

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
**REPORT OF THE BOARD OF GOVERNORS**  
**AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31ST MARCH 2007**

# 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 for the year ended 31st March 2007.

### Legal status and principal activities

The Hong Kong Philharmonic Society Limited (the "Society") is incorporated under the Hong Kong Companies Ordinance and is limited by guarantee. Its principal activities are the conducting and managing of concerts.

### Results

The results of the Society for the year ended 31st March 2007 are set out in the statement of income and expenditure on page 6 of the financial statements.

### Property, plant and equipment

Details of movements in the property, plant and equipment of the Society are set out in note 4 for the financial statements.

### Reserves

Movements in the reserves of the Society during the year are set out in note 7 to the financial statements.

### Board of Governors members

#### Elected by Voting Members

|   |                                   |
|---|-----------------------------------|
| Prof David Gwilt , MBE                  |                                   |
| Mr Nathan Ma Ning-hei, MBE, JP          |                                   |
| Mr So Hau-leung                         |                                   |
| Mrs Janice Choi                         |                                   |
| Ms Brenda Chow Kam-wah                  |                                   |
| Dr Geoffrey Yeh Meou-tsen, SBS, MBE, JP |                                   |
| Mr Daniel Ng Yat-chiu                   | (appointed on 18th May 2006)      |
| Mr Stephan G Spurr                      | (appointed on 18th May 2006)      |
| Ms Liu Yuen Sung                        | (appointed on 1st November 2006)  |
| Ms Ivy Wu Kwok Sau Ping,JP              | (appointed on 1st November 2006)  |
| Dr Lilian Leong, JP                     | (appointed on 1st November 2006)  |
| Mr Glenn Fok                            | (appointed on 1st November 2006)  |
| Dr Chan Po Fun Peter,BBS,MBE,DS,PhD,JP  | (appointed on 13th December 2006) |
| Mrs Paulette Ho                         | (appointed on 27th April 2007)    |

## Board of Governors members (Continued)

### Appointed by the Chief Executive of Hong Kong

|                                     |                                  |
|-------------------------------------|----------------------------------|
| Mr Edward Ho Sing-tin, SBS, OBE, JP |                                  |
| Mr Chung Shui-ming, GBS, JP         |                                  |
| Ms Joanne Chan                      | (appointed on 1st November 2006) |
| Mrs Michelle Ong Cheung             | (appointed on 1st November 2006) |
| Ms Chen Qing, Judy                  | (appointed on 1st November 2006) |
| Prof Chan Wing-wah, JP              | (retired on 1st November 2006)   |
| Ms Pansy Ho Chiu-king               | (retired on 1st November 2006)   |
| Ms Kathy Chiu Kam-hing, JP          | (retired on 1st November 2006)   |

In accordance with the Society's amended Articles of Association passed on 26<sup>th</sup> September 2006, the previous General Committee would be taken over by the newly constituted Board of Governors as the overall governing body. In accordance with Article 47, Mr Edward Ho Sing-tin and Mr Chung Shui-ming were elected Chairman and Vice-Chairman respectively. In accordance with Article 45 and 54 for the appointment of the Board of Governors members by the Chief Executive of the HKSAR, Mr Edward Ho Sing-tin, Mr Chung Shui-ming, Ms Joanne Chan, Mrs Michelle Ong Cheung and Ms Chen Qing, Judy are appointed for two years. 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 are appointed for two years. Professor David Gwilt, Mr Y S Liu, Mr Nathan Ma Ning-hei, Mrs Ivy Wu and Dr Geoffrey Yeh Meou-tsen are appointed for one year and will be eligible for re-election. In accordance with Article 51, Mr Glenn Fok, Dr Lilian Leong, Dr Chan Po Fun, Peter and Mrs Paulette Ho are appointed until the forthcoming Annual General Meeting and will be eligible for re-election.

### 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 Board of Governors member of the Society 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 Board of Governors members of the Society to acquire benefits by means of the acquisition of shares in, or debentures of, the Society or any other body corporate.

