

THE FOREIGN CORRESPONDENTS' CLUB, HONG KONG
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011



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**THE FOREIGN CORRESPONDENTS' CLUB, HONG KONG
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

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(For management purposes only)	

**THE FOREIGN CORRESPONDENT'S CLUB, HONG KONG
REPORT OF THE GOVERNORS**

The governors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The principal activities of The Foreign Correspondent's Club, Hong Kong (the "Club") are to provide food and drink, professional activities, entertainment and recreational and working space to members.

RESULTS

The results for the year ended 31 March 2011 and the state of the Club's affairs at that date are set out on pages 5 to 32.

TOTAL FUND

Movement in total fund of the Club during the year are set out on page 8 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

GOVERNORS

The governors who held office during the financial year and up to the date of this report were:

President

Anna Susan WOODFIELD
Tom MITCHELL

(resigned on 30 September 2010)

First Vice-President

Stephen VINES

Second Vice-President

Francis MORIARTY

Correspondent Member Governors

Thomas William EASTON

James Andrew LAURIE

Cornelis METSELAAR

Colum MURPHY

John Christopher SLAUGHTER

Ing Kwong WONG

Frederik Southam BALFOUR

Keith Vinson BRADSHER

Annemarie EVANS

Tara Anne JOSEPH

Peter Michael STEIN

Neil David WESTERN

(resigned on 20 May 2010)

(resigned on 20 May 2010)

(resigned on 20 May 2010)

(resigned on 20 May 2010)

(appointed on 20 May 2010)

(appointed on 27 November 2010)

(appointed on 20 May 2010)

(appointed on 23 June 2010)

(appointed on 20 May 2010)

**THE FOREIGN CORRESPONDENT'S CLUB, HONG KONG
REPORT OF THE GOVERNORS**

(Continued)

GOVERNORS (Continued)

Journalist Member Governors

Barclay Douglas CRAWFORD (resigned on 20 May 2010)
Jacob VAN DER KAMP
David Campbell LAGUE (appointed on 17 July 2010)

Associate Member Governors

John Stuart BATTEN (resigned on 20 May 2010)
Andrew Paul CHWOROWSKY
Thomas William Butler CRAMPTON
Masaharu USHIYAMA
Kevin Barry H. EGAN (appointed on 20 May 2010)

MANAGEMENT CONTRACTS

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

GOVERNORS' INTEREST IN CONTRACTS

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

AUDITORS

Crowe Horwath (HK) CPA Limited retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Crowe Horwath (HK) CPA Limited as auditor of the Club is to be proposed at the forthcoming annual general meeting.

On behalf of the Board



President
Hong Kong, 29 April 2011

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THE FOREIGN CORRESPONDENTS' CLUB, HONG KONG**
(Incorporated in Hong Kong with liability limited by guarantee)

We have audited the financial statements of The Foreign Correspondents' Club, Hong Kong (the "Club") set out on pages 5 to 32, which comprise the statement of financial position as at 31 March 2011, the income and expenditure account, statement of comprehensive income, the statement of changes in total fund and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Governors' responsibility for the financial statements

The governors 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 governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 governors, 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 AUDITORS' REPORT TO THE MEMBERS OF
THE FOREIGN CORRESPONDENTS' CLUB, HONG KONG**
(Incorporated in Hong Kong with liability limited by guarantee)

(Continued)

Opinion

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



Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 29 April 2011

Alvin Yeung Sik Hung
Practising Certificate Number P05206

THE FOREIGN CORRESPONDENTS' CLUB, HONG KONG
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2011
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2011</u> HK\$	<u>2010</u> HK\$
Income			
Bar and restaurant sales	4	33,187,319	31,602,328
Cost of sales		<u>(12,260,954)</u>	<u>(11,143,281)</u>
Gross profit		20,926,365	20,459,047
Other revenues	4	23,766,249	23,980,869
Expenditure			
Catering expenditure		(30,625,587)	(30,442,242)
Administrative expenditure		<u>(10,714,248)</u>	<u>(10,956,845)</u>
Surplus arising from operations	5	<u>3,352,779</u>	<u>3,040,829</u>
Other items			
Entrance fees		1,068,000	1,242,500
Interest income	6	86,765	115,811
Depreciation		<u>(2,344,467)</u>	<u>(2,084,103)</u>
		<u>(1,189,702)</u>	<u>(725,792)</u>
Surplus for the year		<u>2,163,077</u>	<u>2,315,037</u>

The accompanying notes form part of these financial statements.

