

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

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 31 March 2016.

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 31 March 2016 and the state of the Company's affairs as at that date are set out in the financial statements on pages 3 to 31.

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

Mr. MONG Tak Yeung, David

Hon. YICK Chi Ming, Frankie, JP

Mr. CHAN Cheuk Chi

Ms. AU Ching Mei, Corona, MH

Ms. CHEUNG Sum Yu, Fiona, MH

Ms. CHING Yuen Man, Angela

Mr. CHU Man Chung

Prof. LUK Yun Tong

Mr. MA Ching Cheng

Mr. SIU Chor Kee, BBS, MH, JP

In accordance with Articles 39 to 40 of the Company's Articles of Association, Dr. Wai-man WOO, BBS will retire in the forthcoming annual general meeting. All remaining Council Members, except Mr. MONG Tak Yeung, David, will retire by rotation but eligible for re-election in the forthcoming annual general meeting.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
REPORT OF THE COUNCIL MEMBERS

Council Members' interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts 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.

Business review

Our Business

The Hong Kong Repertory Theatre Limited is the longest standing and largest professional theatre company in the city established in 1977 and incorporated in 2001. Being a non-profit-making organisation and financially supported by the Government of the Hong Kong Special Administrative Region, the Company has presented more than 300 productions, many of which have become classics of the local theatre canon since its establishment.

The Company is committed in promoting theatre art through the production and development of high quality, innovative and diverse repertoires, encompassing Chinese, international, classic, and contemporary theatre, as well as original new work by local artists. Its areas of activities are:

A balance repertoire

A selected programme of local original works, and translations and adaptations of classic and contemporary plays from Mainland and internationally. The Company collaborates with playwrights, directors, actors, designers and other talent within and outside of the Company, to create new mainstream theatre production of artistic excellence.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
REPORT OF THE COUNCIL MEMBERS

Business review (continued)

Black box theatre production

Flexible in approach, the Black Box Theatre provides a space where writers and practitioners can explore, take risks and experiment to create new material and modes of performances, in order to cultivate and stretch the boundaries of theatre arts.

Outreach and education

Bringing theatre to life through courses and workshops, the Company aims to provide theatre education and skills development for adults and children via the many facets of theatre. It also works to increase the audiences' awareness towards and appreciation of theatre through dedicated performances for students as well as the wide community.

International exchange

Through the strengthening of exchanges with the Mainland and internationally, the Company tours regularly in order to promote Hong Kong's local theatre culture and to develop opportunities for collaborations and performance across the border and overseas.

Theatre literature

Through a varied programme of new writing development, Reader's Theatre, seminars, review and publication of theatre literature, the Company aims to encourage, document, preserve and consolidate creative activities in theatre.

Financial Highlights

Total income

The total income of the Company of the year is HK\$56.61 million (2015: HK\$60.63 million), of which HK\$38.37 million (2015: HK\$38.97 million) were subventions received from the Government, accounted for 67.8% (2015: 64.3%) of its total income.

Government subsidies

Total Government subsidy comprises recurrent subvention from Home Affairs Bureau of HK\$37.07 million, which is at the same level of the 2015 level,; contestable funding for the "New Wrighting Series" HK\$1.00 million (2015: HK\$1.63 million), and from Leisure and Cultural Services Department funding for the Arts Administrator Training Scheme HK\$0.30 million (2015: HK\$0.27 million).

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
REPORT OF THE COUNCIL MEMBERS

Business review (continued)

Earned income

Total earned income of the year is HK\$18.24 million (2015: HK\$21.66 million). Decline in earned income in the year is mainly attributed to reduction in local main stage productions and performances (7 and 81 respectively in 2016 vs 10 and 127 in 2015) to cope with the more frequent overseas tours (13 in 2016 vs 6 in 2015). Box office and performance income dropped from HK\$12.36 million in 2015 to HK\$9.04 million in 2016.

Expenditure

Total expenditure of the year is HK\$58.77 million (2015: HK\$59.85 million). Notwithstanding the increase in personal emolument expenses of HK\$2.40 million in the year (HK\$26.26 in 2016 vs HK\$23.86 million in 2015) as a result of most of the vacant posts in 2015 were filled in 2016, savings from lesser in productions result to a decrease of HK\$1.08 million in total expenditure.

Net result of the year

Owing to the decline in earned income this year, the Company ends up with a deficit of HK\$2.16 million in 2016 (2015: surplus HK\$0.77 million).

Liquidity

The Company regularly monitors its current and expected liquidity requirements to ensure that it maintains sufficient reserves and bank balances to meet its liquidity requirement in the short and longer term. As at 31 March 2016, the total cash and bank deposits of the Company is HK\$20.52 million (2015: HK\$16.69 million) and its current ratio (current assets/current liabilities) is 2.8 (2015: 3.9).

