

THE HONG KONG PHILHARMONIC SOCIETY LIMITED
REPORT OF THE BOARD OF GOVERNORS
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST MARCH 2008

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 2008.

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 on page 7.

Property, plant and equipment

Details of 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 were:

Elected by Voting Members

Prof David Gwilt, MBE	
Mr Nathan Ma Ning-hei, MBE, JP	
Mr So Hau-leung	
Mrs Janice Choi Kwan Wing Kim	
Ms Brenda Chow Kam-wah	
Dr Geoffrey Yeh Meou-tsen, SBS, MBE, JP	(retired on 2nd November 2007)
Mr Daniel Ng Yat-chiu	
Mr Stephan G Spurr	
Mr Liu Yuen Sung	
Mrs Ivy Wu Kwok Sau Ping, JP	(retired on 31st August 2007)
Dr Lilian Leong, BBS, JP	
Mr Glenn Fok	
Dr Chan Po Fun Peter, BBS, MBE, DS, PhD, JP	
Mrs Paulette Ho	(appointed on 27th April 2007)
Mr Nicholas Sallnow-Smith	(appointed on 2nd November 2007)
Mr Jack So Chak Kwong, JP	(appointed on 2nd November 2007)

Appointed by the Secretary for Home Affairs

Mr Edward Ho Sing-tin, SBS, OBE, JP
Mr Chung Shui-ming, GBS, JP
Ms Joanne Chan Jo Win
Mrs Michelle Ong Cheung
Ms Chen Qing, Judy

Board of Governors members (Continued)

In accordance with Article 47 of the Articles of Association, Mr Edward Ho Sing-tin and Mr Chung Shui-ming were elected Chairman and Vice-Chairman respectively for a term of two years from the first meeting of the Board of Governors on 26th September 2006. In accordance with Articles 45 and 54 for the appointment of Board of Governors members by the Government of the Hong Kong Special Administrative Region, Mr Edward Ho Sing-tin, Mr Chung Shui-ming, Ms Joanne Chan Jo Win, Mrs Michelle Ong Cheung and Ms Chen Qing, Judy will be eligible to serve until 31st October 2008. In accordance with Article 54, Mrs Janice Choi, Ms Brenda Chow Kam-wah, Mr Daniel Ng Yat-chiu, Mr So Hau-leung, and Mr Stephan G Spurr will retire at the forthcoming Annual General Meeting and will be eligible to offer themselves for re-election for another term of two years. Dr Chan Po Fun, Peter, Mr Glenn Fok, Professor David Gwilt, Mrs Paulette Ho, Dr Lilian Leong, Mr Liu Yuen Sung and Mr Nathan Ma Ning-hei will be eligible to serve for another one year term at the forthcoming Annual General Meeting. Mrs Ivy Wu Kwok Sau Ping retired on 31st August 2007. Mr Nicholas Sallnow-Smith and Mr Jack So Chak Kwong were elected to the Board of Governors at the Annual General Meeting on 2nd November 2007 and will be eligible to serve for another one year term at the forthcoming Annual General Meeting.

Board of Governors members' interests

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

At no time during the year was the Society a party to any arrangement to enable the members of the Society's Board of Governors to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Society or its associated corporations.

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, 26 SEP 2008

**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 2008, 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 2008 and of its deficit 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

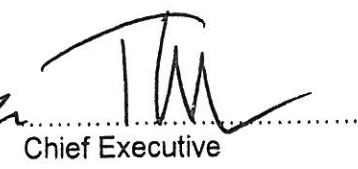
Hong Kong, 26 SEP 2008

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

BALANCE SHEET

	Note	As at 31st March	
		2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,987,187	3,203,757
Current assets			
Accounts and other receivables	7	7,622,651	9,762,224
Cash and cash equivalents	8	2,816,429	1,795,151
		10,439,080	11,557,375
Total assets		13,426,267	14,761,132
FUNDS			
Accumulated surplus		6,203,014	6,217,139
Young Audience Fund	9	87,026	88,785
Total funds		6,290,040	6,305,924
LIABILITIES			
Current-liabilities			
Accruals and other payables	10	6,203,861	7,500,338
Amount due to the Hong Kong Philharmonic Endowment Trust	11	932,366	954,870
Total liabilities		7,136,227	8,455,208
Total funds and liabilities		13,426,267	14,761,132