THE FOREIGN CORRESPONDENTS' CLUB, HONG KONG
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011
(Expressed in Hong Kong dollars)

	<u>2011</u> HK\$	<u>2010</u> HK\$
Surplus for the year	2,163,077	2,315,037
Other comprehensive income for the year		
Gains on remeasuring available-for-sale investments	730,839	2,077,176
Total other comprehensive income for the year, net of tax	<u>730,839</u>	<u>2,077,176</u>
Total comprehensive surplus for the year	<u>2,893,916</u>	<u>4,392,213</u>

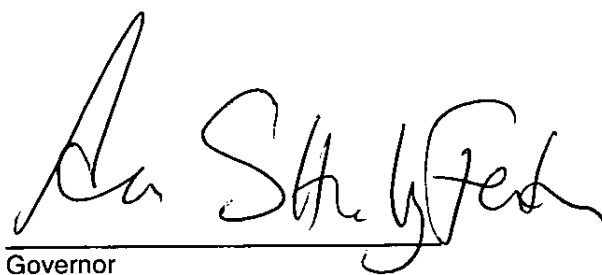
The accompanying notes form part of these financial statements.



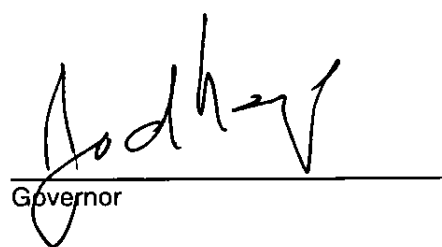
THE FOREIGN CORRESPONDENTS' CLUB, HONG KONG
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011
 (Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2011</u> HK\$	<u>2010</u> HK\$
Non-current assets			
Property, plant and equipment	9	12,543,883	10,113,494
Available-for-sale investments	10	<u>8,336,866</u>	<u>6,379,824</u>
		20,880,749	16,493,318
Current assets			
Inventories	11	515,960	631,968
Trade and other receivables	12	7,187,950	5,069,770
Cash and cash equivalents	13	25,526,816	29,089,946
		33,230,726	34,791,684
Current liabilities			
Trade and other payables	14	6,522,698	6,290,141
Provision	18	-	300,000
		<u>6,522,698</u>	<u>6,590,141</u>
Net current assets		<u>26,708,028</u>	<u>28,201,543</u>
NET ASSETS		<u>47,588,777</u>	<u>44,694,861</u>
TOTAL FUND	15	<u>47,588,777</u>	<u>44,694,861</u>

Approved and authorised for issue by the board of governors on 29 April 2011.



 Governor



 Governor

The accompanying notes form part of these financial statements.

THE FOREIGN CORRESPONDENTS' CLUB, HONG KONG
STATEMENT OF CHANGES IN TOTAL FUND
FOR THE YEAR ENDED 31 MARCH 2011
(Expressed in Hong Kong dollars)

	General fund <u>HK\$</u>	Investment revaluation reserve <u>HK\$</u>	Total fund <u>HK\$</u>
Balance at 1 April 2009	41,047,494	(744,846)	40,302,648
Comprehensive income			
Surplus for the year	2,315,037	-	2,315,037
Other comprehensive income			
Gains on remeasuring available-for-sale investments	-	2,077,176	2,077,176
Total comprehensive surplus	<u>2,315,037</u>	<u>2,077,176</u>	<u>4,392,213</u>
Balance at 31 March 2010	<u>43,362,531</u>	<u>1,332,330</u>	<u>44,694,861</u>
Balance at 1 April 2010	43,362,531	1,332,330	44,694,861
Comprehensive income			
Surplus for the year	2,163,077	-	2,163,077
Other comprehensive income			
Gains on remeasuring available-for-sale investments	-	730,839	730,839
Total comprehensive surplus	<u>2,163,077</u>	<u>730,839</u>	<u>2,893,916</u>
Balance at 31 March 2011	<u>45,525,608</u>	<u>2,063,169</u>	<u>47,588,777</u>

The accompanying notes form part of these financial statements.

THE FOREIGN CORRESPONDENTS' CLUB, HONG KONG
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2011</u> HK\$	<u>2010</u> HK\$
Operating activities			
Total surplus for the year		2,163,077	2,315,037
Adjustment for:			
Depreciation		2,344,467	2,084,103
Interest income		(86,765)	(115,811)
Bad debt written off		154,431	54,810
Dividend income		<u>(213,791)</u>	<u>(168,077)</u>
Operating surplus before changes in working capital		4,361,419	4,170,062
Decrease in inventories		116,008	184,292
Increase in trade and other receivables		(321,545)	(238,705)
(Decrease)/ increase in trade and other payables		<u>(67,443)</u>	<u>1,217,587</u>
Cash generated from operations		4,088,439	5,333,236
Investing activities			
Purchase of property, plant and equipment		(4,774,856)	(726,914)
Net withdraw/ (placement) of bank deposits		6,961,953	(4,077,141)
Interest received		86,765	115,811
Dividend received		213,791	195,424
Purchase of available-for-sale investment		(1,226,203)	-
Placement of deposits for fund investment		(1,951,066)	-
Net cash used in investing activities		<u>(689,616)</u>	<u>(4,492,820)</u>
Net increase in cash and cash equivalents		3,398,823	840,416
Cash and cash equivalents at 1 April		<u>17,375,592</u>	<u>16,535,176</u>
Cash and cash equivalents at 31 March	13	<u>20,774,415</u>	<u>17,375,592</u>