Key Performance Indicators

No. of performances/activities and audience/participants

During the year, the Company presented 7 main stage productions, 8 black box productions and 11 co-productions, totaling 26 productions in all with 430 performances in aggregate (2015: 10 main stage productions, 6 black box productions, 6 co-productions, totaling 236 performances). The significant increase in the no. of performances is mainly attributed to 199 rounds of *Etiquette* presented at a coffee shop to provide interactive theatrical experience to the 2 audiences/participants at each round. As a result of lesser main stage productions in 2016, total no. of audience decreases from 72,894 in 2015 to 54,288 this year. Average attendance of the year is at 87% (2015: 85%).

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
REPORT OF THE COUNCIL MEMBERS

Business review (continued)

In year 2016, the Company organised 13 overseas tours with total 61 performances and activities, attracting 18,667 audiences/participants (2015: 6 tours, 47 performances and activities, 12,166 audiences/participants).

The Outreach and Education Unit of the Company conducted a total of 2,169 sessions of activities involving 75,830 participants during the year (2,377 sessions and 98,490 participants in 2015). The decrease is due to lacking of the ICAC school project (In 2015: 206 performances, 30,900 participants).

Awards and Honours

At the 25th Hong Kong Drama Awards, the Company received 22 nominations and 10 award honours:

- *The Sin Family*
Best Actress (Comedy/Farce) and one of the Top Ten Productions;
- *The Abandoned Harbour*
Best Script and one of the Top Ten Productions;
- *Marriage*
Best Actress (Tragedy/Drama), Best Set Design, Best Costume Design, Best Lighting Design and one of the Top Ten Productions;
- *Farewell the Good Old Days*
Best Supporting Actress (Tragedy/Drama)

The Company also received 3 nominations from the 8th Hong Kong Theatre Libre Awards, and 2 black box productions *White Blaze of the Morning* and *Invisible Men* were awarded Best Script and Best Actor respectively.

At the 10th Chinese Drama Festival (Hong Kong 2016), *Footprints in the Snow* won the Excellent Production and Excellent Actor awards.

Compliance with Relevant Laws and Regulations

The Company is committed to operate in compliance with all relevant laws and regulations. Whenever needs arise, the Company will consult the Honorary Legal Advisor it engaged.

During the year, there were no major legal issues concerning the Company.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
REPORT OF THE COUNCIL MEMBERS

Business review (continued)

Environmental Policies and Performances

This is Hong Kong Repertory Theatre's ongoing concern to ensure that it is always an environmentally friendly company. The Company is committed to observe all environmental principles of conservation of energy and minimisation of waste. The Company works with its employees, directors, designers and other partners consciously making sure that all items produced for performances and activities, including sets, props and costumes, are in the manner of resources conservation and reduction of waste.

Key Relationship with Stakeholders

Being a Government subvented non-profit-making organisation, the Company follows suit and observes all regulations and requirements specified by the Government. As its application of fund is accountable to stakeholders like the Government and sponsors, the Company seeks to operate in a transparency manner, discloses information through various communication channels to allow the public and stakeholders to have a clear and through picture of the work and result of the Company.

The Company considers its employees as valuable assets. Internal operating policy is in place to ensure the performance of staff employed are properly monitored, fairly assessed and rewarded, contract renewal and termination of staff are properly executed. Through the Staff Development Training Assistance Scheme, eligible staff are given opportunities and financial supports for development of their potential, enhancement of professional knowledge and improvement of work efficiency.

To facilitate the Company to improve and enhance its productions, as well as to review and further refine its marketing strategy, the Company collects views and comments from its audience by inviting them to complete survey questionnaires distributed at all its performance venues. The Company partnered with The Chinese University of Hong Kong's Psychology of Theatre Research Group to conduct face-to-face audience surveys at selected performances, to gauge the audience level of satisfaction on various aspects of the Company, their preferences on the type of production, their profile and media habits.

To enable the disables to enjoy theatre shows, the Company works with the Jockey Club Arts Accessibility Services Centre, Arts with the Disabled Association Hong Kong to provide accessible captions (Chinese), theatrical interpretation, and/or audio description (Cantonese) at 8 selected performances of different productions during the year.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
REPORT OF THE COUNCIL MEMBERS

Business review (continued)

Principal Risks and Uncertainties

Business risk

Government funding represents a significant part of the source of income of the Company. Any changes to the Government policy on its subvention to the Company may have vital effect on the future development of the Company.

Changes in economic condition will have direct impact on consumers spending on cultural and leisure goods. Theatre-going is not a necessity product for most of the public, economic depression may affect the Company's performance adversely.

Financial risk

Details of the financial risks faced by the Company are set out in Note 20 to the Financial Statements.

