

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
**REPORT OF THE BOARD OF GOVERNORS**  
**AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31ST MARCH 2009**

## THE HONG KONG PHILHARMONIC SOCIETY LIMITED

### REPORT OF THE BOARD OF GOVERNORS

The Board of Governors submits its report together with the audited financial statements of the Hong Kong Philharmonic Society Limited for the year ended 31st March 2009.

#### Principal activities

The principal activities of the Society are to manage and develop the Hong Kong Philharmonic Orchestra, to present public concerts and to promote the appreciation of music in Hong Kong.

#### Results and funds

The results of the Society for the year are set out in the statement of income and expenditure on page 6.

Movements in funds of the Society are set out in the statement of changes in funds on page 7.

#### Property, plant and equipment

Details of the movements in property, plant and equipment of the Society are set out in note 5 to the financial statements.

#### Board of Governors members

The Board of Governors members during the year and up to the date of this report are:

##### Elected by Voting Members

Prof David Gwilt, MBE	(retired on 24th March 2009)
Mr Nathan Ma Ning-hei, MBE, JP	(resigned on 1st November 2008)
Mr So Hau-leung	(resigned on 25th May 2009)
Mrs Janice Choi Kwan Wing Kum	
Ms Brenda Chow Kam-wah	(retired on 1st November 2008)
Mr Daniel Ng Yat-chiu	
Mr Stephan Spurr	
Mr Liu Yuen Sung	
Dr Lilian Leong, BBS, JP	
Mr Glenn Fok	
Dr Chan Po Fun Peter, BBS, MBE, DS, PhD, JP	
Mrs Paulette Ho	
Mr Nicholas Sallnow-Smith	
Mr Jack So Chak Kwong, JP	
Mr Chung Shui-ming, GBS, JP	
Sir David Tang, KBE	(appointed on 24th March 2009)
Mr Edward Ho Sing-tin, SBS, OBE, JP	(appointed on 1st November 2008 and resigned on 31st January 2009)

##### Appointed by the Secretary for Home Affairs

Mr Edward Ho Sing-tin, SBS, OBE, JP	(retired on 1st November 2008)
Ms Joanne Chan Jo Win	(retired on 1st November 2008)
Mrs Michelle Ong Cheung	
Ms Chen Qing, Judy	(resigned on 1st November 2008)
Mr Lam Woon Kwong, GBS, JP	(appointed on 1st November 2008)
Prof Liu Ching Chih	(appointed on 1st November 2008)
Mr Benedict Sin Nga Yan	(appointed on 1st November 2008)

## **Board of Governors members (Continued)**

### Appointed by the Secretary for Home Affairs (Continued)

Mr Kenny Wong Kam Shan  
Mr David Zacharias

(appointed on 1st November 2008)  
(appointed on 1st November 2008)

In accordance with Article 57 of the Articles of Association, no Governor may serve in excess of a maximum period of six consecutive years ("six-year rule"). Under such six-year rule, Mr David Gwilt, Mr So Hau-leung and Mrs Janice Choi were due to retire in 2008 and the Home Affairs Bureau granted a one-year waiver for Mr So Hau-leung and Mrs Janice Choi to continue service on the Board of the Society until the conclusion of the Society's next Annual General Meeting.

### **Board of Governors members' interests**

During the year, under a sponsorship agreement, the Swire Group Charitable Trust ("the Swire Trust") had contributed a donation amounted to HK\$12,000,000 to the Society. As part of the agreement, the Swire Trust has nominated a representative, Mr. Stephan Spurr, to be elected to the Society's Board of Governors. Mr. Stephan Spurr is a director of Swire Properties Limited, a wholly-owned subsidiary of Swire Pacific Limited, which is the major contributor to the Swire Trust.