The accompanying notes form part of these financial statements.

**THE FOREIGN CORRESPONDENTS' CLUB, HONG KONG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

1. GENERAL INFORMATION

The Club is a company incorporated in Hong Kong limited by guarantee with no share capital. The address of its registered office and principal place of business in North Block, 2 Lower Albert Road, Central, Hong Kong.

The principal activities of the Club are to provide food and drink, professional activities, entertainment and recreational and working space to members.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations 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 the significant accounting policies adopted by the Club is set out below.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Club. Note 3 provides information on initial application of these developments to the extent that they are relevant to the Club for the current and prior accounting periods reflected in these financial statements.

b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- available-for-sale investments (see note 10).

Items included in the financial statements of each entity are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in Hong Kong dollars ("HKD"). Hong Kong dollar is the Club's functional and presentation currency.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of preparation of the financial statements (Continued)

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 22.

c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (see note 2(d)).

Depreciation is charged so as to write off the cost of assets over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Leasehold land and buildings	4%
Other fixed assets	20% - 33%

The original purchase costs of certain breakable kitchen and restaurant equipment have been capitalised but depreciation is not provided. Instead the costs of subsequent replacement equipment are charged directly to the income and expenditure account.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to club and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income and expenditure account during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 proceeds on disposal and the carrying amount of the item and are recognised in income and expenditure account on the date of retirement or disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Impairment of assets

i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Club about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unlisted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.
- For trade receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective company.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income and expenditure account. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Impairment of assets (Continued)

i) Impairment of investments in equity securities and other receivables (Continued)

- For available-for-sale equity securities, when a decline in the fair value has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the income and expenditure account even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income and expenditure account is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in income and expenditure account.

Impairment losses recognised in the income and expenditure account in respect of available-for-sale equity securities are not reversed through the income and expenditure account. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Club is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income and expenditure account.

ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Impairment of assets (Continued)

ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in income and expenditure account whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income and expenditure account in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the first-in-first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

f) Financial assets

Financial assets are recognised and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. These financial assets are subsequently accounted for as follows, depending on their classification:

i) Loans and receivables

Receivable from members, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Financial assets (Continued)

ii) Available-for-sale financial assets

Investments in securities which do not fall into any of the above categories are classified as available-for-sale financial assets and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the income and expenditure account. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the revaluation reserve is included in the income and expenditure account for the period.

Dividends on available-for-sale financial assets are recognised in the income and expenditure account when the Club's right to receive the dividends is established.

The fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the assets is recognised in the income and expenditure account, and other changes are recognised in equity.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses.

iii) Derecognition of financial assets

The Club derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Club neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Club recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Club retains substantially all the risks and rewards of ownership of a transferred financial asset, the Club continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Financial liabilities

i) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. All the financial liabilities of the Club are classified as other financial liabilities.

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

ii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

iii) Derecognition of financial liabilities

The Club derecognises financial liabilities when, and only when, the Club's obligations are discharged, cancelled or they expire.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into 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. Bank overdrafts that are repayable on demand and form an integral part of the Club's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

i) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Prepaid lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the land and buildings as a finance lease in property, plant and equipment.

**THE FOREIGN CORRESPONDENTS' CLUB, HONG KONG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Provisions

A provision is recognised when the Club has a present obligation (legal or constructive) as a result of a past event, it is probable that the Club will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

k) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Club. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

l) Employee benefits

Short term employee benefits and contributions to defined contribution plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Club offers a mandatory provident fund scheme and participates in a defined contribution plan operated by a third party, the assets of which are generally held in separate trustee-administered funds. These pension plans are generally funded from employees and by the Club.

The Club's contributions to the mandatory provident fund scheme and defined contribution plan are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme or the plan prior to vesting fully in the contributions.

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FOR THE YEAR ENDED 31 MARCH 2011**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Revenue from bar and restaurant sales is recognised in the income and expenditure account as goods and services are provided.