### Management contracts

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

### Auditors

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, 31st August 2007

**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 (the "Society") set out on pages 5 to 19, which comprise the balance sheet as at 31st March 2007, and the statement of income and expenditure, statement of changes in reserves 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 are 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 controls 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 controls 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 controls. 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 2007 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, 31st August 2007

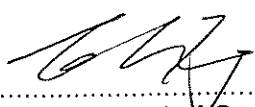
**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**BALANCE SHEET**

|   | Note | As at 31st March  |                   |
|---|------|-------------------|-------------------|
|   |      | 2007              | 2006              |
| <b>ASSETS</b>   |      |                   |                   |
| <b>Non-current assets</b>                                   |      |                   |                   |
| Property, plant and equipment                               | 4    | 3,203,757         | 323,955           |
| <b>Current assets</b>                                       |      |                   |                   |
| Net assets held with the Ladies Committee                   | 5    | -                 | 4,255,837         |
| Accounts receivable and prepayments                         |      | 9,762,224         | 7,810,377         |
| Cash and cash equivalents                                   | 6    | 1,795,151         | 626,565           |
|   |      | 11,557,375        | 12,692,779        |
| <b>Total assets</b>   |      | <b>14,761,132</b> | <b>13,016,734</b> |
| <b>FUNDS AND RESERVES</b>                                   |      |                   |                   |
| Reserves  | 7    | 6,217,139         | 5,562,971         |
| Young Audience Fund   | 8    | 88,785            | 211,275           |
|   |      | 6,305,924         | 5,774,246         |
| <b>LIABILITIES</b>  |      |                   |                   |
| <b>Current-liabilities</b>                                  |      |                   |                   |
| Sundry creditors and accruals                               |      | 5,691,729         | 3,997,179         |
| Receipts in advance   |      | 1,808,609         | 2,267,859         |
| Amount due to the Hong Kong Philharmonic<br>Endowment Trust | 9    | 954,870           | 977,450           |
| <b>Total liabilities</b>                                    |      | <b>8,455,208</b>  | <b>7,242,488</b>  |
| <b>Total funds and liabilities</b>                          |      | <b>14,761,132</b> | <b>13,016,734</b> |

  
.....  
Chairman

  
.....  
Chief Executive

  
.....  
Member of Board of Governors

The notes on pages 9 to 19 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 |                    |
|---|-------|-----------------------|--------------------|
|   |       | 2007                  | 2006               |
| <b>Income</b>   |       |                       |                    |
| The Leisure and Cultural Services Department subvention |       | 56,538,000            | 56,538,000         |
| Revenue from musical events                             | (a)   | 25,882,537            | 19,283,244         |
| Fund raising and sponsors' contributions                |       | 23,027,176            | 12,627,955         |
| Interest income   |       | 115,178               | 3,014              |
| Advertisements  |       | 750,650               | 637,330            |
| Income from recordings                                  |       | 340,347               | 525,440            |
| Miscellaneous income                                    |       | 145,928               | 168,476            |
| Contribution from the Ladies Committee                  |       | 4,358,351             | 1,156,288          |
|   |       | <u>111,158,167</u>    | <u>90,939,747</u>  |
| <b>Expenditure</b>                                      |       |                       |                    |
| Concert expenses  | 12    | 81,899,784            | 71,298,332         |
| Marketing and audience development expenses             | 13    | 8,121,838             | 6,096,580          |
| Sponsorship for fund raising activities                 |       | 2,542,405             | 1,858,479          |
| Administrative and general expenses                     | 14    | 13,684,135            | 12,537,275         |
|   |       | <u>106,248,162</u>    | <u>91,790,666</u>  |
| Operating surplus/(deficit)                             |       | 4,910,005             | (850,919)          |
| Results of the Ladies Committee                         | 5, 15 | (4,255,837)           | (1,200,413)        |
| Results for the year                                    |       | <u>654,168</u>        | <u>(2,051,332)</u> |

**Note:**

- (a) The notional value of complimentary tickets amounting to HK\$2,539,280 (2006: HK\$1,935,940) has not been included in the above figures.