Subsequent Events

There is no particular important events occurred since the end of the financial year that may significantly affect the Company.

Future Development

As the city's flagship theatre company, the Hong Kong Repertory Theatre will continue to adhere to the mainstream works, lay stress on dramatic text, and explore new materials and modes, in a view to develop the audiences' interest and appreciation of life theatre for enriching the city's cultural life. In addition, the Company will continue to organize arts education programme for schools as well as holding regular and structured courses for different levels of learners. The Company will further explore cross-border cultural exchanges and sourcing more performance opportunities in the Mainland as well as other territories to ultimately forge a stronger, more distinctive and truly world-class identity.

**HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
REPORT OF THE COUNCIL MEMBERS**

Permitted Indemnity and Council Members' and Officers' Liability Insurance

There being no provision in the Company's Articles of Association for the permitted indemnity and liability insurance coverage for the Council Members and officers of the Company, and subject to the provisions of the Hong Kong Companies Ordinance (Cap. 622), the Company has not arranged appropriate liability insurance coverage for the Council Members and officers of the Company 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, 26 JUL 2016

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 31, which comprise the statement of financial position as at 31 March 2016, 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 405 of the Hong Kong Companies Ordinance (Cap. 622), 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.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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)

9/F., Tung Ning Building,
249-253 Des Voeux Road Central,
Hong Kong,

28 JUL 2016

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

| | Notes | 2016 HK\$ | As restated 2015 HK\$ |
|---|-------|--------------------|-----------------------------|
| Income | | | |
| Government subvention | | 38,365,128 | 38,966,897 |
| Box office and performance income | | 9,041,027 | 12,363,174 |
| Outreach, education and other activities income | | 6,157,132 | 6,250,672 |
| Donation and sponsorship | | 2,810,110 | 2,649,622 |
| Other income | 5 | 235,060 | 395,913 |
| | | <u>56,608,457</u> | <u>60,626,278</u> |
| Expenditures | | | |
| Production costs | | 18,524,038 | 21,950,531 |
| Marketing and promotion expenses | | 4,412,560 | 4,512,206 |
| Personal emoluments | | 26,259,150 | 23,858,276 |
| Other operating expenses | | 9,572,418 | 9,530,812 |
| | | <u>58,768,166</u> | <u>59,851,825</u> |
| (Deficit)/surplus for the year | 6 | (2,159,709) | 774,453 |
| Other comprehensive income | | - | - |
| | | <u>-</u> | <u>-</u> |
| Total comprehensive (deficit)/surplus for the year | | <u>(2,159,709)</u> | <u>774,453</u> |

The notes on pages 8 to 31 are an integral part of these financial statements.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

| | Notes | 2016 HK\$ | 2015 HK\$ |
|---|-------|-------------------|-------------------|
| Non-current assets | | | |
| Property, plant and equipment | 9 | <u>1,198,078</u> | <u>1,884,108</u> |
| Current assets | | | |
| Prepayments | 10 | 2,556,810 | 1,846,528 |
| Deposits and accounts receivable | 10 | 1,832,658 | 4,846,125 |
| Bank term deposits | 11 | 3,473,125 | 8,435,783 |
| Cash and cash equivalents | 11 | <u>17,050,834</u> | <u>8,250,117</u> |
| | | <u>24,913,427</u> | <u>23,378,553</u> |
| Current liabilities | | | |
| Box office and performance income and others received in advance | 12 | 5,912,626 | 2,981,220 |
| Accounts payable and accruals | 12 | <u>2,847,320</u> | <u>2,950,237</u> |
| | | <u>8,759,946</u> | <u>5,931,457</u> |
| Net current assets | | <u>16,153,481</u> | <u>17,447,096</u> |
| Net assets | | <u>17,351,559</u> | <u>19,331,204</u> |

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2016

| | Notes | 2016 HK\$ | 2015 HK\$ |
|--|-------|-------------------|-------------------|
| RESERVES | | | |
| Accumulated surplus | | | |
| General activities | 13 | 13,596,124 | 14,639,474 |
| Contestable funding pilot scheme | 15 | 49 | 26 |
| Drama in pre-primary education project | 16 | 242,918 | 1,359,300 |
| Development fund | 17 | 3,512,468 | 3,332,404 |
| Total reserves | | <u>17,351,559</u> | <u>19,331,204</u> |

The financial statements were approved and authorised for issue by the Council on **28 JUL 2016** and are signed on its behalf by:

Dr. Wai-man WOO, BBS
CHAIRMAN

Mr. CHAN Cheuk Chi
TREASURER

The notes on pages 8 to 31 are an integral part of these financial statements.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016

| | Accumulated surplus | | | Contestable funding pilot scheme (note 15) HK\$ | Drama in pre- primary education project (note 16) HK\$ | Development fund (note 17) HK\$ | Total HK\$ |
|--|--|---|-------------------|--|--|--|---------------|
| | General activities (note 13) HK\$ | Outbound cultural exchange Activities (note 14) HK\$ | Sub-total HK\$ | | | | |
| Total reserves at 1 April 2014 | 12,406,981 | 103,574 | 12,510,555 | - | 2,713,792 | 3,061,305 | 18,285,652 |
| Net movements in development fund (note 17) | - | - | - | - | - | 271,099 | 271,099 |
| Total comprehensive surplus/(deficit) for the year | 3,285,159 | (1,007,357) | 2,277,802 | (148,857) | (1,354,492) | - | 774,453 |
| Fund transfer | (1,052,666) | 903,783 | (148,883) | 148,883 | - | - | - |
| Total reserves at 31 March 2015 | 14,639,474 | - | 14,639,474 | 26 | 1,359,300 | 3,332,404 | 19,331,204 |
| Net movements in development fund (note 17) | - | - | - | - | - | 180,064 | 180,064 |
| Total comprehensive surplus/(deficit) for the year | (1,043,350) | - | (1,043,350) | 23 | (1,116,382) | - | (2,159,709) |
| Total reserves at 31 March 2016 | 13,596,124 | - | 13,596,124 | 49 | 242,918 | 3,512,468 | 17,351,559 |

The notes on pages 8 to 31 are an integral part of these financial statements.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016

| | 2016 | 2015 |
|---|-------------------|--------------------|
| | HK\$ | HK\$ |
| Operating activities | | |
| (Deficit)/surplus for the year | (2,159,709) | 774,453 |
| Adjustments for: | | |
| Interest income | (53,293) | (119,026) |
| Depreciation | 1,262,028 | 1,444,069 |
| Gain on disposal of property, plant and equipment | (24,542) | (1,000) |
| Operating cash flows before changes in working capital | <u>(975,516)</u> | <u>2,098,496</u> |
| Prepayments | (710,282) | (90,422) |
| Deposits and accounts receivable | 3,013,467 | (1,408,372) |
| Bank term deposits | 4,962,658 | 1,476,611 |
| Box office and performance income and others received in advance | 2,931,406 | 160,064 |
| Accounts payable and accruals | (102,917) | (1,315,143) |
| Net cash generated from operating activities | <u>9,118,816</u> | <u>921,234</u> |
| Investing activities | | |
| Payment for the purchase of property, plant and equipment | (575,998) | (2,442,237) |
| Proceeds for disposal of property, plant and equipment | 24,542 | 1,000 |
| Interest received | 53,293 | 119,026 |
| Net cash used in investing activities | <u>(498,163)</u> | <u>(2,322,211)</u> |
| Financing activity | | |
| Increase in development fund | 180,064 | 271,099 |
| Net cash generated from financing activity | <u>180,064</u> | <u>271,099</u> |
| Net increase/(decrease) in cash and cash equivalents | 8,800,717 | (1,129,878) |
| Cash and cash equivalents at the beginning of the year | <u>8,250,117</u> | <u>9,379,995</u> |
| Cash and cash equivalents at the end of the year (note 11) | <u>17,050,834</u> | <u>8,250,117</u> |

The notes on pages 8 to 31 are an integral part of these financial statements.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

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 and principle place of business 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.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

3 Summary of significant accounting policies

(a) Basis of preparation of the financial statements

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

(ii) Restatement of expenditures

During the year, the committees consider that it is more appropriate to reclassify certain expenditures of postage, transportation and travelling under “production costs and marketing expenses and promotion expenses” in instead of “other operating expenses”.

Accordingly, other operating expenses of HK\$629,565 for the year ended 31 March 2015 were reclassified to productions costs of HK\$281,884, and marketing and promotion expenses of HK\$347,681 for the year ended 31 March 2015 respectively to conform to the current year's presentation. Certain comparative figures have been restated in respect of this matter and the effects are shown as below reconciliation.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

3 Summary of significant accounting policies (Continued)

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

(ii) Restatement of expenditures (continued)

Reconciliation

The following reconciliations show the effects of the above matter on the Company's expenditure for the year ended 31 March 2015.