Except as disclosed above, there were no contracts of significance to which the Society was a party and in which a Society's Board of Governors member had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **Management contracts**

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

### **Auditor**

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board of Governors

  
Chairman

Hong Kong, 23rd September 2009

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
(Incorporated in Hong Kong and limited by guarantee)

We have audited the financial statements of The Hong Kong Philharmonic Society Limited set out on pages 5 to 21, which comprise the balance sheet as at 31st March 2009, and the statement of income and expenditure, statement of changes in funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Board of Governors' responsibility for the financial statements**

The Board of Governors is responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion 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 as to whether the financial statements are free from material misstatement.

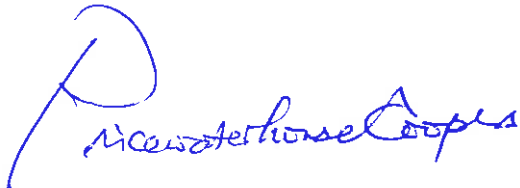
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of 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 AUDITOR'S REPORT  
TO THE MEMBERS OF THE HONG KONG PHILHARMONIC SOCIETY LIMITED  
(CONTINUED)**  
(Incorporated in Hong Kong and limited by guarantee)

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Society as at 31st March 2009 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.



**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 23rd September 2009

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**BALANCE SHEET**

		<u>As at 31st March</u>	
	Note	2009	2008
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	2,628,859	2,987,187
<b>Current assets</b>			
Accounts and other receivables	7	6,577,040	7,622,651
Cash and cash equivalents	8	6,112,592	2,816,429
		<u>12,689,632</u>	<u>10,439,080</u>
<b>Total assets</b>		<u><u>15,318,491</u></u>	<u><u>13,426,267</u></u>
<b>FUNDS</b>			
Accumulated surplus		6,369,157	6,203,014
Young Audience Fund	9	81,179	87,026
		<u>6,450,336</u>	<u>6,290,040</u>
<b>Total funds</b>		<u>6,450,336</u>	<u>6,290,040</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accruals and other payables	10	7,324,289	5,903,861
Deferred income	11	691,764	300,000
Amount due to the Hong Kong Philharmonic Endowment Trust	12	852,102	932,366
		<u>8,868,155</u>	<u>7,136,227</u>
<b>Total liabilities</b>		<u>8,868,155</u>	<u>7,136,227</u>
<b>Total funds and liabilities</b>		<u><u>15,318,491</u></u>	<u><u>13,426,267</u></u>

.....  
Chairman

.....  
Chief Executive

.....  
Member of Board of Governors

The notes on pages 9 to 21 are an integral part of these financial statements.

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**STATEMENT OF INCOME AND EXPENDITURE**

	Note	Year ended 31st March	
		2009	2008
<b>Income</b>			
Recurrent government subvention			
- Consolidated Grant		58,800,000	56,538,000
- Outbound Cultural Exchange		1,500,000	-
Deferred income			
- Venue Partnership Scheme	11	883,716	-
- Swire projects	11	12,000,000	12,260,000
Revenue from musical events		20,709,748	24,527,384
Fund raising activities and sponsors' contributions		13,109,242	13,058,145
Interest income		18,140	183,067
Advertisements		1,228,965	715,935
Income from recordings		5,073	232,839
Miscellaneous income		496,406	437,774
		<u>108,751,290</u>	<u>107,953,144</u>
<b>Expenditure</b>			
Concert expenses	15	83,392,694	83,863,388
Marketing and audience development expenses	16	6,744,849	7,594,347
Sponsorship for fund raising activities		2,133,718	2,119,982
Administrative and general expenses	17	16,319,733	14,391,311
		<u>108,590,994</u>	<u>107,969,028</u>
<b>Surplus/(deficit) for the year</b>		<u>160,296</u>	<u>(15,884)</u>

The notes on pages 9 to 21 are an integral part of these financial statements.