Membership fees are charged from the date of a member's formal acceptance into the Club. Entrance fees are credited directly to the income and expenditure account in their entirety, on the date of formal acceptance.

Subscription fees are credited to the income and expenditure account evenly over the membership year.

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

Interest income is recognised as it accrues using the effective interest method.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Club has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") that are first effective for the current accounting period.

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (revised 2008)	Business combinations
HKAS 27 (revised 2008)	Consolidated and separate financial statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Financial instruments: Recognition and measurement – eligible hedged items
HK(IFRIC) Int 17	Distributions of non-cash assets to owners
HK(Int) 5	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008

The Club's governors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Club.

THE FOREIGN CORRESPONDENTS' CLUB, HONG KONG
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4. TURNOVERS

The Club is engaged in the provision of food and drink, professional activities, entertainment, recreational and workspace to members. Turnover recognised during the year are as follows:

	<u>2011</u> HK\$	<u>2010</u> HK\$
Bar and restaurant sales	<u>33,187,319</u>	<u>31,602,328</u>
Other revenues:		
Corresponding magazine	148,799	-
Debit card and coupon surcharge	64,555	63,873
Dividend income	213,791	168,077
Health room income	8,920	11,935
Miscellaneous income	868,171	932,542
Receipts from members for staff gratuities	30,030	903,130
Reversal of provision for impairment loss on receivable from members	13,006	1,175
Subscriptions and other fees	22,414,016	21,895,569
Tobacco income	4,961	4,568
	<u>23,766,249</u>	<u>23,980,869</u>
Total revenues	<u>56,953,568</u>	<u>55,583,197</u>

5. SURPLUS ARISING FROM OPERATIONS

Surplus arising from operations is stated after charging the following:

	<u>2011</u> HK\$	<u>2010</u> HK\$
Staff costs:		
- Salaries and allowances	24,135,677	23,739,806
- Pension fund contributions	1,487,848	1,469,542
Depreciation	2,344,467	2,084,103
Rent paid in respect of operating lease	4,276,548	3,564,051
Auditor's remuneration	65,000	59,000
Bad debts written off	154,431	54,810
	<u>154,431</u>	<u>54,810</u>

6. INTEREST INCOME

	<u>2011</u> HK\$	<u>2010</u> HK\$
Interest income on		
- bank deposits	86,605	109,862
- bank savings accounts	160	5,949
	<u>86,765</u>	<u>115,811</u>
Total interest income on financial assets not at fair value through profit or loss	<u>86,765</u>	<u>115,811</u>

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FOR THE YEAR ENDED 31 MARCH 2011

7. GOVERNORS' REMUNERATION

None of the governors received or will receive any fees or emoluments in respect of their services to the Club during the year (2010: Nil).

8. TAXATION

No provision for Hong Kong profits tax has been made in the financial statements as, in the opinion of the governors, the Club is exempt under Section 24(1) of the Inland Revenue Ordinance.

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$	Furniture, fixtures and office equipment HK\$	Kitchen and restaurant equipment HK\$	Leasehold improvements HK\$	Health room equipment HK\$	Computer equipment HK\$	Total HK\$
Cost							
At 1 April 2009	8,210,564	11,865,079	2,136,525	35,138,788	796,517	-	58,147,473
Additions	-	438,623	87,191	201,100	-	-	726,914
At 31 March 2010 and 1 April 2010	8,210,564	12,303,702	2,223,716	35,339,888	796,517	-	58,874,387
Additions	2,207,620	1,429,712	67,851	963,713	-	105,960	4,774,856
At 31 March 2011	10,418,184	13,733,414	2,291,567	36,303,601	796,517	105,960	63,649,243
Accumulated depreciation							
At 1 April 2009	1,122,111	10,324,086	1,997,047	32,548,724	684,822	-	46,676,790
Charge for the year	328,422	623,858	45,607	1,055,231	30,985	-	2,084,103
At 31 March 2010 and 1 April 2010	1,450,533	10,947,944	2,042,654	33,603,955	715,807	-	48,760,893
Charge for the year	416,727	734,804	51,665	1,080,803	29,800	30,668	2,344,467
At 31 March 2011	1,867,260	11,682,748	2,094,319	34,684,758	745,607	30,668	51,105,360
Carrying amount							
At 31 March 2011	8,550,924	2,050,666	197,248	1,618,843	50,910	75,292	12,543,883
At 31 March 2010	6,760,031	1,355,758	181,062	1,735,933	80,710	-	10,113,494

Land and buildings are situated in Hong Kong and is held under a long term and medium term lease. Since the land lease payments cannot be allocated reliably between the land and buildings element, the entire lease payment is included in the cost of land and buildings as a finance lease in property, plant and equipment.