| | As previously reported HK\$ | Effects on matters as stated (increase/ (decrease) results for the year) HK\$ | As restated HK\$ |
|--|--------------------------------------|---|------------------------|
| For the year ended 31 March 2015: | | | |
| EXPENDITURES: | | | |
| Production costs | | | |
| General activities | 14,281,938 | 172,983 | 14,454,921 |
| Outbound cultural exchange activities | 832,048 | 105,787 | 937,835 |
| Contestable funding pilot scheme | 1,689,689 | 3,114 | 1,692,803 |
| Drama in pre-primary education projects | 688,650 | - | 688,650 |
| Others | 4,176,322 | - | 4,176,322 |
| | 21,668,647 | 281,884 | 21,950,531 |
| Marketing and promotion expenses | | | |
| General activities | 3,769,172 | 303,490 | 4,072,662 |
| Outbound cultural exchange activities | 35,168 | - | 35,168 |
| Contestable funding pilot scheme | 212,197 | 37,794 | 249,991 |
| Drama in pre-primary education projects | 147,988 | 6,397 | 154,385 |
| | 4,164,525 | 347,681 | 4,512,206 |
| Personal emoluments | 23,858,276 | - | 23,858,276 |
| Other operating expenses | | | |
| General activities | 9,425,252 | (476,473) | 8,948,779 |
| Outbound cultural exchange activities | 575,441 | (105,787) | 469,654 |
| Contestable funding pilot scheme | 130,505 | (40,908) | 89,597 |
| Drama in pre-primary education projects | 29,179 | (6,397) | 22,782 |
| | 10,160,377 | (629,565) | 9,530,812 |
| Total expenditures | 59,851,825 | - | 59,851,825 |

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

3 Summary of significant accounting policies (Continued)

(b) Property, plant and equipment (continued)

Property, plant and equipment are stated in the statement of financial position 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 the end of each reporting period 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 the statement of comprehensive income.

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 the statement of comprehensive income on the date of retirement or disposal.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

3 Summary of significant accounting policies (Continued)

(c) Deposits and accounts receivable

Deposits and accounts receivable are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less any allowance for impairment of bad and doubtful debts, except for the following receivables:

- short-term receivables without stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any allowance for impairment of bad and doubtful debts; and
- 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 allowance for impairment of bad and doubtful debts.

At the end of each reporting period, the Company assesses whether there is any objective evidence that a receivable or group of receivables is impaired. Impairment losses on trade and other receivables are recognised in profit or loss when there is objective evidence that an impairment loss has been incurred and are measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at its original effective interest rate, i.e. the effective interest rate computed at initial recognition. The impairment loss is reversed, through profit or loss if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised.

(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.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

3 Summary of significant accounting policies (Continued)

(e) Accounts payable and accruals

Accounts payable and accruals are initially recognised at fair value and subsequently stated 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.

(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.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

3 Summary of significant accounting policies (Continued)

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Provided it is probable that the economic benefits will flow to the Company and the revenue and the costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

- (i) Government subvention are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and conditions and requirement attached to them as stipulated in the agreement entered with the Government can be fulfilled. Grants that compensate the Company for expenses incurred are recognised as government subvention in profit or loss on a systematic basis in the same periods in which the expense are incurred. Grants that compensate the Company for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.
- (ii) Box office and performance income and outreach, education and other activities income are recognised when the performance presented.
- (iii) Donations received is recognised on cash receipt basis or in the period as specified by the donor.
- (iv) Other income is recognised on cash receipt and accrual basis.
- (v) Interest income is recognised using the effective interest method.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

3 Summary of significant accounting policies (Continued)

(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 end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

(ii) Retirement benefit costs

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) in Hong Kong 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.

(k) Development fund

The development fund is used for non-subvented projects which fall outside the ambit of Government Subvention through the Secretary of the Home Affairs. The profit or loss 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.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

3 Summary of significant accounting policies (Continued)

(I) Related parties

- (1) 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.
- (2) 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 (1).
 - (vii) A person identified in (1)(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).
 - (viii) The entity, or any member of a group of which it is apart, provides key management personal services to the Company or to the parent of the Company.

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.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

4 The adoption of new and revised HKFRS

The HKICPA has issued a number of new HKFRS and amendments to HKFRS that are first effective for the current accounting period of the Company. Of these, the following developments are relevant to the Company's financial statements:

- Amendments to HKAS 19 Employee benefits - Defined benefit plans: Employee contribution
- Annual improvements to HKFRSs 2010-2012 Cycle
- Annual improvements to HKFRSs 2011-2013 Cycle

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 (see note 23). Impacts of the adoption of the new or amended HKFRSs are discussed below:

Amendments to HKAS 19 Employee benefits - Defined benefit plans: Employee contribution

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the Company does not have defined benefit plans.

