

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

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012

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, 2012.

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, 2012 and the state of the Company's affairs as at that date are set out in the financial statements on pages 3 to 21.

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
Mr. MONG Tak Yeung, David
Mr. CHUNG Shu Kun, Christopher, BBS, MH, JP
Ms. AU Ching Mei, Corona, MH
Mr. CHAN Cheuk Chi
Ms. CHEUNG Sum Yu, Fiona, MH
Ms. CHING Yuen Man, Angela
Prof. FONG Chee Fun, Gilbert
Mr. YICK Chi Ming, Frankie

In accordance with Articles 39 and 40 of the Company's Articles of Association, Mr. CHUNG Shu Kun, Christopher, BBS, MH, JP, Ms. AU Ching Mei, Corona, MH, Mr. CHAN Cheuk Chi, Ms. CHING Yuen Man, Angela, Prof. FONG Chee Fun, Gilbert, Mr. YICK Chi Ming, Frankie will retire by rotation; and Dr. NG Chui Yiu, Jennifer and Ms. CHEUNG Sum Yu, Fiona, MH, 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, 18 Jul 2012

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 21, which comprise the balance sheet as at 31st March, 2012, 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 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 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, 2012, 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, 18 Jul 2012

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH, 2012

	Notes	2012 HK\$	2011 HK\$
Income			
Government subvention		30,082,018	30,050,619
Box office income		9,662,793	6,872,620
Commissioned programme fee income		2,607,005	2,597,764
Outreach, education and other activities income		2,177,551	1,241,755
Other income	5	<u>1,938,193</u>	<u>960,071</u>
		<u>46,467,560</u>	<u>41,722,829</u>
Expenditure			
Production costs		14,784,757	12,026,835
Marketing and promotion expenses		3,676,679	3,079,855
Personal emoluments		18,677,196	18,624,112
Other operating expenses		<u>7,504,606</u>	<u>6,160,337</u>
		<u>44,643,238</u>	<u>39,891,139</u>
Surplus for the year	6	1,824,322	1,831,690
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive surplus for the year		<u><u>1,824,322</u></u>	<u><u>1,831,690</u></u>

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)

BALANCE SHEET

AS AT 31ST MARCH, 2012

	Notes	2012 HK\$	2011 HK\$
Non-current assets			
Property, plant and equipment	9	<u>1,437,920</u>	<u>1,102,183</u>
Current assets			
Prepayments	10	2,469,390	1,358,401
Deposits and accounts receivable	10	2,401,113	1,245,505
Bank term deposits	11	7,191,422	6,419,102
Cash and cash equivalents	11	<u>4,579,433</u>	<u>4,488,188</u>
		<u>16,641,358</u>	<u>13,511,196</u>
Current liabilities			
Box office income and others received in advance	12	760,162	330,993
Accounts payable and accruals	12	<u>3,289,908</u>	<u>2,140,430</u>
		<u>4,050,070</u>	<u>2,471,423</u>
Net current assets		<u>12,591,288</u>	<u>11,039,773</u>
Net assets		<u><u>14,029,208</u></u>	<u><u>12,141,956</u></u>
RESERVES			
Accumulated surplus			
General activities	13	9,349,702	7,839,081
Outbound cultural exchange activities	14	2,130,973	1,884,106
Venue partnership scheme activities	15	<u>624,937</u>	<u>558,103</u>
		12,105,612	10,281,290
Development fund	16	<u>1,923,596</u>	<u>1,860,666</u>
Total reserves		<u><u>14,029,208</u></u>	<u><u>12,141,956</u></u>

The financial statements were approved and authorised for issue by the Council on 18 Jul 2012

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, 2012

	Accumulated surplus					Total
	General activities	Outbound cultural exchange activities (note 14)	Venue partnership scheme activities (note 15)	Sub-total	Development fund (note 16)	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Total reserves at 1st April, 2010	6,960,756	976,786	512,058	8,449,600	1,725,177	10,174,777
Net movements in development fund (note 16)	-	-	-	-	135,489	135,489
Total comprehensive surplus for the year	878,325	907,320	46,045	1,831,690	-	1,831,690
Total reserves at 31st March, 2011	7,839,081	1,884,106	558,103	10,281,290	1,860,666	12,141,956
Net movements in development fund (note 16)	-	-	-	-	62,930	62,930
Total comprehensive surplus for the year	1,510,621	246,867	66,834	1,824,322	-	1,824,322
Total reserves at 31st March, 2012	9,349,702	2,130,973	624,937	12,105,612	1,923,596	14,029,208

