

**THE HONG KONG PHILHARMONIC  
SOCIETY LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2010**

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**

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## THE HONG KONG PHILHARMONIC SOCIETY LIMITED REPORT OF THE BOARD OF GOVERNORS

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The Governors have pleasure in submitting their annual report together with the audited financial statements of the Hong Kong Philharmonic Society Limited (the "Society") for the year ended 31 March 2010.

### 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 ended 31 March 2010 are set out in the statement of income and expenditure on page 5.

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 10 to the financial statements.

### GOVERNORS

The Governors during the financial year and up to the date of this report were:

#### Elected by Voting Members

Mr. So Hau-leung	(resigned on 25 May 2009)
Mrs. Janice Choi Kwan Wing Kum	(retired on 30 October 2009)
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	(retired on 30 October 2009)
Mrs. Paulette Ho	(retired on 30 October 2009)
Mr. Nicholas Robert Sallnow-Smith	
Mr. Jack So Chak Kwong, JP	
Mr. Chung Shui-ming, GBS, JP	
Sir David Tang, KBE	
Ms. Winnie Chiu Wing Kwan	(appointed on 26 March 2010)
Ms. Joanne Chan Jo Win	

#### Appointed by the Secretary for Home Affairs

Mrs. Michelle Ong Cheung  
Mr. Lam Woon Kwong, GBS, JP  
Prof. Liu Ching Chih  
Mr. Benedict Sin Nga Yan  
Mr. Kenny Wong Kam Shan  
Mr. David Zacharias

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED  
REPORT OF THE BOARD OF GOVERNORS**

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(Continued)

**GOVERNORS (Continued)**

In accordance with Articles 56 and 57 of the Articles of Association of the Society, all Governors appointed by Government of the Hong Kong Special Administrative Region shall serve for a two-year term and no Governor may serve in excess of a maximum period of six consecutive years. In current year, no Governor shall retire subject to the six-year rule.

**BOARD OF GOVERNORS' INTERESTS**

During the year, under a sponsorship agreement, the Swire Group Charitable Trust ("the Swire Trust") contributed a donation amounted to HK\$12,500,000 to the Society. As part of the agreement, the Swire Trust 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 significant to which the Society was a party and in which a 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.

**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**

During the year, PricewaterhouseCoopers resigned and Crowe Horwath (HK) CPA Limited ("CHHK") was appointed as auditor of the Society in December 2009.

CHHK retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of CHHK as auditors of the Society is to be proposed at the forthcoming annual general meeting.

On Behalf of the Board of Governors



Chairman  
Hong Kong, 21 September 2010

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
THE HONG KONG PHILHARMONIC SOCIETY LIMITED**

(Incorporated in Hong Kong and limited by guarantee and not having a share capital)

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We have audited the financial statements of The Hong Kong Philharmonic Society Limited (the "Society") set out on pages 5 to 23, which comprise the balance sheet as at 31 March 2010, 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. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the 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**  
(Incorporated in Hong Kong and limited by guarantee and not having a share capital)

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(Continued)

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Society's affairs as at 31 March 2010 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

*Crowe Horwath (HK) CPA Ltd*

Crowe Horwath (HK) CPA Limited  
Certified Public Accountants  
Hong Kong, 21 September 2010

Betty P.C. Tse  
Practising Certificate Number P03024

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
**STATEMENT OF INCOME AND EXPENDITURE**  
**FOR THE YEAR ENDED 31 MARCH 2010**

	<u>Note</u>	<u>2010</u> HK\$	<u>2009</u> HK\$
<b>Income</b>			
Recurrent government subvention			
- Consolidated grant	4	58,800,000	58,800,000
- Outbound cultural exchange	4	-	1,500,000
Venue partnership scheme	15	1,780,169	883,716
Swire projects	15	12,500,000	12,000,000
Revenue from musical events		16,663,070	20,709,748
Fund raising activities and sponsors' contributions		14,428,306	13,109,242
Interest income		4	18,140
Advertisements		1,058,885	1,228,965
Income from recordings		6,622	5,073
Miscellaneous income		<u>1,389,032</u>	<u>496,406</u>
		106,626,088	108,751,290
<b>Expenditure</b>			
Concert expenses	5	74,920,812	83,392,694
Marketing and audience development expenses	6	7,375,272	6,744,849
Sponsorship for fund raising activities		2,692,002	2,133,718
Administrative and general expenses	7	15,478,128	16,319,733
		<u>(100,466,214)</u>	<u>(108,590,994)</u>
Surplus for the year		<u>6,159,874</u>	<u>160,296</u>

The accompanying notes form part of these financial statements.