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10. AVAILABLE-FOR-SALE INVESTMENTS

	<u>2011</u> HK\$	<u>2010</u> HK\$
Equity securities held in Hong Kong, at fair value	7,131,662	6,379,824
Unlisted equity fund, at fair value	<u>1,205,204</u>	<u>-</u>
	<u>8,336,866</u>	<u>6,379,824</u>

The investments included above represent investments in Hong Kong listed equity securities and unlisted equity funds that offer the Club the opportunity for return through dividend income and fair value gains.

The equity securities have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices. The equity securities listed in Hong Kong were acquired at a cost of HK\$5,047,494.

The unlisted equity fund represents investment in IP Renminbi Credit Fund (a Sub-Fund of IP Renminbi Strategy Fund), managed by financial institution, Income Partners Asset Management (HK) Limited. The fund mainly invests in RMB denominated fixed income instruments and was measured at fair value based on the valuation of the underlying investments provided by the financial institutions at the end of the reporting period.

11. INVENTORIES

	<u>2011</u> HK\$	<u>2010</u> HK\$
Consumables	409,586	437,183
Souvenirs	<u>106,374</u>	<u>194,785</u>
	<u>515,960</u>	<u>631,968</u>

The cost of consumables recognised as expense during the year was HK\$12,260,954 (2010: HK\$11,143,281).

12. TRADE AND OTHER RECEIVABLES

	<u>2011</u> HK\$	<u>2010</u> HK\$
Receivables from members	3,062,017	3,099,817
Less: Allowance for doubtful debts	<u>(460,640)</u>	<u>(362,627)</u>
	2,601,377	2,737,190
Other receivables	<u>949,328</u> *	<u>355,702</u>
Loan and receivables	3,550,705	3,092,892
Prepayments and deposits	1,686,179	1,976,878
Deposits for fund investment	<u>1,951,066</u> #	<u>-</u>
	<u>7,187,950</u>	<u>5,069,770</u>

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FOR THE YEAR ENDED 31 MARCH 2011

12. TRADE AND OTHER RECEIVABLES (Continued)

* Other receivables included the expenses prepaid for the charity ball event of HK\$792,885 (2010: HK\$341,397).

The amount represented the deposits paid to HSBC Institutional Trust Services (Asia) Limited to subscribe for LIM Asia Multi-Strategy Fund Inc Class A, as at the end of the reporting date. The fund manager is Long Investment Management International Limited.

All of the trade and other receivables are expected to be recovered within one year.

a) Impairment of receivables from members

Impairment losses in respect of receivables from members are recorded using an allowance account unless the Club is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	<u>2011</u> HK\$	<u>2010</u> HK\$
At beginning of year	362,627	395,866
Impairment loss recognised	146,584	47,831
Reversal of provision for impairment loss previously made	(13,006)	(1,175)
Uncollectible amounts written off	<u>(35,565)</u>	<u>(79,895)</u>
At end of year	<u>460,640</u>	<u>362,627</u>

At 31 March 2011, the Club's receivable from members of HK\$197,371 (2010: HK\$242,627) were individually determined to be impaired. The individually impaired receivables related to members that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts of HK\$197,371 (2010: HK\$242,627) was recognised. The Club does not hold any collateral over these balance.

Apart from the above, an impairment of HK\$263,269 (2010: HK\$120,000) has been made for estimated irrecoverable amounts due from members. This impairment has been determined by reference to past default experience.

THE FOREIGN CORRESPONDENTS' CLUB, HONG KONG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

12. TRADE AND OTHER RECEIVABLES (Continued)

b) Trade receivables that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	<u>2011</u> HK\$	<u>2010</u> HK\$
Neither past due nor impaired	2,578,606	2,581,767
Past due but not impaired	22,771	155,423
Less than 1 month past due	-	-
1 to 3 months past due	-	-
	<u>2,601,377</u>	<u>2,737,190</u>

Receivables that were neither past due nor impaired relate to a wide range of members for whom there was no recent history of default.

Receivables that were past due but not impaired relate to members that have a good track recorded with the Club. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant changes in credit quality and the balances are still considered fully recoverable. The Club does not hold any collateral over these balances.

13. CASH AND CASH EQUIVALENTS

	<u>2011</u> HK\$	<u>2010</u> HK\$
Deposits with banks	16,093,981	19,145,310
Cash at bank and on hand	<u>9,432,835</u> *	<u>9,944,636</u>
Cash and cash equivalents in the statement of financial position	25,526,816	29,089,946
Original maturity over three months	<u>(4,752,401)</u>	<u>(11,714,354)</u>
Cash and cash equivalents in the statement of cash flows	<u>20,774,415</u>	<u>17,375,592</u>

Bank deposit comprised HK\$11,341,580 (2010: HK\$7,430,956) with original maturity within three months and HK\$4,752,401 (2010: HK\$11,714,354) with original maturity over three months at 31 March 2011.