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
 (All amounts in Hong Kong dollars unless otherwise stated)

**STATEMENT OF CHANGES IN FUNDS**

	Accumulated surplus	Young Audience Fund (note 9)	Total
<b>Balance at 1st April 2007</b>	6,217,139	88,785	6,305,924
Transfer to the Accumulated surplus	1,759	(1,759)	-
Deficit for the year	<u>(15,884)</u>	<u>-</u>	<u>(15,884)</u>
<b>Balance at 31st March 2008 and 1st April 2008</b>	6,203,014	87,026	6,290,040
Transfer to the Accumulated surplus	5,847	(5,847)	-
Surplus for the year	<u>160,296</u>	<u>-</u>	<u>160,296</u>
<b>Balance at 31st March 2009</b>	<u><u>6,369,157</u></u>	<u><u>81,179</u></u>	<u><u>6,450,336</u></u>

The notes on pages 9 to 21 are an integral part of these financial statements.



**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
 (All amounts in Hong Kong dollars unless otherwise stated)

**CASH FLOW STATEMENT**

		<u>Year ended 31st March</u>	
	Note	2009	2008
<b>Cash flows from operating activities</b>			
Net cash generated from operating activities	18	<u>3,917,603</u>	<u>1,491,608</u>
<b>Cash flows from investing activities</b>			
Interest received		18,140	183,067
Purchases of property, plant and equipment	5	<u>(639,580)</u>	<u>(653,397)</u>
Net cash used in investing activities		<u>(621,440)</u>	<u>(470,330)</u>
<b>Net increase in cash and cash equivalents</b>		3,296,163	1,021,278
Cash and cash equivalents at beginning of the year		<u>2,816,429</u>	<u>1,795,151</u>
<b>Cash and cash equivalents at end of the year</b>	8	<u><u>6,112,592</u></u>	<u><u>2,816,429</u></u>

The notes on pages 9 to 21 are an integral part of these financial statements.

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**1 General information**

The Hong Kong Philharmonic Society Limited (the "Society") is engaged in managing and developing the Hong Kong Philharmonic Orchestra, to present public concerts and to promote the appreciation of music in Hong Kong.

The Society is incorporated in Hong Kong under the Hong Kong Companies Ordinance and is limited by guarantee. The address of its registered office is Level 8, Administration Building, Hong Kong Cultural Centre, 10 Salisbury Road, Tsim Sha Tsui, Kowloon.

Under the provisions of the Society's Memorandum and Articles of Association, every voting member shall, in the event of the Society being wound up, contribute to the assets of the Society to the extent of HK\$10. At 31st March 2009, the Society had 19 members (2008: 19) members.

These financial statements are presented in Hong Kong dollars unless otherwise stated. These financial statements have been approved for issue by the Board of Governors on 23rd September 2009.

**2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of preparation**

The financial statements of the Society have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and under the historical cost convention.

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 Society's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

- (a) Standards, amendments and interpretations which are effective in 2008 but are not relevant to the Society's operation

The Hong Kong Institute of Certified Public Accountants has issued a number of HKFRS, amendments and interpretations which are effective for the Society's annual financial year beginning on 1st April 2008. The Board of Governors is of the view that these standards, amendments and interpretations do not have any impact on the Society's financial statements since they are not relevant or applicable to the Society.

- (b) Standards, amendments and interpretations to existing HKFRS that are not yet effective

Certain new standards, amendments and interpretations to existing standards (collectively, the "Amendments") have been published that are relevant and applicable to the Society for its accounting periods commencing on or after 1st April 2009. Some of the Amendments are relevant and applicable to the Society; however, they have not been early adopted in these financial statements. The Society has commenced, but not yet completed, an assessment of the impact of the applicable Amendments on its results of operations and financial position. The Board of Governors is of the view that the impact on the financial statements will not be significant other than certain additional disclosures.

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**2.2 Foreign currency translation**

(a) Functional and presentation currency

Items included in the financial statements of the Society are measured using the currency of the primary economic environment in which the Society operates (the "functional currency"). The financial statements are presented in Hong Kong dollars, which is the Society's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income and expenditure.