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
**BALANCE SHEET**  
**AS AT 31 MARCH 2010**

	<u>Note</u>	<u>2010</u> HK\$	<u>2009</u> HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	2,426,423	2,628,859
<b>Current assets</b>			
Accounts and other receivables	11	10,631,950	6,577,040
Cash and cash equivalents	12	8,624,878	6,112,592
		<u>19,256,828</u>	<u>12,689,632</u>
<b>Total assets</b>		<u>21,683,251</u>	<u>15,318,491</u>
<b>FUNDS</b>			
Accumulated surplus		12,519,463	6,369,157
Young audience fund	13	<u>90,747</u>	<u>81,179</u>
<b>Total funds</b>		12,610,210	6,450,336
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accruals and other payables	14	6,067,376	7,324,289
Deferred income	15	2,187,425	691,764
Amount due to the Hong Kong Philharmonic Endowment Trust	16	818,240	852,102
<b>Total liabilities</b>		<u>9,073,041</u>	<u>8,868,155</u>
<b>Total funds and liabilities</b>		<u>21,683,251</u>	<u>15,318,491</u>

Approved and authorised for issue by the Board of Governors on 21 September 2010.

On behalf of the board

  
 \_\_\_\_\_  
 Governor

  
 \_\_\_\_\_  
 Governor

The accompanying notes form part of these financial statements.



**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
**STATEMENT OF CHANGES IN FUNDS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

	<u>Accumulated surplus</u>	<u>Young Audience Fund</u> (note 13)	<u>Total</u>
	HK\$	HK\$	HK\$
Balance at 1 April 2008	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>
Balance at 31 March 2009 and 1 April 2009	6,369,157	81,179	6,450,336
Transfer to the accumulated surplus	(9,568)	9,568	-
Surplus for the year	<u>6,159,874</u>	<u>-</u>	<u>6,159,874</u>
Balance at 31 March 2010	<u>12,519,463</u>	<u>90,747</u>	<u>12,610,210</u>

The accompanying notes form part of these financial statements.

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2010**

	<u>Note</u>	<u>2010</u> HK\$	<u>2009</u> HK\$
<b>Operating activities</b>			
Surplus for the year		6,159,874	160,296
Adjustments for:			
Interest income		(4)	(18,140)
Depreciation		650,772	997,908
		<u>6,810,642</u>	<u>1,140,064</u>
<b>Operating surplus before changes in working capital</b>			
		6,810,642	1,140,064
(Increase)/decrease in accounts and other receivables		(4,054,910)	1,045,611
Increase in accruals and other payables		238,748	1,812,192
Decrease in amount due to Hong Kong Philharmonic Endowment Trust		(33,862)	(80,264)
		<u>(3,850,024)</u>	<u>2,777,539</u>
Net cash generated from operating activities		2,960,618	3,917,603
<b>Investing activities</b>			
Interest received		4	18,140
Purchase of property, plant and equipment		(448,336)	(639,580)
Net cash used in investing activities		<u>(448,332)</u>	<u>(621,440)</u>
Net increase in cash and cash equivalents		2,512,286	3,296,163
Cash and cash equivalents at beginning of the year		<u>6,112,592</u>	<u>2,816,429</u>
Cash and cash equivalents at end of the year	12	<u>8,624,878</u>	<u>6,112,592</u>

The accompanying notes form part of these financial statements.

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**

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**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 31 March 2010, the Society had 24 members (2009: 19) members.

These financial statements are presented in Hong Kong dollars which is the same as functional currency of the Society.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**a) Statement of compliance**

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Society is set out below.

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

**b) Basis of preparation of the financial statements**

The measurement basis used in the preparation of the financial statements is historical cost basis.

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

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

**c) Property, plant and equipment**

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and accumulate of impairment losses (see note 2(e)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Furniture, fixtures and equipment	5 years
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Both the useful life of an asset and its residual value, if any, are reviewed annually.

If the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, the asset's depreciation charge is zero until its residual value subsequently decreases to an amount below the asset's carrying amount.

**d) Operating lease charges**

Lease where substantially all the rewards and risk of ownership of assets remain with the leasing company are accounted for as operating leases. Retails payables under such operating leases are accounted for in the statement of income and expenditure on a straight-line basis over the periods of the respective lease.