The notes on pages 9 to 19 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 RESERVES**

|   | <b>Reserves</b>    |
|---|--------------------|
| <b>Balance at 1st April 2005</b>              | 7,614,303          |
| Deficit the year                              | <u>(2,051,332)</u> |
| <b>Balance at 31st March 2006</b>             | <u>5,562,971</u>   |
| <b>Balance at 1st April 2006 as per above</b> | 5,562,971          |
| Surplus the year                              | <u>654,168</u>     |
| <b>Balance at 31st March 2007</b>             | <u>6,217,139</u>   |

The notes on pages 9 to 19 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**

|   | Note | Year ended 31st March   |                       |
|---|------|-------------------------|-----------------------|
|   |      | 2007                    | 2006                  |
| <b>Cash flows from operating activities</b>               |      |                         |                       |
| Net cash generated from operations                        | 16   | <u>2,160,898</u>        | <u>582,072</u>        |
| <b>Cash flows from investing activities</b>               |      |                         |                       |
| Interest received   |      | 115,178                 | 3,014                 |
| Purchases of property, plant and equipment                | 4    | <u>(1,107,490)</u>      | <u>(274,944)</u>      |
| Net cash used in investing activities                     |      | <u>(992,312)</u>        | <u>(271,930)</u>      |
| <b>Net increase in cash and cash equivalents</b>          |      | 1,168,586               | 310,142               |
| <b>Cash and cash equivalents at beginning of the year</b> |      | <u>626,565</u>          | <u>316,423</u>        |
| <b>Cash and cash equivalents at end of the year</b>       | 6    | <u><u>1,795,151</u></u> | <u><u>626,565</u></u> |

The notes on pages 9 to 19 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 the conducting and managing of concerts.

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 2007 the Society had 18 members (2006: 22) members.

These financial statements are presented in Hong Kong dollars unless otherwise stated and have been approved for issue by the Board of Governors on 31st August 2007.

**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 under the historical cost convention and in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collectively includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the accounting principles generally accepted in Hong Kong and requirements of the Hong Kong Companies Ordinance.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the application of the Society's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. However, there are no estimates or assumptions that have a significant effect of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Amendments to published standards effective in 2006

The Hong Kong Institute of Certified Public Accountant has issued certain amendments to published HKFRS and interpretations of HKFRS. However, these amendments are not relevant to the Society's operations.

**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) New or revised standards that are not yet effective and have not been early adopted by the Society

HKFRS 7, Financial instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures (effective for annual periods beginning on or after 1st April 2007). HKFRS 7 introduces new disclosures relating to financial instruments. This standard and amendment do not have any impact on the classification and valuation of the Society's financial instruments.

**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.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual value 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).

**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)**

**2.4 Impairment of non-financial assets**

Assets that are subject to amortisation or depreciation 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 Accounts and other receivables**

Accounts and other 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 accounts and other 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 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 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 and deposits held at call with banks with original maturities of three months or less.

**2.7 Employee benefits**

(a) Pension obligations

The Society operates a defined contribution scheme in Hong Kong, the assets of which are held in separate trustee-administered funds. The pension plan is funded by payments from employees and by the Society. The Society's contributions to the scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

The Society has also established a mandatory provident fund scheme ("MPF scheme") in Hong Kong. The assets of the MPF scheme are held in separate trustee-administered funds. Both the Society and the employees are required to contribute 5% of the employees' relevant income up to a maximum of HK\$1,000 per employee per month. The Society's contributions to the MPF scheme are expensed as incurred.

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.

**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)**

**2.7 Employee benefits (Continued)**

(b) 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 are not recognised until the time of leave.

**2.8 Provisions**

Provisions are recognised when the Society has a present legal or constructive obligation where, as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligations, 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.

**2.9 Revenue recognition**

Government subvention is recognised, when there is a reasonable assurance that the Society will comply with the conditions attaching with it and that the subvention will be received.

Donation income is recognised when the right to receive payment is established.

Income from fund raising activities, box office income and all other income are recognised on an accruals basis. Fees relating to future years are classified as deferred income in the balance sheet.