**HONG KONG REPERTORY THEATRE LIMITED
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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH, 2012

	2012	2011
	HK\$	HK\$
Cash flows from operating activities		
Surplus for the year	1,824,322	1,831,690
Adjustments for:		
Gain on disposal of property, plant and equipment	-	(3,000)
Interest income	(86,339)	(28,237)
Depreciation	1,077,838	647,434
Operating profit before changes in working capital	<u>2,815,821</u>	<u>2,447,887</u>
Prepayments	(1,110,989)	211,331
Deposits and accounts receivable	(1,155,608)	(234,933)
Bank term deposits	(772,320)	(6,419,102)
Box office income and others received in advance	429,169	29,143
Accounts payable and accruals	1,149,478	(196,568)
Net cash generated from/(used in) operating activities	<u>1,355,551</u>	<u>(4,162,242)</u>
Cash flows from investing activities		
Payment for the purchase of property, plant and equipment	(1,413,575)	(1,486,610)
Proceeds from disposal of property, plant and equipment	-	3,000
Interest received	86,339	28,237
Net cash used in investing activities	<u>(1,327,236)</u>	<u>(1,455,373)</u>
Cash flows from financing activities		
Increase in development fund	62,930	135,489
Net cash generated from financing activities	<u>62,930</u>	<u>135,489</u>
Net increase/(decrease) in cash and cash equivalents	91,245	(5,482,126)
Cash and cash equivalents at 1st April	<u>4,488,188</u>	<u>9,970,314</u>
Cash and cash equivalents at 31st March (note 11)	<u><u>4,579,433</u></u>	<u><u>4,488,188</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2012

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
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NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2012

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, 2012

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, 2012

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
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NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2012

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-subsented 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

(a) A person, or a close member of that person's family, is related to the Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or the Company's parent.

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

NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2012

3 Summary of significant accounting policies - Continued

(l) Related parties - continued

(b) An entity is related to the Company if any of the following conditions applies:

- (i) The entity and the Company are member of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person 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 adoption 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, 2012

5 Other income

	2012	2011
	HK\$	HK\$
Advertisement income	64,080	79,200
Bank interest income	86,339	28,237
Donation and sponsorship received	1,431,801	701,532
Gain on disposal of property, plant and equipment	-	3,000
Membership fees received	21,000	4,700
Rental of props, costume and equipment	104,241	98,188
Souvenirs sales and royalty income	62,542	29,530
Sundry income	168,190	15,684
	<u>1,938,193</u>	<u>960,071</u>

6 Surplus for the year

Surplus for the year is stated after charging:

	2012	2011
	HK\$	HK\$
Auditors' remuneration	28,000	26,000
Depreciation	1,077,838	647,434
Operating leases		
- office premises rental	2,136,045	2,099,617
- venue rental	2,999,483	2,809,942
Staff costs		
- salaries and allowances	18,116,103	18,054,556
- MPF contributions	561,093	569,556
- temporary and part-time staff	52,589	55,466
- training and welfare	95,183	36,554
	<u>18,116,103</u>	<u>18,054,556</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, 2012

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 (2011: Nil).

9 Property, plant and equipment

	Furniture and fixtures HK\$	Office and computer equipment HK\$	Audio and stage equipment HK\$	Total HK\$
Cost				
At 1st April, 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)
	<u>1,409,443</u>	<u>764,080</u>	<u>1,727,619</u>	<u>3,901,142</u>
At 31st March, 2011	1,409,443	764,080	1,727,619	3,901,142
Additions	437,136	252,824	723,615	1,413,575
	<u>1,846,579</u>	<u>1,016,904</u>	<u>2,451,234</u>	<u>5,314,717</u>
At 31st March, 2012	1,846,579	1,016,904	2,451,234	5,314,717
Accumulated depreciation				
At 1st April, 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)
	<u>678,188</u>	<u>667,593</u>	<u>1,453,178</u>	<u>2,798,959</u>
At 31st March, 2011	678,188	667,593	1,453,178	2,798,959
Charge for the year	511,340	142,435	424,063	1,077,838
	<u>1,189,528</u>	<u>810,028</u>	<u>1,877,241</u>	<u>3,876,797</u>
At 31st March, 2012	1,189,528	810,028	1,877,241	3,876,797
Net book value				
At 31st March, 2012	<u>657,051</u>	<u>206,876</u>	<u>573,993</u>	<u>1,437,920</u>
At 31st March, 2011	<u>731,255</u>	<u>96,487</u>	<u>274,441</u>	<u>1,102,183</u>

