). The analysis is performed on the same basis for 2010.

**20 Retirement benefit scheme**

The Company contributes to the MPF Scheme for all qualifying employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Contributions to the scheme by the Company and the employees are calculated as a percentage of employee's relevant income, subject to a cap of monthly relevant income of HK\$20,000. The retirement benefit scheme costs charged to the statement of comprehensive income represent contributions payable by the Company to the fund. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund.

**21 Transactions and balances with related parties**

There were no significant transactions and balances with related parties of the Company during the year or at the balance sheet date.



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**22 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31st March, 2011**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31st March, 2011 and which have not been early adopted in these financial statements.

The Company is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

In addition, the following developments, may result in new or amended disclosures in the financial statements:

	<b>Effective for accounting periods beginning on or after</b>
Revised HKAS 24, Related party disclosures	1st January, 2011
HKFRS 9, Financial instruments	1st January, 2013
Improvements to HKFRSs 2010	1st July, 2010 or 1st January, 2011