**2.3 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 the Society and that cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the statement of income and expenditure during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives of 5 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 (note 2.4).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of income and expenditure.

**2.4 Impairment of non-financial assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**2.5 Financial assets**

The Society classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'accounts and other receivables' and 'cash and cash equivalents' in the balance sheet.

The Society assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of receivables is described in note 2.6.

**2.6 Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Society will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the statement of income and expenditure.

**2.7 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

**2.8 Payables**

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.9 Employee benefits**

**(a) Employee leave entitlements**

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

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**2.9 Employee benefits (Continued)**

**(b) Pension obligations**

The Society operates a defined contribution scheme and a mandatory provident fund scheme ("MPF scheme") in Hong Kong. The assets of the defined contribution scheme and MPF scheme are generally held in separate trustee-administered funds. The defined contribution scheme and MPF scheme are funded by payments from employees and by the Society. The Society's contribution to the defined contribution scheme and MPF scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

The Society has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**2.10 Provisions**

Provisions are recognised when the Society has a present legal or constructive obligation where, as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

**2.11 Revenue recognition**

Recurrent government subvention approved for the year is recognised on an accruals basis.

Specific subventions and contributions from the Government or sponsors, which are earmarked for specific purposes, are recognised at their fair value when there is a reasonable assurance that the Society will comply with the conditions attaching to them and that the amount will be received. These incomes relating to costs are deferred and recognised in the statement of income and expenditure over the period necessary to match them with the costs that they are intended to compensate.

Income from recordings, musical events, fund raising activities and advertisements are recognised when the event take place. For income received for future periods, they are recorded as receipts in advance in the balance sheet.

Sponsors' contributions are recognised when the right to received payments is established.

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

Miscellaneous income is recognised on an accruals basis.

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**2.12 Operating leases (as the lessee)**

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

**3 Financial and fund risks management**

**3.1 Financial risk factors**

The Society's activities expose it to a variety of financial risks factors: foreign exchange risk, credit risk, liquidity risk and cash flow interest rate risk. The Society's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Society's financial performance.

**(a) Foreign exchange risk**

Foreign exchange risk arises where future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Society's functional currency. The Society operates in Hong Kong. In the opinion of the Board of Governors, the Society has minimal exposure to the foreign exchange risks as the transactions are mainly denominated in Hong Kong dollars and no sensitivity analysis is performed accordingly.

**(b) Credit risk**

Credit risk is primarily attributable to receivables from sponsors, the musical tickets receivables from the Leisure and Cultural Services Department and bank balances.

In respect of receivables from sponsors and the musical tickets receivables from the Leisure and Cultural Services Department, the Board of Governors is in the opinion that the credit risk is considered to be low as the counterparties are Government and sponsors with no history of default payment and good reputation. Also, the Society has no significant concentrations of credit risk.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. As such, no significant credit risk is anticipated.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and bank balances. The Society's liquidity risk is further mitigated through the availability of financing by government subvention and donations. In the opinion of Board of Governors, the Society does not have any significant liquidity risk.

The table below analyses the Society's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial and fund risks management (Continued)**

**3.1 Financial risk factors (Continued)**

(c) Liquidity risk (Continued)

As at 31st March 2009, the maturity analysis of the financial liabilities is as follows:

	2009	2008
<b>Less than one year</b>		
Accruals and other payables (note 10)	6,149,916	4,448,305
Amount due to the Hong Kong Philharmonic Endowment Trust	852,102	932,366
	<u>7,002,018</u>	<u>5,380,671</u>

(d) Cash flow interest rate risk

Other than the bank balances which carry interest at market interest rates, the Society has no other significant interest-bearing assets and liabilities. The interest income derived therefrom is relatively insignificant to the Society's operations; therefore, its income and operating cash flows are substantially independent of changes in market interest rates. In the opinion of the Board of Governors, the exposure to cash flow interest rate risk is considered to be low and no sensitivity analysis is performed accordingly.