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

**2.10 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**

The Society's activities do not expose it to significant foreign exchange risk, credit risk and liquidity risk. The Society has no other significant interest-bearing assets and liabilities. Accordingly the Society's income and operating cash flows are substantially independent of changes in market interest rates.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**4 Property, plant and equipment**

|                                   | Furniture,<br>fixtures and<br>equipment |
|-----------------------------------|---|
| <b>At 1st April 2005</b>          |   |
| Cost                              | -                                       |
| Accumulated depreciation          | -                                       |
|                                   | <hr/>                                   |
| Net book amount                   | -                                       |
|                                   | <hr/> <hr/>                             |
| <b>Year ended 31st March 2006</b> |   |
| Opening net book value            | -                                       |
| Additions                         | 404,944                                 |
| Depreciation                      | (80,989)                                |
|                                   | <hr/>                                   |
| Closing net book amount           | 323,955                                 |
|                                   | <hr/> <hr/>                             |
| <b>At 31st March 2006</b>         |   |
| Cost                              | 404,944                                 |
| Accumulated depreciation          | (80,989)                                |
|                                   | <hr/>                                   |
| Net book amount                   | 323,955                                 |
|                                   | <hr/> <hr/>                             |
| <b>Year ended 31st March 2007</b> |   |
| Opening net book value            | 323,955                                 |
| Additions                         | 3,291,490                               |
| Depreciation                      | (411,688)                               |
|                                   | <hr/>                                   |
| Closing net book amount           | 3,203,757                               |
|                                   | <hr/> <hr/>                             |
| <b>At 31st March 2007</b>         |   |
| Cost                              | 3,696,434                               |
| Accumulated depreciation          | (492,677)                               |
|                                   | <hr/>                                   |
| Net book amount                   | 3,203,757                               |
|                                   | <hr/> <hr/>                             |

Depreciation expense of HK\$411,688 (2005: HK\$80,989) has been expensed in administrative and concert expenses.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**5 Net assets held with the Ladies Committee**

|                               | 2007     | 2006             |
|-------------------------------|----------|------------------|
| Current assets                |          |                  |
| Cash and cash equivalents     |          |                  |
| - bank balances and cash      | -        | 143,926          |
| - fixed and call deposits     | -        | 4,298,658        |
|                               | <u>-</u> | <u>4,442,584</u> |
| Current liabilities           |          |                  |
| Sundry creditors and accruals | -        | (186,747)        |
|                               | <u>-</u> | <u>4,255,837</u> |

The Ladies Committee was dissolved on 31 March 2007. The entire net assets have been transferred to the Society as a donation for the year.

The effective interest rate on fixed and call deposits last year was 3.80%, these deposits had an average maturity of 13 days.

**6 Cash and cash equivalents**

|                        | 2007             | 2006           |
|------------------------|------------------|----------------|
| Bank balances and cash | <u>1,795,151</u> | <u>626,565</u> |

**7 Reserves**

|  | The Ladies<br>Committee | The<br>Society   | Total              |
|--|-------------------------|------------------|--------------------|
| At 1st April 2005                        | 5,456,250               | 2,158,053        | 7,614,303          |
| Results for the year                     | <u>(1,200,413)</u>      | <u>(850,919)</u> | <u>(2,051,332)</u> |
| At 31st March 2006 and 1st April<br>2006 | 4,255,837               | 1,307,134        | 5,562,971          |
| Results for the year                     | <u>(4,255,837)</u>      | <u>4,910,005</u> | <u>654,168</u>     |
| At 31st March 2007                       | <u>-</u>                | <u>6,217,139</u> | <u>6,217,139</u>   |

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

**NOTES TO THE FINANCIAL STATEMENTS**

**8 Young Audience Fund**

|                          | 2007          | 2006           |
|--------------------------|---------------|----------------|
| At 1 <sup>st</sup> April | 211,275       | 392,399        |
| Income                   | 82,605        | 106,457        |
| Expenditure              | (205,095)     | (287,581)      |
|                          | <u>88,785</u> | <u>211,275</u> |
| At 31st March            | <u>88,785</u> | <u>211,275</u> |
| Represented by:          |               |                |
| Bank balances and cash   | <u>88,785</u> | <u>211,275</u> |

The Young Audience Fund is a programme to enhance and develop musical interest and talent of the youth. It is funded by the income received from the youth musical activities and miscellaneous income such as membership fees and souvenirs sold during the year. There were daily operating expenses such as salaries for Young Audience Fund assistants, newsletter printing and postage expenses etc.