Annual improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Company's related party disclosures as the Company does not obtain key management personnel services from management entities.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

5 Other income

| | 2016 | 2015 |
|---|----------------|----------------|
| | HK\$ | HK\$ |
| Advertisement income | 30,650 | 12,400 |
| Bank interest income | 53,293 | 119,026 |
| Gain on disposal of property, plant and equipment | 24,542 | 1,000 |
| Membership income | 23,400 | 20,400 |
| Rental of props, costume and equipment | 61,450 | 76,910 |
| Souvenirs sales and royalty income | 32,821 | 115,965 |
| Sundry income | 8,904 | 50,212 |
| | <u>235,060</u> | <u>395,913</u> |

6 (Deficit)/surplus for the year

| | 2016 | 2015 |
|--|----------------|---------------|
| | HK\$ | HK\$ |
| (Deficit)/surplus for the year is arrived at after charging: | | |
| Auditors' remuneration | 38,500 | 58,000 |
| Depreciation | 1,262,028 | 1,444,069 |
| Operating leases: | | |
| - office premises rental | 3,771,774 | 3,373,344 |
| - venue rental | 3,153,773 | 3,711,338 |
| Staff costs: | | |
| - salaries and allowances | 25,310,053 | 23,005,264 |
| - MPF contributions | 949,097 | 853,012 |
| - temporary and part-time staff | 45,157 | 16,748 |
| - training and welfare | 161,948 | 41,409 |
| | <u>161,948</u> | <u>41,409</u> |

7 Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as there is no tax liability for the Company 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 - 31 MARCH 2016

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 (2015: Nil).

9 Property, plant and equipment

| | Furniture and fixtures HK\$ | Office and computer equipment HK\$ | Audio and stage equipment HK\$ | Total HK\$ |
|---------------------------------|--|---|---|-----------------------|
| Cost | | | | |
| At 1 April 2014 | 1,928,759 | 1,054,531 | 4,105,868 | 7,089,158 |
| Additions | 537,677 | 364,754 | 1,539,806 | 2,442,237 |
| Disposals | (185,755) | (24,800) | - | (210,555) |
| At 31 March 2015 | 2,280,681 | 1,394,485 | 5,645,674 | 9,320,840 |
| Additions | 174,758 | 120,440 | 280,800 | 575,998 |
| Disposals | - | (121,816) | (68,124) | (189,940) |
| At 31 March 2016 | 2,455,439 | 1,393,109 | 5,858,350 | 9,706,898 |
| Accumulated depreciation | | | | |
| At 1 April 2014 | 1,873,973 | 979,992 | 3,349,253 | 6,203,218 |
| Charge for the year | 206,619 | 172,637 | 1,064,813 | 1,444,069 |
| Written back on disposal | (185,755) | (24,800) | - | (210,555) |
| At 31 March 2015 | 1,894,837 | 1,127,829 | 4,414,066 | 7,436,732 |
| Charge for the year | 264,870 | 185,218 | 811,940 | 1,262,028 |
| Written back on disposal | - | (121,816) | (68,124) | (189,940) |
| At 31 March 2016 | 2,159,707 | 1,191,231 | 5,157,882 | 8,508,820 |
| Net book value | | | | |
| At 31 March 2016 | 295,732 | 201,878 | 700,468 | 1,198,078 |
| At 31 March 2015 | 385,844 | 266,656 | 1,231,608 | 1,884,108 |

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

10 Prepayments, deposits and accounts receivable

Apart from the deposits amounted to HK\$440,859 (2015: HK\$432,699), all the remaining balances 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 end of the reporting period 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

| | 2016 | 2015 |
|--|-------------------|-------------------|
| | HK\$ | HK\$ |
| Cash at banks and in hand | 4,191,474 | 1,938,710 |
| Bank deposits | 16,332,485 | 14,747,190 |
| | <u>20,523,959</u> | <u>16,685,900</u> |
| Less: Bank deposits matured beyond 3 months at acquisition | <u>3,473,125</u> | <u>8,435,783</u> |
| Cash and cash equivalents in the statement of financial position and the statement of cash flows | <u>17,050,834</u> | <u>8,250,117</u> |

The effective interest rates on short term deposits were ranged from 0.01% to 0.65% (2015: 0.01% to 0.85%) per annum. These deposits have an average duration of maturity ranged from 3 months to 6 months (2015: 1 month to 6 months).

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

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

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

13 General activities

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 expenditures 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. In determine this ratio, such expenditure and reserve will be adjusted to write off the property, plant and equipment in the year of purchase.

The ratio of reserves balance net of accumulated donation and sponsorship income to total expenditures in the subvention period at 31 March 2016 and 2015 are as follows.

| | 2016 | 2015 |
|--|-------------------|-------------------|
| | HK\$ | HK\$ |
| Reserves | | |
| Accumulated surplus | 13,596,124 | 14,639,474 |
| Drama in pre-primary education project | 242,918 | 1,359,300 |
| | <u>13,839,042</u> | <u>15,998,774</u> |
| Less: Net book value of property, plant and equipment | 1,198,078 | 1,884,108 |
| | <u>12,640,964</u> | <u>14,114,666</u> |
| Less: Accumulated donation and sponsorship income | 12,953,754 | 10,143,644 |
| | <u>(312,790)</u> | <u>3,971,022</u> |
| Expenditures in the subvention period after adjustments to write off property, plant and equipment in the year of purchase and net off the costs met by other Government funds | <u>56,436,457</u> | <u>58,393,631</u> |
| Ratio | <u>(0.6%)</u> | <u>7%</u> |

