

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
**REPORT OF THE GENERAL COMMITTEE**  
**AND STATEMENT OF ACCOUNTS**  
**FOR THE YEAR ENDED**  
**31ST MARCH 2005**

# THE HONG KONG PHILHARMONIC SOCIETY LIMITED

## REPORT OF THE GENERAL COMMITTEE

The General Committee submits its report together with the audited accounts for the year ended 31st March 2005.

### 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 2005 are set out in the income and expenditure account on page 4 of the accounts.

### Reserves

Movements in the reserves of the Society during the year are set out in note 12 to the accounts.

### General Committee members

#### Appointed by the Board of Governors

Prof David Gwilt , MBE  
Dr Philip Kwok Chi-kuen, SBS, JP  
Mr Nathan Ma Ning-hei, MBE, JP

#### Appointed by the Chief Executive of Hong Kong

Mr Hu Fa-kuang, GBS, CBE, JP	(Chairman, retired on 1st November 2004)
Dr Geoffrey Yeh Meou-tsen, SBS, MBE, JP	(Chairman, appointed on 1st November 2004 and retired on 31st January 2005 and remains as member)
Mr Edward Ho Sing-tin, SBS, OBE, JP	(Chairman, appointed on 1st February 2005)
Prof Chan Wing-wah, JP	
Dr Darwin Chen, SBS, ISO	(retired on 1st November 2004)
Mrs Janice Choi	
Ms Brenda Chow Kam-wah	
Ms Pansy Ho Chiu-king	(appointed on 1st November 2004)
Mr Rafael Hui Si-yan, GBS, JP	(appointed on 1st November 2004 and resigned on 30th June 2005)
Mr Daniel Ng Yat-chiu	(retired on 1st November 2004)
Mr So Hau-leung	
Dr Tai Tak-fung, SBS, JP	(appointed on 1st November 2004)

In accordance with Article 21 (C), the appointment of each General Committee member under this Article shall be valid for one year only and appointments shall be made annually.

### **General Committee members' interests**

No contracts of significance in relation to the Society's business to which the Society was a party and in which a General Committee 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 General Committee 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.

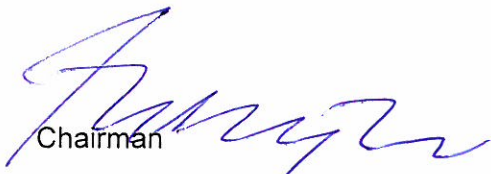
### **Management contracts**

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

On behalf of the General Committee

  
Chairman

Hong Kong, 29th July 2005

**AUDITORS' REPORT TO THE MEMBERS OF  
THE HONG KONG PHILHARMONIC SOCIETY LIMITED**  
(incorporated in Hong Kong and limited by guarantee)

We have audited the accounts on pages 4 to 15 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

**Respective responsibilities of the General Committee and auditors**

The Hong Kong Companies Ordinance requires the General Committee to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts 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.

**Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the General Committee in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Society, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Society as at 31st March 2005 and of its results and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.



**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 29th July 2005

THE HONG KONG PHILHARMONIC SOCIETY LIMITED

INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH 2005

	Note	2005 HK\$	2004 HK\$
Income			
The Leisure and Cultural Services Department subvention	(a)	59,077,999	61,733,000
Revenue from musical events	(b)	16,913,471	19,305,924
Fund raising and sponsors' contributions		8,329,453	3,786,801
Interest income		-	17,705
Advertisements		485,405	397,749
Income from recordings		277,935	602,549
Miscellaneous income		148,702	89,247
30th anniversary concert and fundraising gala dinner		-	1,786,850
Shanghai tour		885,706	-
Contribution from the Ladies Committee		500,000	-
		<u>86,618,671</u>	<u>87,719,825</u>
Expenditure			
Concert expenses	5	74,668,979	65,551,009
Marketing and audience development expenses	6	8,059,122	5,892,610
Sponsorship for fund raising activities		569,865	402,682
Administrative and general expenses	7	12,776,347	12,940,587
Special project expenses	8	-	1,371,940
30th anniversary concert and fundraising gala dinner		-	171,469
Shanghai tour		732,905	-
		<u>96,807,218</u>	<u>86,330,297</u>
Operating (deficit)/surplus		(10,188,547)	1,389,528
Less: Operating surplus on subvention repayable to the Leisure and Cultural Services Department	(a)	-	(16,936)
Net (deficit)/surplus	12	(10,188,547)	1,372,592
Results of fund raising activities - the Ladies Committee	9, 12	(591,281)	(186,789)
Results for the year		<u>(10,779,828)</u>	<u>1,185,803</u>

Note:

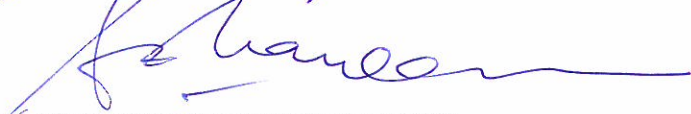
- (a) The Leisure and Cultural Services Department subvention amounting to HK\$59,077,999 (2004: HK\$61,733,000) is before deducting the excess of income over expenditure on subvention which is HK\$nil for current year (2004: HK\$16,936). The amounts for 2003/2004 had been repaid to the Leisure and Cultural Services Department.
- (b) The notional value of complimentary tickets amounting to HK\$3,226,020 (2004: HK\$1,371,900) has not been included in the above figures.