**9 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 summary of the balance sheet of the Trust as at 31st March is as follows:

|                               | 2007              | 2006              |
|-------------------------------|-------------------|-------------------|
| Investments                   | 23,351,100        | 15,480,188        |
| Other assets less liabilities | 3,851,550         | 9,777,320         |
|                               | <u>27,202,650</u> | <u>25,257,508</u> |
| Financed by:                  |                   |                   |
| Trust fund                    | <u>27,202,650</u> | <u>25,257,508</u> |

**10 Taxation**

The Society is exempt from Hong Kong profits tax under Section 88 of the Hong Kong Inland Revenue Ordinance.



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

**NOTES TO THE FINANCIAL STATEMENTS**

**11 Board of Governors' 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 (2005: Nil).

**12 Concert expenses**

|   | 2007              | 2006              |
|---|-------------------|-------------------|
| Salaries and allowances of musicians                                      | 40,264,362        | 39,612,724        |
| Provident fund for musicians  | 1,006,106         | 887,724           |
| Benefits for musicians (medical and musical instruments insurance)        | 667,790           | 659,956           |
| Insurance (employee compensation and lorry)                               | 53,051            | 32,272            |
| Passages (airfares for overseas players)                                  | 721,199           | 827,216           |
| Hotel accommodation for new overseas players                              | 18,480            | 35,924            |
| Auditioning and recruitment   | 318,121           | 448,173           |
| Broadcasting  | 561,743           | 214,922           |
| Salaries, allowances and benefits for                                     |                   |                   |
| - music director/artistic director/principal conductor/resident conductor | 8,931,675         | 9,560,334         |
| - guest artists   | 12,793,408        | 8,602,709         |
| Fees of augmentation/freelance players                                    | 1,848,020         | 1,336,063         |
| Hire of halls   | 7,223,684         | 6,178,283         |
| Transportation of players   | 50,076            | 45,576            |
| Transportation of instruments   | 81,451            | 52,575            |
| Transportation of artists   | 48,421            | 19,176            |
| Hire/repairs/maintenance of instruments                                   | 328,296           | 326,276           |
| Music costs   | 1,130,118         | 693,448           |
| Entertainment   | 29,408            | 14,757            |
| Sundries for orchestra  | 784,370           | 181,233           |
| Musical instruments and scores  | 79,053            | 85,092            |
| Stage design and setting fee  | 4,059,804         | 850,000           |
| Sound   | 451,260           | 170,572           |
| Fee paid to CASH  | 156,773           | 135,752           |
| Commercial recording  | -                 | 49,879            |
| Hired out expenses  | -                 | 277,696           |
| Orchestra depreciation  | 293,115           | -                 |
|   | <u>81,899,784</u> | <u>71,298,332</u> |

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

**NOTES TO THE FINANCIAL STATEMENTS**

**13 Marketing and audience development expenses**

|   | 2007             | 2006             |
|---|------------------|------------------|
| Posters and pamphlets                     | 701,974          | 672,929          |
| Programmes                                | 897,002          | 651,113          |
| Press advertisements                      | 3,432,059        | 2,642,817        |
| Photography                               | 178,425          | 91,269           |
| Other expenses                            | 326,184          | 88,932           |
| Subscription costs                        | 469,569          | 469,993          |
| Web development and maintenance           | 224,976          | 93,413           |
| Public relations and audience development | 343,416          | 165,303          |
| Direct mailing                            | 177,930          | 148,709          |
| Ticketing cost                            | 930,469          | 762,172          |
| Ticket commission                         | 439,834          | 309,930          |
|   | <u>8,121,838</u> | <u>6,096,580</u> |