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

NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2012

10 Prepayments/deposits and accounts receivable

Apart from the deposits amounted to HK\$191,060 (2011: HK\$171,963), 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

	2012	2011
	HK\$	HK\$
Cash at banks and in hand	2,065,351	1,985,414
Short-term bank deposits	9,705,504	8,921,876
	<u>11,770,855</u>	<u>10,907,290</u>
Less: Bank term deposits matured beyond 3 months	7,191,422	6,419,102
	<u>4,579,433</u>	<u>4,488,188</u>

The effective interest rates on short term deposits were ranged from 0.05% to 1.5% per annum (2011: 0.01% to 0.7% per annum). These deposits have an average duration of maturity ranged from 2 weeks to 6 months (2011: 2 weeks to 6 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.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2012

14 Outbound cultural exchange activities

	2012	2011
	HK\$	HK\$
Balance at 1st April	<u>1,884,106</u>	<u>976,786</u>
Income:		
Government subvention	1,000,000	1,000,000
Box office income	310,867	-
Commissioned programme fee income	287,257	458,444
Donation and sponsorship received	351,483	14,000
Bank interest income	826	229
Sundry income	669	-
	<u>1,951,102</u>	<u>1,472,673</u>
Expenditure:		
Production costs	695,055	461,136
Marketing and promotion expenses	354,311	44,821
Other operating expenses	654,869	59,396
	<u>1,704,235</u>	<u>565,353</u>
Surplus for the year	<u>246,867</u>	<u>907,320</u>
Balance at 31st March	<u><u>2,130,973</u></u>	<u><u>1,884,106</u></u>

An earmarked grant of HK\$1,000,000 (2011: 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

	2012	2011
	HK\$	HK\$
Balance at 1st April	<u>558,103</u>	<u>512,058</u>
Income:		
Government subvention	1,376,017	1,344,619
Box office income	107,834	199,265
Bank interest income	402	165
	<u>1,484,253</u>	<u>1,544,049</u>
Expenditure:		
Production costs	652,663	680,746
Marketing and promotion expenses	132,474	180,440
Personal emoluments	605,259	585,593
Other operating expenses	27,023	51,225
	<u>1,417,419</u>	<u>1,498,004</u>
Surplus for the year	<u>66,834</u>	<u>46,045</u>
Balance at 31st March	<u><u>624,937</u></u>	<u><u>558,103</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 (2011: HK\$1,241,000) was granted to the Company in support of the scheme activities. In 2011, 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\$135,017 (2011: HK\$103,619) is received from the Department to support the programme.

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16 Development fund

	2012	2011
	HK\$	HK\$
Balance at 1st April	<u>1,860,666</u>	<u>1,725,177</u>
Income:		
Donation and sponsorship received	71,700	132,000
Bank interest income	<u>15,148</u>	<u>3,865</u>
	<u>86,848</u>	<u>135,865</u>
Expenditure:		
Fund-raising expenses	1,500	-
Project expenses	21,790	-
Other operating expenses	<u>628</u>	<u>376</u>
	<u>23,918</u>	<u>376</u>
Surplus for the year	<u>62,930</u>	<u>135,489</u>
Balance at 31st March	<u><u>1,923,596</u></u>	<u><u>1,860,666</u></u>

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 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, 2012, the Company's total future minimum lease payments under non-cancellable operating lease is payable as follows:

	2012	2011
	HK\$	HK\$
Land and buildings		
Within one year	1,896,428	2,136,045
After one and within five years	<u>-</u>	<u>1,896,428</u>
	<u><u>1,896,428</u></u>	<u><u>4,032,473</u></u>

The Company leases certain office premises 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.

(a) Credit risk

The main income of the Company is subvention from the Government, hence, the major debtors at 31st March, 2012 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.

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19 Financial risk management - Continued

(B) Financial risk factors - continued

(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.

	2012			2011		
	Carrying amount HK\$	Total contractual undiscounted cash flow HK\$	Within 1 year or on demand HK\$	Carrying amount HK\$	Total contractual undiscounted cash flow HK\$	Within 1 year or on demand HK\$
Accounts payable and accruals	3,289,908	3,289,908	3,289,908	2,140,430	2,140,430	2,140,430

(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\$97,000 (2011: HK\$89,000). The analysis is performed on the same basis for 2011.

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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.

22 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31st March, 2012

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, 2012 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:

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Presentation of financial statements - Presentation of items of other comprehensive income	1st July, 2012
HKFRS 9	Financial instruments	1st January, 2015