At 31 March 2016 and 2015, the reserves carried forward after deducting the accumulated donation and sponsorship income are less than 25% of the total expenditures in the subvention period.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

14 Outbound cultural exchange activities

| | 2016 | As restated |
|--|-------------|--------------------|
| | HK\$ | 2015 |
| | | HK\$ |
| Balance at the beginning of the financial period | - | 103,574 |
| Income: | | |
| Box office and performance income | - | 431,898 |
| Donation and sponsorship income | - | - |
| Bank interest income | - | - |
| Sundry income | - | 3,402 |
| | - | 435,300 |
| Expenditures: | | |
| Production costs | - | 937,835 |
| Marketing and promotion expenses | - | 35,168 |
| Other operating expenses | - | 469,654 |
| | - | 1,442,657 |
| Deficit for the year | - | (1,007,357) |
| | - | 903,783 |
| Fund transfer from general activities | - | (903,783) |
| Balance at the end of the financial period | - | - |

In previous years, an earmarked grant of HK\$1,000,000 per annum was received from the Government in support of the outbound cultural exchange activities of the Company. Any surplus resulted from carried out of such activities should be carried forward to future for the same use. However, started from the year 2013, the Government's grant for these activities was no longer separated but merged with the principle grant and thus, the surpluses brought down from previous years were continued to be used for the same activities until they fully exhausted. Any deficit would then be funded by the General Activities Accumulated Surplus of the Company.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

15 Contestable funding pilot scheme

(a) New-wrighing series

| | 2016 | As restated |
|--|-------------|--------------------|
| | HK\$ | 2015 HK\$ |
| (i) First round | | |
| Balance at the beginning of the financial period | - | - |
| Income: | | |
| Government subvention | - | 1,627,360 |
| Box office, performance income and other activities income | - | 561,115 |
| Bank interest income | - | 50 |
| | - | 2,188,525 |
| Expenditures: | | |
| Production cost | - | 1,740,524 |
| Marketing and promotion expenses | - | 249,991 |
| Personal emolument | - | 257,296 |
| Other operating expenses | - | 89,597 |
| | - | 2,337,408 |
| Deficit for the year | - | (148,883) |
| Fund transfer from general activities | - | 148,883 |
| Balance at the end of the financial period | - | - |

The first agreement entered with the Government on 22 January 2013 was completed in the year 2015. A total grant of HK\$2,680,000 was recognised as government subvention in the two years of 2014 and 2015 upon the completion and finalisation of the series, and a deficit of HK\$148,883 was recorded. The deficit was then transferred under the General Activities Accumulated Surplus of the Company.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

15 Contestable funding pilot scheme (Continued)

(a) New-wrighing series (continued)

| | 2016 | 2015 |
|--|------------------|-------------|
| | HK\$ | HK\$ |
| (ii) Second round | | |
| Balance at the beginning of the financial period | 26 | - |
| Income: | | |
| Government subvention | 991,582 | - |
| Box office, performance income and other activities income | 352,089 | - |
| Bank interest income | 136 | 26 |
| | <u>1,343,807</u> | <u>26</u> |
| Expenditures: | | |
| Production cost | 961,401 | - |
| Marketing and promotion expenses | 149,620 | - |
| Personal emolument | 188,977 | - |
| Other operating expenses | 43,835 | - |
| | <u>1,343,833</u> | <u>-</u> |
| (Deficit)/surplus for the year | <u>(26)</u> | <u>26</u> |
| Balance at the end of the financial period | <u>-</u> | <u>26</u> |

As per the second agreement entered with the Government, a total grant of HK\$2,131,500 would be received from the Government for the purpose of the series. Upto the reporting date, total amount of HK\$1,918,350 was received and credited to "Box office and performance income and others received in advance" account in the statement of financial position as a current liability. The liability would be recognised as government subvention according to the funding requirement of the programmes performed during the year. An amount of HK\$991,582 per above was recognised as subvention income for the year and left a balance of HK\$926,768 still remained as a liability in the statement of financial position as 31 March 2016. The fund received from the Government has been deposited in a separate local bank account with the interest earned from it credited as an income of the programme per above. The Company would bear the excess expenditure if any, upon the completion and finalisation of the series. However, if there were any unspent portion of the earmarked grant, it should be returned to the Government on the expiry or termination of such agreement.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

15 Contestable funding pilot scheme (Continued)

(b) Purchase of intelligent moving light system

| | 2016 HK\$ | 2015 HK\$ |
|---|--------------|--------------|
| Balance at the beginning of the financial period | - | - |
| Income: | | |
| Bank interest income | 49 | - |
| Surplus for the year and balance at the end of the financial period | 49 | - |