 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

		<u>Year ended 31st March</u>	
	Note	2008	2007
Income			
Government subvention		56,538,000	56,538,000
Revenue from musical events		24,527,384	25,882,537
Fund-raising activities and sponsors' contributions		25,318,145	23,027,176
Interest income		183,067	270,858
Advertisements		715,935	750,650
Income from recordings		232,839	340,347
Miscellaneous income		437,774	222,263
		<u>107,953,144</u>	<u>107,031,831</u>
Expenditure			
Concert expenses	14	83,499,144	81,899,784
Marketing and audience development expenses	15	7,533,655	8,121,838
Sponsorship for fund raising activities		2,544,918	2,542,405
Administrative and general expenses	16	14,391,311	13,936,126
		<u>107,969,028</u>	<u>106,500,153</u>
(Deficit)/surplus for the year		<u><u>(15,884)</u></u>	<u><u>531,678</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)

STATEMENT OF CHANGES IN FUNDS

	Accumulated surplus	The Ladies Committee	Young Audience Fund	Total
Balance at 1st April 2006	1,307,134	4,255,837	211,275	5,774,246
Transfer to the Accumulated surplus	4,378,327	(4,255,837)	(122,490)	-
Surplus for the year	531,678	-	-	531,678
Balance at 31st March 2007 and 1st April 2007	6,217,139	-	88,785	6,305,924
Transfer to the Accumulated surplus	1,759	-	(1,759)	-
Deficit for the year	(15,884)	-	-	(15,884)
Balance at 31st March 2008	6,203,014	-	87,026	6,290,040

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	2008	2007
Cash flows from operating activities			
Net cash generated from/(used in) operating activities	17	<u>1,491,608</u>	<u>(253,366)</u>
Cash flows from investing activities			
Interest received		183,067	270,858
Purchases of property, plant and equipment	5	<u>(653,397)</u>	<u>(3,291,490)</u>
Net cash used in investing activities		<u>(470,330)</u>	<u>(3,020,632)</u>
Net increase/(decrease) in cash and cash equivalents		1,021,278	(3,273,998)
Cash and cash equivalents at beginning of the year		<u>1,795,151</u>	<u>5,069,149</u>
Cash and cash equivalents at end of the year	8	<u><u>2,816,429</u></u>	<u><u>1,795,151</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 2008 the Society had 19 members (2007: 18) 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

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"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared 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) New standard and amendment to published standard which are relevant to the Society and effective from 1st January 2007

HKFRS 7 "Financial Instruments: Disclosures", and the complementary amendment to HKAS 1 "Presentation of Financial Statements - Capital Disclosures" are mandatory for the Society's accounting period commencing on 1st April 2007 or after which the Society has adopted in these financial statements. HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The adoption of HKFRS 7 and the amendment to HKAS 1 does not result in any significant change to the Society's accounting policies 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)

2.1 Basis of preparation (Continued)

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

Certain new standards, amendments and interpretations to existing standards (collectively, the "Amendments") have been published that are mandatory for the Society's accounting period commencing from 1st April 2008. 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.

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.

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)

2.3 Property, plant and equipment (Continued)

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).

2.5 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.

2.6 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.

2.7 Payables

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

2.8 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)

2.8 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.

2.9 Provisions

Provisions are recognised when the Society has a present legal or constructive obligation 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.

2.10 Revenue recognition

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

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 accrual 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)

2.11 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 expensed in the statement of income and expenditure on a straight-line basis over the period of the lease.

3 Financial risk 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 fair value and cash flow interest 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 as the transactions are mainly denominated in Hong Kong dollar and no sensitivity analysis is performed accordingly.

(b) Credit risk

In the opinion of the Board of Governors, the Society's exposure to credit risk is minimal as the Society's major income are funded by cash, government subvention and the musical tickets receivables from the Leisure and Cultural services Department. 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.

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.