* The Club designated a bank account for the operation of the charity ball event. The balance of this bank account was HK\$236,753 (2010: HK\$198,713).

The interest rates on the cash at bank and deposits with banks ranged from 0.01% to 1.018% (2010: 0.25% to 0.55%) per annum.

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14. TRADE AND OTHER PAYABLES

	<u>2011</u> HK\$	<u>2010</u> HK\$
Trade payables	1,712,434	1,616,174
Other payables	<u>4,810,264</u>	<u>4,673,967</u>
Financial liabilities measured at amortised cost	<u>6,522,698</u>	<u>6,290,141</u>

15. GENERAL FUND AND INVESTMENT REVALUATION RESERVE

The general fund represents the accumulated surplus, including entrance fees and interest income, since the inception of the Club.

Investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the end of reporting date and is dealt with in accordance with the accounting policy in note 2(f).

16. COMMITMENTS

- i) Capital commitments outstanding at 31 March 2011 not provided for in the financial statements were as follows:

	<u>2011</u> HK\$	<u>2010</u> HK\$
Authorised but not contracted for		
- Acquisition of property, plant and equipment	-	3,300,000
Contracted but not provided for		
- Acquisition of property, plant and equipment	<u>-</u>	<u>-</u>
	<u>-</u>	<u>3,300,000</u>

- ii) At the end of reporting date, the total future minimum lease payment under non-cancellable operating lease are repayable as follows:

	<u>2011</u> HK\$	<u>2010</u> HK\$
Within one year	4,500,000	3,960,000
In the second to fifth years, inclusive	16,875,000	15,840,000
After 5 years	<u>-</u>	<u>2,970,000</u>
	<u>21,375,000</u>	<u>22,770,000</u>

Operating lease payments represent rentals payable by the Club on its Club building. The lease is negotiated for a term of seven years and rental is fixed for the period from 2 January 2010 to 1 January 2016 and thereafter at a rent determined by the landlord on or after the expiry of every second year of the tenancy.

**THE FOREIGN CORRESPONDENTS' CLUB, HONG KONG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

17. CONTINGENT LIABILITIES

i) At 31 March 2011, there were contingent liabilities in respect of:

	<u>2011</u> HK\$	<u>2010</u> HK\$
Counter indemnities given to a bank for the bank's guarantees to third parties	<u>486,100</u>	<u>486,100</u>

18. PROVISION

In November 2005, a member (the "Plaintiff") filed a lawsuit with the court against the Club. The Plaintiff sued the Club for breach of procedures provided by the articles of association of the Club to ensure natural justice for a person threatened with suspension or expulsion and claimed for damages, further relief, and costs.

The Club denied the claim and also filed a counter claim against the Plaintiff for the outstanding membership fees for HK\$74,105 and seek a declaration that the Plaintiff ceased to be a member of the Club on 6 March 2006 or such other date as the court may order. In March 2007, the judge (1) issued a declaration that the Club was in violation of the articles of association and the rules of natural justice and that its determinations to suspend and terminate the Plaintiff's membership of the Club were of no legal effect; (2) dismissed the Plaintiff's claim for the reinstatement of membership of the Club; (3) dismissed the Plaintiff's claim for damages; (4) found for the Club on its counter claim in the sum of HK\$74,105; and (5) ordered the Plaintiff to pay the Club's cost of the action and counterclaim and the costs of the Club's application to amend the judgment.

In July 2010, the Plaintiff filed the notice of appeal to court of appeal against the Club. In October 2010, the judge of court of appeal made the order to the Club has failed in its cross-appeal and the cost of the cross appeal and of the respondents' notice should be to the Plaintiff.

The accumulated legal costs of the Club incurred up to the year ended 31 March 2010 was HK\$1,261,112. The amounts were recognised as expenses when it incurred for the previous years. The legal costs of the Club incurred for the year ended 31 March 2010 was HK\$294,797.

According to the allocatur, the agreed bill of costs has been taxed by Master Levy on 29 April 2010 pursuant to the Order and Justice of Appeal dated 9 October 2009, the legal cost agreed with the Plaintiff served was HK\$413,683. In addition, with the interest which was entitled at the judgment rate of 8% since 9 October 2009 to 5 May 2010, which was HK\$18,860. The total agreed settlement amount of HK\$432,543 (legal cost plus interest) had been fully settled on 10 May 2010. The Club made a provision of HK\$300,000 in 2010 and the remaining of HK\$132,543 was charged to the income and expenditure in 2011.