**14 Administrative and general expenses**

|   | 2007              | 2006              |
|---|-------------------|-------------------|
| Salaries of office staff                            | 10,455,692        | 9,777,615         |
| Provident fund for office staff                     | 274,284           | 250,587           |
| Provision for unused annual leave for office staff  | 157,983           | 163,553           |
| Benefits (medical insurance) for office staff       | 158,721           | 220,229           |
| Insurance (employee compensation and other general) | 49,075            | 49,048            |
| Rent and rates                                      | 1,207,572         | 1,018,501         |
| Postage, stationery, fax and telephone              | 343,506           | 315,510           |
| Utilities and sundry expenses                       | 181,423           | 255,494           |
| Repairs and maintenance                             | 5,316             | 5,817             |
| Local travelling                                    | 48,465            | 31,823            |
| Overseas travelling                                 | 18,834            | -                 |
| Professional fees                                   | 251,034           | 168,228           |
| Recruitment of staff                                | 159,797           | 34,100            |
| Entertainment                                       | 37,887            | 101,751           |
| Small value fixed assets written off                | 162,246           | 12,030            |
| Depreciation  | 118,573           | 80,989            |
| Auditors' remuneration                              | 53,727            | 52,000            |
|   | <u>13,684,135</u> | <u>12,537,275</u> |

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

**NOTES TO THE FINANCIAL STATEMENTS**

**15 Results of the Ladies Committee**

|  | 2007                      | 2006                      |
|--|---------------------------|---------------------------|
| Income   |                           |                           |
| Interest income from bank deposits               | 155,680                   | 94,641                    |
| Other income                                     | 560                       | 1,013                     |
|  | <u>156,240</u>            | <u>95,654</u>             |
| Expenditure                                      |                           |                           |
| Contribution to Hong Kong Philharmonic Orchestra | 4,358,351                 | 1,156,288                 |
| Salaries   | 40,250                    | 81,629                    |
| Audit fee  | 10,000                    | 10,000                    |
| Sundries   | 3,476                     | 48,150                    |
|  | <u>4,412,077</u>          | <u>1,296,067</u>          |
| Results for the year (note 7)                    | <u><u>(4,255,837)</u></u> | <u><u>(1,200,413)</u></u> |

**16 Cash generated from operations**

|  | 2007                    | 2006                  |
|--|-------------------------|-----------------------|
| Results for the year   | 654,168                 | (2,051,332)           |
| - Interest income  | (115,178)               | (3,014)               |
| - Depreciation   | 411,688                 | 80,989                |
| - Donated in terms of property, plant and equipment          | (2,184,000)             | (130,000)             |
| - Decrease in bank balances and cash of the Ladies Committee | 4,442,584               | 1,032,858             |
| Changes in working capital                                   |                         |                       |
| - Accounts receivable and prepayments                        | (1,951,847)             | (16,065)              |
| - Sundry creditors and accruals                              | 1,507,803               | (293,286)             |
| - Receipts in advance  | (581,740)               | 984,472               |
| - Amount due to the Hong Kong Philharmonic Endowment Trust   | (22,580)                | 977,450               |
| Cash generated from operations                               | <u><u>2,160,898</u></u> | <u><u>582,072</u></u> |

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

**NOTES TO THE FINANCIAL STATEMENTS**

**17 Commitments**

**(a) Capital Commitments**

|                                 | 2007                        | 2006                        |
|---------------------------------|-----------------------------|-----------------------------|
| Property, plant and equipment   |                             |                             |
| Contracted but not provided for | -                           | 317,112                     |
|                                 | <u>                    </u> | <u>                    </u> |

**(b) Operating lease commitments**

At 31st March 2007, the Society had future aggregate minimum lease payments under non-cancellable operating leases as follows:

|   | 2007                        | 2006                        |
|---|-----------------------------|-----------------------------|
| Office premises and workshop                      |                             |                             |
| Not later than one year                           | 681,486                     | 616,686                     |
| Later than one year and not later than five years | -                           | 63,000                      |
| Concert venue                                     |                             |                             |
| Not later than one year                           | 838,088                     | 822,800                     |
|   | <u>                    </u> | <u>                    </u> |
|   | <u>1,519,574</u>            | <u>1,502,486</u>            |