**3.2 Fund risk management**

The Society's objectives when managing capital are to safeguard the Society's ability to continue as a going concern in order to support the daily operations of the Society and to maintain an optimal capital structure to reduce the cost of capital. The Society's overall strategy remains unchanged from prior year.

The capital structure of the Society consists of accumulated surplus and Young Audience Fund. In order to maintain or adjust the capital structure, the Society may appeal for donations from the Hong Kong Government and the general public.

**3.3 Fair value estimation**

The carrying value less impairment provision of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Society for similar financial instruments, unless the effect of discounting is insignificant.

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**4 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Society makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, there are no estimates or assumptions used on these financial statements that the Board of Governors expects will have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

**5 Property, plant and equipment**

	Furniture, fixtures and equipment
<b>At 1st April 2007</b>	
Cost	3,696,434
Accumulated depreciation	(492,677)
	<hr/>
Net book amount	3,203,757
	<hr/> <hr/>
<b>Year ended 31st March 2008</b>	
Opening net book value	3,203,757
Additions	653,397
Depreciation	(869,967)
	<hr/>
Closing net book amount	2,987,187
	<hr/> <hr/>
<b>At 31st March 2008</b>	
Cost	4,349,831
Accumulated depreciation	(1,362,644)
	<hr/>
Net book amount	2,987,187
	<hr/> <hr/>
<b>Year ended 31st March 2009</b>	
Opening net book value	2,987,187
Additions	639,580
Depreciation	(997,908)
	<hr/>
Closing net book amount	2,628,859
	<hr/> <hr/>
<b>At 31st March 2009</b>	
Cost	4,989,411
Accumulated depreciation	(2,360,552)
	<hr/>
Net book amount	2,628,859
	<hr/> <hr/>

Depreciation expense of HK\$775,200 and HK\$222,708 (2008: HK\$702,373 and HK\$167,594) has been expensed and included in concert expenses (note 15) and administrative and general expenses (note 17) respectively.



**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**6 Financial instruments by category**

The Society's financial instruments include the following:

	2009	2008
<b>Financial assets – loans and receivables</b>		
Accounts receivable (note 7)	849,784	2,613,171
Other receivables (note 7)	3,060,769	1,955,799
Cash and cash equivalents (note 8)	6,112,592	2,816,429
	<u>10,023,145</u>	<u>7,385,399</u>
<b>Financial liabilities – other financial liabilities</b>		
Accruals and other payables (note 10)	6,149,916	4,448,305
Amount due to the Hong Kong Philharmonic Endowment Trust	852,102	932,366
	<u>7,002,018</u>	<u>5,380,671</u>

**7 Accounts and other receivables**

	2009	2008
Accounts receivable	849,784	2,613,171
Other receivables	3,060,769	1,955,799
	<u>3,910,553</u>	<u>4,568,970</u>
Financial assets	2,666,487	3,053,681
Prepayments	6,577,040	7,622,651
	<u>6,577,040</u>	<u>7,622,651</u>

The fair values of accounts and other receivables approximate their carrying values as at 31st March 2009 and 2008 and are denominated in Hong Kong dollars.

Accounts receivable that are less than three months past due are not considered impaired. As at 31st March 2009, accounts receivable of HK\$404,702 (2008: HK\$81,425) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The Society does not hold any collateral as security. The ageing analysis of these accounts receivable is as follows:

	2009	2008
<u>Ageing of past due but not impaired</u>		
Up to 3 months	220,432	74,725
Over 3 months	184,270	6,700
	<u>404,702</u>	<u>81,425</u>

The other classes within accounts and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

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**NOTES TO THE FINANCIAL STATEMENTS**

**8 Cash and cash equivalents**

	2009	2008
Cash at banks and in hand	6,112,592	2,816,429
Maximum exposure to credit risk	6,107,807	2,812,200

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2009	2008
Hong Kong dollars	6,097,853	2,801,715
United States dollars	14,739	14,714
	<u>6,112,592</u>	<u>2,816,429</u>

**9 Young Audience Fund**

	2009	2008
At 1st April	87,026	88,785
Transfer to the Accumulated surplus	(5,847)	(1,759)
At 31st March	<u>81,179</u>	<u>87,026</u>

The Young Audience Fund is a programme to enhance and develop musical interest and talent of the youth. The funding of this reserve is set aside from Accumulated surplus.