	<u>2011</u> HK\$	<u>2010</u> HK\$
Provision		
Balance b/f	300,000	-
Provision for the year	132,543	300,000
Settlement	<u>(432,543)</u>	<u>-</u>
Balance c/f	<u>-</u>	<u>300,000</u>

**THE FOREIGN CORRESPONDENTS' CLUB, HONG KONG
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19. REMUNERATION OF KEY MANAGEMENT

Members of key management comprised the governors only whose remuneration is set out in note 7 to the financial statements.

20. CAPITAL RISK MANAGEMENT

The Club's objective of managing capital is to safeguard the Club's ability to continue as a going concern in order to provide benefits for its members.

The capital structure of the Club consists of general fund and investment revaluation reserve only.

21. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The Club's major financial instruments include equity investments, bank balances and cash, trade receivable and trade payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk, interest rate risk and other price risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Credit risk

The Club has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to members and memberships are offered to applicants with an appropriate credit history.

The carrying amount of the receivable from members included in the statement of financial position represents the Club's maximum exposure to credit risk in relation to the Club's financial assets.

b) Liquidity risk

The Club's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

All the Club's financial liabilities at the end of reporting date are repayable within one year or on demand.

c) Currency risk

Presently, there is no hedging policy with respect to the foreign exchange exposure. The Club's transactional currency is Hong Kong dollars.

THE FOREIGN CORRESPONDENTS' CLUB, HONG KONG
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21. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

c) Currency risk (Continued)

The carrying amount of the Club's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	<u>Assets</u>	
	<u>2011</u> HK\$	<u>2010</u> HK\$
US dollars	1,951,067	-
Renminbi	1,188,000	-
	<u>3,139,067</u>	<u>-</u>

Sensitivity analysis

The following table indicates the approximate change in the Club's surplus for year in response to reasonably possible changes in the foreign exchange rates to which the Club has significant exposure at the end of the reporting period.

	<u>Increase/ (decrease) in</u> <u>foreign exchange rate</u>	<u>Effect on surplus for the year</u>	
		<u>2011</u> HK\$	<u>2010</u> HK\$
Renminbi	5%	59,400	-
	(5%)	<u>(59,400)</u>	<u>-</u>

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Club entities' exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of the reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. The analysis is performed on the same basis for 2010.

d) Interest rate risk

The Club exposure to interest rate risk for changes in interest rates. The Club has no significant exposure to interest rate risk.

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21. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

e) Other price risk

The Club is exposed to equity price changes arising from equity investments classified as available-for-sale equity securities all of which are listed (see note 10).

The Club's listed investments are listed on the Stock Exchange of Hong Kong and are included in the Hang Seng Index. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Club.

- **Sensitivity analysis**

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments have been 5% higher/lower:

- fair value reserve would increase/decrease by HK\$356,583 (2010: increase/decrease by HK\$318,991) for the Club as a result of the changes in fair value of available-for-sale equity securities.

The Club's sensitivity to available-for-sale equity securities has not changed significantly from the previous year.

f) Fair values

The governors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial statements are not materially different from their fair value as at 31 March 2011 and 31 March 2010.

The following table provides an analysis of financial instruments that are measured at fair value at the end of the reporting period, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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21. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

f) Fair values (Continued)

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

	<u>Level 1</u> HK\$	<u>Level 2</u> HK\$	<u>Level 3</u> HK\$	<u>Total</u> HK\$
Financial assets at fair value				
Available-for-sale securities				
- Equity securities held in Hong Kong, at fair value	7,131,662	-	-	7,131,662
- Unlisted equity fund, at fair value	-	1,205,204	-	1,205,204
Total	<u>7,131,662</u>	<u>1,205,204</u>	<u>-</u>	<u>8,336,866</u>

There were no significant transfers between instruments in Level 1 and Level 2 during the year.

22. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying of the Club's accounting policies, which are described in note 2, the governors has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as described below:

Impairment of assets

Whenever there were impairment indicators present triggering the requirement to estimate the recoverable amounts of property, plant and equipment (or the impairment loss previously recognised no longer exists or may be reduced), the Club completes its impairment test by comparing its recoverable amount to its carrying amount as at the end of the reporting period in accordance with HKAS 36. A considerable amount of judgement is required in assessing the ultimate realisation and future cash flow generated from the assets or cash generating units.

Other than disclosed above, there is no other significant risk of key assumptions concerning the future and other key sources of estimation at the balance sheet date which will cause on adjustment to the carrying amounts of assets and liabilities within the next financial year.