As at 31st March 2008, the maturity analysis of the financial liabilities is as follows:

	2008	2007
Less than one year		
Accruals and other payables (note 10)	4,448,305	5,691,729
Amount due to the Hong Kong Philharmonic Endowment Trust	932,366	954,870
	<u>5,380,671</u>	<u>6,646,599</u>

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

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Cash flow and fair value interest rate risk

Other than the bank balances, the Society has no significant interest-bearing assets and liabilities. Accordingly, the Society's 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 and fair value interest rate risk is considered to be low and no sensitivity analysis is performed accordingly.

3.2 Capital risk management

The Society's objectives when managing capital are to safeguard the Society's ability to continue as a going concern. 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 accounts and other 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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

5 Property, plant and equipment

	Furniture, fixtures and equipment
At 1st April 2006	
Cost	404,944
Accumulated depreciation	(80,989)
Net book amount	<u>323,955</u>
Year ended 31st March 2007	
Opening net book value	323,955
Additions	3,291,490
Depreciation	(411,688)
Closing net book amount	<u>3,203,757</u>
At 31st March 2007	
Cost	3,696,434
Accumulated depreciation	(492,677)
Net book amount	<u>3,203,757</u>
Year ended 31st March 2008	
Opening net book value	3,203,757
Additions	653,397
Depreciation	(869,967)
Closing net book amount	<u>2,987,187</u>
At 31st March 2008	
Cost	4,349,831
Accumulated depreciation	(1,362,644)
Net book amount	<u>2,987,187</u>

Depreciation expense of HK\$702,373 and HK\$167,594 (2007: HK\$293,115 and HK\$118,573) has been expensed in concert expenses (note 14) and administrative and general expenses (note 16) 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:

	2008	2007
Financial assets – Loans and receivables		
Accounts receivable (note 7)	2,613,171	3,067,766
Other receivables (note 7)	464,461	1,506,873
Cash and cash equivalents (note 8)	2,816,429	1,795,151
	<u>5,894,061</u>	<u>6,369,790</u>
Financial liabilities – Other financial liabilities		
Accruals and other payables (note 10)	4,448,305	5,691,729
Amount due to the Hong Kong Philharmonic Endowment Trust	932,366	954,870
	<u>5,380,671</u>	<u>6,646,599</u>

7 Accounts and other receivables

	2008	2007
Accounts receivable	2,613,171	3,067,766
Other receivables	464,461	1,506,873
Prepayments	4,545,019	5,187,585
	<u>7,622,651</u>	<u>9,762,224</u>

The fair values of accounts and other receivables approximate their carrying values as at 31st March 2007 and 2008.

Accounts receivable that are less than three months past due are not considered impaired. As at 31st March 2008, accounts receivable of HK\$81,425 (2007: HK\$247,383) 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 the accounts receivable is as follows:

	2008	2007
<u>Ageing of past due but not impaired</u>		
Up to 3 months	74,725	239,463
Over 3 months	6,700	7,920
	<u>81,425</u>	<u>247,383</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.

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

NOTES TO THE FINANCIAL STATEMENTS

8 Cash and cash equivalents

	2008	2007
Cash at banks and in hand	<u>2,816,429</u>	<u>1,795,151</u>
Maximum exposure to credit risk	<u>2,812,200</u>	<u>1,794,151</u>

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

	2008	2007
Hong Kong dollars	2,801,715	1,780,706
United States dollars	14,714	14,445
	<u>2,816,429</u>	<u>1,795,151</u>

9 Young Audience Fund

	2008	2007
At 1st April and 31st March	<u>87,026</u>	<u>88,785</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

	2008	2007
Accruals	1,355,204	2,574,007
Other payables	3,093,101	3,117,722
	<u>4,448,305</u>	<u>5,691,729</u>
Financial liabilities	1,755,556	1,808,609
Receipts in advance (note 2.10)	<u>6,203,861</u>	<u>7,500,338</u>

The fair values of accruals and other payables approximate their carrying values as at 31st March 2007 and 2008.