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Impairment of assets**

**i) Impairment of receivables**

Receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Society about the loss events e.g. significant financial difficulty of the debtor; and a breach of contract. If any such evidence exists, any impairment loss is determined and recognised as follows:

- For receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

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

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

**ii) Impairment of other assets**

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the property, plant and equipment may be impaired, an impairment loss previously recognised no longer exists or may have decreased.

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

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Impairment of assets (Continued)**

**ii) Impairment of other assets (Continued)**

- **Calculation of recoverable amount**

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

- **Recognition of impairment losses**

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

- **Reversals of impairment losses**

In respect of assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

**f) Accounts and other receivables**

Accounts and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment losses for bad and doubtful debts (see note 2(e)).

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

**h) Other payables**

Other payables are initially measured at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**i) Revenue recognition**

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

**i) Recurrent government subvention**

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

**ii) Specific subventions and contributions from government or sponsors**

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.

**iii) Income from recordings**

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.

**iv) Sponsors' contributions**

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

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Revenue recognition (Continued)**

v) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

vi) Service income

Revenue from sale of services is recognised when the services are rendered.

vii) Miscellaneous income

Miscellaneous income is recognised on an accrual basis.

**j) Foreign currency translation**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the foreign exchange rates ruling at that date. Exchange gains and losses are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are translated at the foreign exchange rates ruling at the transaction dates.

**k) Related parties**

For the purpose of these financial statements, a party is considered to be related to the Society if:

- i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Society or exercise significant influence over the Society in making financial and operating policy decisions, or has joint control over the Society;
- ii) the Society and the party are subject to common control;
- iii) the party is an associate of the Society or a joint venture in which the Society is a venturer;
- iv) the party is a member of key management personnel of the Society or the Society's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or



**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**k) Related parties (Continued)**

- vi) the party is a post-employment benefit plan which is for the benefit of employees of the Society or of any entity that is a related party of the Society.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

**l) Provisions and contingent liabilities**

Provisions are recognised for other liabilities of uncertain timing or amount when the Society has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**m) Employee benefits**

Short term employee benefits and contributions to defined contribution plans

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

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the income statement when incurred.

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**3. CHANGE IN ACCOUNTING POLICIES**

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Society.

The Board of Governors anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Society.

The Society has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 22).

**4. RECURRENT GOVERNMENT SUBVENTION**

The government subvention is for the promotion and development of classical music in Hong Kong by implementing programme of activities proposed by the Society.

**5. CONCERT EXPENSES**

	<u>2010</u> HK\$	<u>2009</u> HK\$
Salaries and allowances of musicians	42,311,809	42,974,884
Pension costs for musicians	970,199	931,200
Provision for long service payments	-	709,450
Benefits for musicians (medical and musical instruments insurance)	835,264	770,361
Insurance (employee compensation and lorry)	95,399	100,513
Passages (airfares for overseas players)	607,958	838,189
Hotel accommodation for new overseas players	15,420	70,045
Auditioning and recruitment	189,741	339,312
Broadcasting	203,615	375,815
Salaries, allowances and benefits for		
- music director/artistic director/principal conductor/resident conductor	7,579,775	9,526,216
- guest artists	9,445,145	12,945,378
Fees of augmentation/freelance players	1,972,487	2,279,678
Hire of halls	5,415,876	6,535,727
Transportation of players	18,653	60,692
Transportation of instruments	82,338	64,850
Transportation of artists	58,355	103,102
Hire/repairs/maintenance of instruments	262,288	331,519
Music costs	445,750	605,660
Sundries for orchestra	206,058	280,264
Musical instruments and scores	125,530	169,775
Stage design and setting fee	2,139,970	33,424
Sound	1,452,488	699,636
Fee paid to CASH	81,310	97,098
Musical instrument depreciation (note 10)	405,384	775,200
Touring expenses	-	1,774,706
	<u>74,920,812</u>	<u>83,392,694</u>

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**6. MARKETING AND AUDIENCE DEVELOPMENT EXPENSES**

	<u>2010</u> HK\$	<u>2009</u> HK\$
Posters and pamphlets	903,590	732,430
Programmes	832,213	920,198
Press advertisements	2,701,396	2,484,139
Photography	347,818	168,547
Other expenses	35,704	68,880
Subscription costs	570,813	669,859
Web development and maintenance	499,409	125,688
Public relations and audience development	190,885	215,785
Direct mailing	199,644	154,430
Ticketing cost	759,637	780,763
Ticket commission	334,163	424,130
	<u>7,375,272</u>	<u>6,744,849</u>