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23. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2011

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and Interpretations which are not yet effective for the year ended 31 March 2011.

The Club has not early applied any of the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 ¹
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ³
HKFRS 9	Financial Instruments ⁴
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁵
HKAS 24 (as revised in 2009)	Related Party Disclosures ⁶
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ⁶
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 July 2010.

³ Effective for annual periods beginning on or after 1 July 2011.

⁴ Effective for annual periods beginning on or after 1 January 2013.

⁵ Effective for annual periods beginning on or after 1 January 2012.

⁶ Effective for annual periods beginning on or after 1 January 2011.

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

**THE FOREIGN CORRESPONDENTS' CLUB, HONG KONG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

23. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2011 (Continued)

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The governors anticipate that HKFRS 9 that will be adopted in the Club's financial statements for the annual period beginning 1 April 2013 and that the application of the new Standard will have a significant impact on amounts reported in respect of the Clubs' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The governors of the Club anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the financial statements.

24. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Club's financial assets and financial liabilities as recognised at 31 March 2011 and 2010 may be categorised as follows:

	<u>2011</u> HK\$	<u>2010</u> HK\$
Financial assets		
Loans and receivables (including cash and bank balances and prepayments)	32,714,766	34,159,716
Available-for-sale investments	<u>8,336,866</u>	<u>6,379,824</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>6,522,698</u>	<u>6,590,141</u>

(For management purposes only)

**THE FOREIGN CORRESPONDENTS' CLUB, HONG KONG
BAR AND RESTAURANT TRADING ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2011**
(Expressed in Hong Kong dollars)

	<u>Bar trading</u> HK\$	<u>Restaurant trading</u> HK\$	<u>2011 Total</u> HK\$	<u>2010 Total</u> HK\$
Sales	12,482,800	20,704,519	33,187,319	31,602,328
Cost of sales				
Opening inventory	380,805	50,253	431,058	481,062
Purchases	4,934,025	7,300,766	12,234,791	11,093,277
Closing inventory	(331,531)	(73,364)	(404,895)	(431,058)
	<u>(4,983,299)</u>	<u>(7,277,655)</u>	<u>(12,260,954)</u>	<u>(11,143,281)</u>
Gross profit on food and beverage sales	<u>7,499,501</u>	<u>13,426,864</u>	<u>20,926,365</u>	<u>20,459,047</u>

(For management purposes only)

THE FOREIGN CORRESPONDENTS' CLUB, HONG KONG
CATERING EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2011
(Expressed in Hong Kong dollars)

	<u>2011</u> HK\$	<u>2010</u> HK\$
Catering expenditure		
Club functions	1,543,765	1,605,495
Consumable stores	108,087	113,532
F&B credits	-	418,319
Food and beverage tasting	73,928	63,457
Insurance premiums	219,511	238,486
Kitchen accessories	62,910	89,201
Kitchen and restaurant equipment replacement	1,344,410	1,203,226
Laundry and cleaning	708,224	740,344
Medical expenses	211,752	243,494
Rent and rates	4,276,548	3,747,051
Repairs and maintenance	436,585	597,170
Salaries, wages and allowances	18,724,976	18,410,383
Spoilage and breakage	60,048	80,329
Storage charges	134,251	74,365
Sundry expenses	13,642	19,290
Uniforms and linen	144,523	153,127
Utilities	2,562,427	2,644,973
	<u>30,625,587</u>	<u>30,442,242</u>

(For management purposes only)

THE FOREIGN CORRESPONDENTS' CLUB, HONG KONG
ADMINISTRATIVE EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2011
(Expressed in Hong Kong dollars)

	<u>2011</u> HK\$	<u>2010</u> HK\$
Administrative expenditure		
Account office expenses	147,748	142,770
Advertising and newspapers	198,957	135,323
Auditor's remuneration	65,000	59,000
Bad debts written off	154,431	54,810
Bank charges	203,615	180,693
Computer expenses	10,916	19,953
Consultancy fee	88,978	58,597
Entertainment	574,427	567,293
Flowers and plants	36,100	28,450
Legal and professional fees	205,876	636,628
Licences fees	56,456	54,488
Magazine expenses	595,408	708,356
Marketing membership fees	120,165	121,769
News ticket	205,106	234,885
Pension fund contributions	1,487,848	1,469,542
Postage	69,671	77,898
Printing and stationary	419,820	465,384
Salaries, wages and allowances	5,410,701	5,329,423
Security charges	393,100	360,748
Shatin race expenses	7,860	11,030
Sundry expenses	81,775	58,705
Telephone	100,428	105,223
Travelling	79,862	75,877
	<u>10,714,248</u>	<u>10,956,845</u>