**10 Accruals and other payables**

	2009	2008
Accruals	1,411,548	1,355,204
Other payables	4,738,368	3,093,101
Financial liabilities	6,149,916	4,448,305
Receipts in advance (note 2.11)	1,174,373	1,455,556
	<u>7,324,289</u>	<u>5,903,861</u>

The fair values of accruals and other payables approximate their carrying values as at 31st March 2009 and 2008.

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**NOTES TO THE FINANCIAL STATEMENTS**

**10 Accruals and other payables (Continued)**

The carrying amounts of accruals and other payables are denominated in the following currencies:

	2009	2008
Hong Kong dollars	6,889,676	5,811,508
United States dollars	434,613	66,112
Euro	-	6,763
Others	-	19,478
	<u>7,324,289</u>	<u>5,903,861</u>

**11 Deferred income**

	Venue Partnership Scheme	Swire projects	Total
At 1st April 2007	-	560,000	560,000
Other subventions	-	12,000,000	12,000,000
Credited to the statement of income and expenditure	-	(12,260,000)	(12,260,000)
	<u>-</u>	<u>12,560,000</u>	<u>12,560,000</u>
At 31st March 2008 and 1st April 2008	-	300,000	300,000
Government subventions	1,275,480	-	1,275,480
Other subventions	-	12,000,000	12,000,000
Credited to the statement of income and expenditure	(883,716)	(12,000,000)	(12,883,716)
	<u>(883,716)</u>	<u>12,300,000</u>	<u>11,416,284</u>
At 31st March 2009	<u>391,764</u>	<u>300,000</u>	<u>691,764</u>

**12 Amount due to the Hong Kong Philharmonic Endowment Trust**

The Hong Kong Philharmonic Endowment Trust (the "Trust") was established by the Society on 2nd June 1984 under a Trust Deed dated 2nd June 1984, as amended. The objectives of the Trust are to foster and promote the maintenance and improvement of artistic taste, talent, knowledge, understanding and appreciation of the arts, and in particular music in Hong Kong.

The amount due is unsecured, interest-free and repayable on demand. The fair value of the amount due approximates its carrying value as at 31st March 2009 and 2008 and is denominated in Hong Kong dollars.

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**NOTES TO THE FINANCIAL STATEMENTS**

**13 Taxation**

The Society, being a registered charitable organisation, is exempted from Hong Kong profits tax under Section 88 of the Hong Kong Inland Revenue Ordinance.

**14 Board of Governors members' emoluments (equivalents to key management compensation)**

None of the members of the Board of Governors, who are considered as key management of the Society, received or will receive any fees or other emoluments in respect of their services to the Society during the year (2008: Nil).

**15 Concert expenses**

	2009	2008
Salaries and allowances of musicians	42,974,884	42,305,128
Pension costs for musicians	931,200	940,256
Provision for long service payments	709,450	-
Benefits for musicians (medical and musical instruments insurance)	770,361	672,410
Insurance (employee compensation and lorry)	100,513	80,908
Passages (airfares for overseas players)	838,189	822,625
Hotel accommodation for new overseas players	70,045	113,763
Auditioning and recruitment	339,312	447,305
Broadcasting	375,815	591,634
Salaries, allowances and benefits for		
- music director/artistic director/principal conductor/resident conductor	9,526,216	8,054,335
- guest artists	12,945,378	12,695,984
Fees of augmentation/freelance players	2,279,678	1,782,387
Hire of halls	6,535,727	6,472,039
Transportation of players	60,692	50,576
Transportation of instruments	64,850	168,578
Transportation of artists	103,102	60,437
Hire/repairs/maintenance of instruments	331,519	279,899
Music costs	605,660	900,581
Entertainment	1,360	8,967
Sundries for orchestra	278,904	417,187
Musical instruments and scores	169,775	107,339
Stage design and setting fee	33,424	3,683,203
Sound	699,636	686,224
Fee paid to CASH	97,098	110,479
Orchestra depreciation	775,200	702,373
Touring expenses	1,774,706	1,708,771
	<u>83,392,694</u>	<u>83,863,388</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**16 Marketing and audience development expenses**