**7. ADMINISTRATIVE AND GENERAL EXPENSES**

	<u>2010</u> HK\$	<u>2009</u> HK\$
Salaries of office staff	12,727,606	12,204,589
Pension costs for office staff	364,055	333,970
Provision for unused annual leave for office staff	-	103,492
Provision for long service payments	-	261,259
Benefits (medical insurance) for office staff	203,769	172,856
Operating lease rentals for office premises and workshop	1,081,259	1,516,071
Postage, stationery, fax and telephone	310,582	313,304
Utilities and sundry expenses	216,576	304,528
Repairs and maintenance	69,248	113,159
Local travelling	11,378	14,918
Overseas travelling	102,184	140,260
Professional fees	92,127	160,435
Recruitment of staff	14,807	274,772
Entertainment	34,878	59,178
Plant and equipment written off	4,271	23,989
Depreciation (note 10)	245,388	222,708
Auditor's remuneration		
- current year	-	80,000
- under-provision in prior year	-	20,245
	<u>15,478,128</u>	<u>16,319,733</u>

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
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**FOR THE YEAR ENDED 31 MARCH 2010**

**8. TAXATION**

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

**9. 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 emoluments in respect of their services to the Society during the year (2009: Nil).

**10. PROPERTY, PLANT AND EQUIPMENT**

	Furniture, fixtures and equipment HK\$
<b>Cost</b>	
At 1 April 2008	4,349,831
Additions	<u>639,580</u>
At 31 March 2009 and 1 April 2010	4,989,411
Additions	<u>448,336</u>
At 31 March 2010	<u>5,437,747</u>
<b>Accumulated depreciation and impairment</b>	
At 1 April 2008	1,362,644
Charge for the year	<u>997,908</u>
At 31 March 2009 and 1 April 2010	2,360,552
Charge for the year	<u>650,772</u>
At 1 April 2010	<u>3,011,324</u>
<b>Carrying amount</b>	
At 31 March 2010	<u>2,426,423</u>
At 31 March 2009	<u>2,628,859</u>

Depreciation expenses of HK\$405,384 and HK\$245,388 (2009: HK\$775,200 and HK\$222,708) has been expensed and included in concert expenses (note 5) and administrative and general expenses (note 7) respectively.

The residual values of two violins of the Society exceeded their carrying value as at 31 March 2010, accordingly, depreciation charge was not provided for the current period.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. ACCOUNTS AND OTHER RECEIVABLES**

	<u>2010</u> HK\$	<u>2009</u> HK\$
Accounts receivable	5,337,568	1,421,004
Other receivables	<u>1,139,312</u>	<u>1,916,734</u>
Financial assets	6,476,880	3,337,738
Prepayments	<u>4,155,070</u>	<u>3,239,302</u>
	<u>10,631,950</u>	<u>6,577,040</u>

The fair values of accounts and other receivables approximate their carrying values as at 31 March 2010 and 2009 and are denominated in Hong Kong dollars.

Accounts receivable that are not impaired

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

	<u>2010</u> HK\$	<u>2009</u> HK\$
1 to 3 months past due	3,680,600	1,245,809
Over 3 months past due	<u>1,656,968</u>	<u>175,195</u>
	<u>5,337,568</u>	<u>1,421,004</u>

**12. CASH AND CASH EQUIVALENTS**

	<u>2010</u> HK\$	<u>2009</u> HK\$
Cash at banks and in hand	<u>8,624,878</u>	<u>6,112,592</u>
Cash and cash equivalents in the balance sheet and the cash flow statement	<u>8,624,878</u>	<u>6,112,592</u>

**13. YOUNG AUDIENCE FUND**

	<u>2010</u> HK\$	<u>2009</u> HK\$
At 1 April	81,179	87,026
Transfer from/(to) the accumulated surplus	<u>9,568</u>	<u>(5,847)</u>
At 31 March	<u>90,747</u>	<u>81,179</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.