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

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:

	2008	2007
Hong Kong dollars	6,111,508	6,769,527
United States dollars	66,112	704,004
Euro	6,763	-
Others	19,478	26,807
	<u>6,203,861</u>	<u>7,500,338</u>

11 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 carrying value of the amount due approximates its fair value as at 31st March 2008 and 2007.

12 Taxation

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

13 Board of Governors members' emoluments

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 (2007: Nil).

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

NOTES TO THE FINANCIAL STATEMENTS

14 Concert expenses

	2008	2007
Salaries and allowances of musicians	42,305,128	40,264,362
Pension costs for musicians	940,256	1,006,106
Benefits for musicians (medical and musical instruments insurance)	672,410	667,790
Insurance (employee compensation and lorry)	80,908	53,051
Passages (airfares for overseas players)	822,625	721,199
Hotel accommodation for new overseas players	113,763	18,480
Auditioning and recruitment	447,305	318,121
Broadcasting	591,634	561,743
Salaries, allowances and benefits for		
- music director/artistic director/principal conductor/resident conductor	8,054,335	8,931,675
- guest artists	12,605,604	12,793,408
Fees of augmentation/freelance players	1,773,854	1,848,020
Hire of halls	6,410,169	7,223,684
Transportation of players	50,576	50,076
Transportation of instruments	168,578	81,451
Transportation of artists	58,904	48,421
Hire/repairs/maintenance of instruments	277,499	328,296
Music costs	889,462	1,130,118
Entertainment	8,967	29,408
Sundries for orchestra	401,618	784,370
Musical instruments and scores	107,339	79,053
Stage design and setting fee	3,683,203	4,059,804
Sound	686,224	451,260
Fee paid to CASH	110,479	156,773
Orchestra depreciation	702,373	293,115
Touring expenses	1,535,931	-
	<u>83,499,144</u>	<u>81,899,784</u>

15 Marketing and audience development expenses

	2008	2007
Posters and pamphlets	612,821	701,974
Programmes	831,258	897,002
Press advertisements	2,994,646	3,432,059
Photography	190,705	178,425
Other expenses	186,599	326,184
Subscription costs	631,754	469,569
Web development and maintenance	406,149	224,976
Public relations and audience development	293,320	343,416
Direct mailing	187,261	177,930
Ticketing cost	833,227	930,469
Ticket commission	365,915	439,834
	<u>7,533,655</u>	<u>8,121,838</u>

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

NOTES TO THE FINANCIAL STATEMENTS

16 Administrative and general expenses

	2008	2007
Salaries of office staff	10,755,557	10,530,258
Pension costs for office staff	286,238	275,764
Provision for unused annual leave for office staff	220,805	157,983
Benefits (medical insurance) for office staff	145,677	158,721
Insurance (employee compensation and other general)	43,981	49,075
Operating lease rentals for office premises and workshop	1,350,176	1,207,572
Postage, stationery, fax and telephone	306,737	343,506
Utilities and sundry expenses	318,560	347,368
Repairs and maintenance	55,560	5,316
Local travelling	30,831	48,465
Overseas travelling	65,592	18,834
Professional fees	254,079	261,034
Recruitment of staff	245,021	159,797
Entertainment	68,072	37,887
Plant and equipment written off	19,930	162,246
Depreciation (note 5)	167,594	118,573
Auditor's remuneration	56,901	53,727
	<u>14,391,311</u>	<u>13,936,126</u>

17 Cash generated from operations

	2008	2007
(Deficit)/surplus for the year	(15,884)	531,678
Adjustments for:		
- Interest income	(183,067)	(270,858)
- Depreciation (note 5)	869,967	411,688
Changes in working capital		
- Accounts and other receivables	2,139,573	(1,951,847)
- Accruals and other payables	(1,296,477)	1,048,553
- Amount due to the Hong Kong Philharmonic Endowment Trust	(22,504)	(22,580)
Net cash generated from/(used in) operating activities	<u>1,491,608</u>	<u>(253,366)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

18 Commitments under operating leases

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

	2008	2007
Office premises and workshop		
No later than 1 year	774,870	681,486
Later than 1 year and no later than 5 years	69,636	-
Concert venue		
No later than 1 year	999,375	838,088
	<u>1,843,881</u>	<u>1,519,574</u>