	2009	2008
Posters and pamphlets	732,430	625,331
Programmes	920,198	831,258
Press advertisements	2,484,139	3,002,696
Photography	168,547	190,705
Other expenses	68,880	186,599
Subscription costs	669,859	631,754
Web development and maintenance	125,688	406,149
Public relations and audience development	215,785	332,712
Direct mailing	154,430	188,001
Ticketing cost	780,763	833,227
Ticket commission	424,130	365,915
	<u>6,744,849</u>	<u>7,594,347</u>

**17 Administrative and general expenses**

	2009	2008
Salaries of office staff	12,204,589	10,755,557
Pension costs for office staff	333,970	286,238
Provision for unused annual leave for office staff	103,492	220,805
Provision for long service payments	261,259	-
Benefits (medical insurance) for office staff	172,856	145,677
Insurance (employee compensation and other general)	-	43,981
Operating lease rentals for office premises and workshop	1,516,071	1,350,176
Postage, stationery, fax and telephone	313,304	306,737
Utilities and sundry expenses	304,528	318,560
Repairs and maintenance	113,159	55,560
Local travelling	14,918	30,831
Overseas travelling	140,260	65,592
Professional fees	160,435	254,079
Recruitment of staff	274,772	245,021
Entertainment	59,178	68,072
Plant and equipment written off	23,989	19,930
Depreciation (note 5)	222,708	167,594
Auditor's remuneration		
- current year	80,000	55,000
- under-provision in prior year	20,245	1,901
	<u>16,319,733</u>	<u>14,391,311</u>

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**18 Net cash generated from operating activities**

	2009	2008
Surplus/(deficit) for the year	160,296	(15,884)
Adjustments for:		
- Interest income	(18,140)	(183,067)
- Depreciation (note 5)	997,908	869,967
Changes in working capital:		
- Accounts and other receivables	1,045,611	2,139,573
- Accruals and other payables	1,812,192	(1,296,477)
- Amount due to the Hong Kong Philharmonic Endowment Trust	(80,264)	(22,504)
Net cash generated from operating activities	<u>3,917,603</u>	<u>1,491,608</u>

**19 Commitments under operating leases**

At 31st March, the Society had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2009	2008
Office premises and workshop		
No later than 1 year	69,636	774,870
Later than 1 year and no later than 5 years	-	69,636
Concert venue		
No later than 1 year	846,375	999,375
	<u>916,011</u>	<u>1,843,881</u>

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
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**(FOR MANAGEMENT INFORMATION PURPOSES ONLY)**

**STATEMENT OF INCOME AND EXPENDITURE**  
(Venue Partnership Scheme and Outbound Cultural Exchange)

	Year ended 31st March 2009	
	Venue Partnership Scheme	Outbound Cultural Exchange
<b>Income</b>		
Government subvention	883,716	1,500,000
Revenue from musical events	-	932,800
Advertisements	-	110,180
	<u>883,716</u>	<u>2,542,980</u>
<b>Expenditure</b>		
Concert expenses	669,868	3,149,347
Marketing and audience development expenses	23,028	245,660
Administrative and general expenses	190,820	-
	<u>883,716</u>	<u>3,395,007</u>
<b>Surplus/(deficit) for the year</b>	<u>-</u>	<u>(852,027)</u>