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**14. ACCRUALS AND OTHER PAYABLES**

	<u>2010</u> HK\$	<u>2009</u> HK\$
Accruals	908,701	1,411,548
Other payables	<u>2,721,486</u>	<u>4,738,368</u>
Financial liabilities	3,630,187	6,149,916
Receipts in advance	<u>2,437,189</u>	<u>1,174,373</u>
	<u>6,067,376</u>	<u>7,324,289</u>

The fair values of accruals and other payables approximate their carrying values as at 31 March 2010 and 2009.

**15. DEFERRED INCOME**

	<u>Outbound cultural exchange</u> HK\$	<u>Venue partnership scheme</u>	<u>Swire projects</u> HK\$	<u>Total</u> HK\$
At 1 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	<u>-</u>	<u>(883,716)</u>	<u>(12,000,000)</u>	<u>(12,883,716)</u>
At 31 March 2009 and 1 April 2009	-	391,764	300,000	691,764
Government subventions	1,500,000	1,775,830	-	3,275,830
Other subventions	-	-	12,500,000	12,500,000
Credited to the statement of income and expenditure	<u>-</u>	<u>(1,780,169)</u>	<u>(12,500,000)</u>	<u>(14,280,169)</u>
At 31 March 2010	<u>1,500,000</u>	<u>387,425</u>	<u>300,000</u>	<u>2,187,425</u>

**16. AMOUNT DUE TO THE HONG KONG PHILHARMONIC ENDOWMENT TRUST**

The amount is unsecured, interest-free and repayable on demand.

**17. RELATED PARTY TRANSACTIONS**

Other than those transactions of balances disclosed elsewhere in the financial statements, the Society has no other material transaction with related party.

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES**

The Society's major financial instruments include accounts and other receivables, accruals and other payables, deferred income and cash and cash equivalents. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk, interest rate risk and other price risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**a) Credit risk**

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.

The credit risk on the liquid funds is limited because the counterparty is a bank with high credit rating assigned by international credit rating agencies.

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

**b) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and bank balances. In the opinion of the Board of Governors, the Society does not have any significant liquidity risk.

The following liquidity and interest risk tables set out the remaining contractual maturities at the balance sheet date of the Society's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Society required to pay:

	<u>2010</u> HK\$	<u>2009</u> HK\$
Less than one year:		
Accruals and other payables	6,067,376	7,324,289
Deferred income	2,187,425	691,764
Amount due to the Hong Kong Philharmonic Endowment Trust	<u>818,240</u>	<u>852,102</u>
	<u>9,073,041</u>	<u>8,868,155</u>

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)**

**c) Cash flow interest rate risk**

Other than the short-term bank deposits which carry interest at market rates, 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 interest rate risk is considered to be low.

**d) Foreign currency 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 trustees, 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.

**e) Fair values**

The fair values of cash and cash equivalents, other receivables and other payables are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair values of financial assets traded on active liquid markets are determined with reference to the market prices.

**19. FUND RISK MANAGEMENT**

The Society's objective when managing funds 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 structure of funds to reduce the cost of funds. The Society's overall strategy remains unchanged from prior year.

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

**20. COMMITMENTS UNDER OPERATING LEASES**

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

	<u>2010</u> HK\$	<u>2009</u> HK\$
Office premises and workshop		
No later than 1 year	1,130,556	69,636
Later than 1 year and no later than 5 years	1,127,019	-
Concert venue		
No later than 1 year	-	846,375
	<u>2,257,575</u>	<u>916,011</u>



**THE HONG KONG PHILHARMONIC SOCIETY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**

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**21. 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.

**22. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2010**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2010 and which have not been adopted in these financial statements.

The Board of Governors anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Society.

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>2</sup>
HK(IFRIC) – Int 7 (Amendments)	Improving Disclosures about Financial Instruments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2010 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2010

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2010

(FOR MANAGEMENT INFORMATION PURPOSES ONLY)

THE HONG KONG PHILHARMONIC SOCIETY LIMITED  
STATEMENT OF INCOME AND EXPENDITURE  
FOR THE YEAR ENDED 31 MARCH 2010

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	Venue Partnership Scheme HK\$	Outbound Cultural Exchange HK\$
<b>Income</b>		
Government subvention	1,780,169	-
<b>Expenditure</b>		
Concert expenses	1,391,701	-
Marketing and audience development expenses	16,902	-
Administrative and general expenses	371,566	-
	<u>1,780,169</u>	<u>-</u>
<b>Surplus/(deficit) for the year</b>	<u>-</u>	<u>-</u>