The Company has entered agreement with the Government on 15 January 2016, under which a total grant of HK\$3,417,000 would be received from the Government for the purpose of purchasing Intelligent Moving Lighting System. Upto the reporting date, total amount of HK\$3,075,300 was received and credited to “Box office and performance income and others received in advance” account in the statement of financial position as a current liability as the works of the proposal was only started shortly and remained at its very beginning stage. The liability would be transferred as government subvention when the prescribed assets are purchased. The fund received from the Government has been deposited in a separate local bank account with the interest earned from it credited as an income of the project per above. The Company would bear the excess project cost, if any, upon the completion and finalisation of the project. However, if there were, any unspent portion of the earmarked grant, it should be returned to the Government on the expiry or termination of such agreement.

16 Drama in pre-primary education project

An amount of HK\$4,812,240 was transferred from the General Activities Accumulated Surplus to set up a reserve to fund the project. A total amount of HK\$1,178,822 (2015: HK\$1,354,492) was spent under the project with Box office income received of HK\$62,440 during the year (2015: Nil). As at 31 March 2016, the balance carried forward was HK\$242,918 (2015: HK\$1,359,300).

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

17 Development fund

| | 2016 | 2015 |
|--|-------------------------|-------------------------|
| | HK\$ | HK\$ |
| Balance at the beginning of the financial period | <u>3,332,404</u> | <u>3,061,305</u> |
| Income: | | |
| Donation and sponsorship income | 323,810 | 243,762 |
| Bank interest income | 17,881 | 29,255 |
| | <u>341,691</u> | <u>273,017</u> |
| Expenditures: | | |
| Production cost | 160,800 | - |
| Other operating expenses | 827 | 1,918 |
| | <u>161,627</u> | <u>1,918</u> |
| Surplus for the year | <u>180,064</u> | <u>271,099</u> |
| Balance at the end of the financial period | <u><u>3,512,468</u></u> | <u><u>3,332,404</u></u> |

The development fund is used for non-subvented projects which fall outside the ambit of Government Subvention through the Secretary of the Home Affairs. The profit or loss 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.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

18 Commitments

Operating lease commitments

At 31 March 2016, the Company's total future minimum lease payments under non-cancellable operating leases is payable as follows:

| | 2016 | 2015 |
|--------------------------------------|-------------------|------------------|
| | HK\$ | HK\$ |
| Land and buildings | | |
| Within one year | 4,280,159 | 3,772,107 |
| After one year and within five years | 7,491,323 | 1,879,402 |
| | <u>11,771,482</u> | <u>5,651,509</u> |

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

19 Capital risk 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 in the statement of financial position. 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.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

20 Financial risk management and fair value of financial instruments

(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 market risk, credit risk and liquidity 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) Market risk

(i) Foreign currency risk

The Company has no significant 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\$205,000 (2015: HK\$167,000). The analysis is performed on the same basis for 2015.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

20 Financial risk management and fair value of financial instruments (Continued)

(B) Financial risk factors (continued)

(b) Credit risk

The major debtors at 31 March 2016 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.

(c) 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 end of the reporting period of the Company's non-derivative financial liabilities and derivative 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 end of the reporting period) and the earliest the Company can be required to pay.

| | 2016 | | | 2015 | | |
|-------------------------------|-----------------|--|----------------------------|-----------------|--|----------------------------|
| | 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 | 2,847,320 | 2,847,320 | 2,847,320 | 2,950,237 | 2,950,237 | 2,950,237 |

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

20 Financial risk management and fair value of financial instruments (Continued)

(C) Fair values measurement

Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Company's financial instruments stated at cost or amortised cost are not materially different from their fair values as at 31 March 2016 and 2015.

21 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\$30,000. 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.

22 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 end of the reporting period.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

23 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2016

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2016 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 and new standards is expected to be in the period of their initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results and financial position and will primarily only affect the presentation and disclosure of information in the financial statements.

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 HKFRSs | Annual Improvements to HKFRSs 2012-2014 Cycle | 1 January 2016 |
| Amendments to HKAS 1 | Disclosure Initiative | 1 January 2016 |
| Amendments to HKFRS 11 | Accounting for acquisitions of interests in joint operations | 1 January 2016 |
| Amendments to HKAS 16 and HKAS 38 | Clarification of acceptable method of depreciation and amortisation | 1 January 2016 |
| Amendments to HKAS 27 | Equity method in separate financial statements | 1 January 2016 |
| HKFRS 14 | Regulatory Deferral Accounts | 1 January 2016 |
| HKFRS 15 | Revenue from contracts with customers | 1 January 2018 |
| HKFRS 9 | Financial instruments (including hedges accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39) | 1 January 2018 |