THE HONG KONG PHILHARMONIC SOCIETY LIMITED

BALANCE SHEET  
AS AT 31ST MARCH 2005

	Note	2005 HK\$	2004 HK\$
<b>Assets</b>			
Net assets of the Ladies Committee	10	5,456,251	6,047,531
Accounts receivable and prepayments		7,792,670	9,926,870
Amount due from The Hong Kong Philharmonic Endowment Trust	11	-	258,286
Bank balances and cash		316,423	9,548,542
		<u>13,565,344</u>	<u>25,781,229</u>
<b>Liabilities</b>			
Sundry creditors and accruals		4,456,379	3,436,062
Receipts in advance		1,102,263	1,705,976
Operating surplus on subvention repayable to the Leisure and Cultural Services Department		-	16,936
Excess guest artists earmark grant repayable to the Leisure and Cultural Services Department/Home Affairs Bureau		-	1,667,559
		<u>5,558,642</u>	<u>6,826,533</u>
Net assets		<u>8,006,702</u>	<u>18,954,696</u>
<b>Represented by:</b>			
Reserves	12	7,614,303	18,394,131
Young Audience fund	13	392,399	560,565
		<u>8,006,702</u>	<u>18,954,696</u>

  
Chairman

  
Member of General Committee

  
Chief Executive

THE HONG KONG PHILHARMONIC SOCIETY LIMITED

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31ST MARCH 2005

	Note	2005 HK\$	2004 HK\$
Net cash outflow from operating activities	14	(8,850,962)	(1,993,809)
Investing activities			
Interest received		-	17,705
Purchase of fixed assets		(381,157)	(174,905)
Net cash outflow from investing activities		(381,157)	(157,200)
Decrease in cash and cash equivalents		(9,232,119)	(2,151,009)
Cash and cash equivalents at 1st April		9,548,542	11,699,551
Cash and cash equivalents at 31st March		316,423	9,548,542
Analysis of balances of cash and cash equivalents:			
Bank balances and cash of the Society		316,423	9,548,542

THE HONG KONG PHILHARMONIC SOCIETY LIMITED

STATEMENT OF CHANGES IN FUNDS  
FOR THE YEAR ENDED 31ST MARCH 2005

	Note	2005 HK\$	2004 HK\$
Total funds as at 1st April		18,394,131	17,208,328
Results for the year	12	<u>(10,779,828)</u>	<u>1,185,803</u>
Total funds as at 31st March		<u><u>7,614,303</u></u>	<u><u>18,394,131</u></u>



# THE HONG KONG PHILHARMONIC SOCIETY LIMITED

## NOTES TO THE ACCOUNTS

### 1 Legal status and principal activities

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

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 2005 the Society had 12 members (2004: 12) members.

### 2 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

#### (a) Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

#### (b) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Society has not early adopted these new HKFRSs in the accounts for the year ended 31st March 2005. The Society has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

#### (c) Income 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 grant will be received.

Donation income is recognised when the right to receive 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, taking into account the principal amounts outstanding and the interest rates applicable.

# THE HONG KONG PHILHARMONIC SOCIETY LIMITED

## NOTES TO THE ACCOUNTS

### 2 Principal accounting policies (Continued)

#### (d) Fixed assets

The Society, as a non-profit making organisation, is exempt from compliance with Statement of Standard Accounting Practice No. 17 "Property, plant and equipment" issued by the HKICPA.

Expenditure on fixed assets is expensed when incurred.

#### (e) Employee benefits

##### (i) 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.

##### (ii) 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.

#### (f) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income and expenditure account on a straight-line basis over the lease period.

### 3 Taxation

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

### 4 General Committee members' emoluments

None of the General Committee members received or will receive any fees or other emoluments in respect of their services to the Society during the year (2004: Nil).

THE HONG KONG PHILHARMONIC SOCIETY LIMITED

NOTES TO THE ACCOUNTS

5 Concert expenses

	2005 HK\$	2004 HK\$
Salaries and allowances of musicians	39,851,951	40,359,979
Provident fund for musicians	1,020,564	944,949
Benefits for musicians (medical and musical instruments insurance)	613,856	697,619
Insurance (employee compensation and lorry)	48,014	56,423
Passages (airfares for overseas players)	833,328	687,056
Hotel accommodation for new overseas players	43,950	19,220
Auditioning and recruitment	469,141	389,185
Broadcasting	246,526	208,948
Salaries, allowances and benefits for		
- music director/artistic director/principal conductor/resident conductor	6,670,508	2,400,257
- guest artists	12,295,602	7,993,131
- artistic consultant	630,468	145,951
Fees of freelance players	1,276,616	1,251,177
Hire of halls	4,804,706	3,767,421
Transportation of players	43,400	81,550
Transportation of instruments	66,981	94,708
Transportation of artists	28,099	25,736
Hire/repairs/maintenance of instruments	290,796	177,049
Hire of music score	365,887	368,042
Entertainment	19,801	56,157
Sundries for orchestra	19,033	14,205
Pop concerts	3,710,263	4,994,112
Musical instruments and scores	80,607	34,245
Ticketing costs	746,420	783,889
Concert production fees - Potemkin	415,242	-
Concert production fees - Salome	77,220	-
	<u>74,668,979</u>	<u>65,551,009</u>

6 Marketing and audience development expenses

	2005 HK\$	2004 HK\$
Posters and pamphlets	711,105	1,487,444
Programmes	665,707	613,266
Press advertisements	2,613,470	1,222,495
Other publications	8,264	10,485
Photography	12,624	11,042
Other promotional expenses	231,912	241,199
Subscription costs	1,015,175	456,878
Audience survey	-	60,000
Internet costs of concert promotion	259,865	163,267
Public relations and audience development	2,236,048	1,626,534
Music with Love Publication	304,952	-
	<u>8,059,122</u>	<u>5,892,610</u>

THE HONG KONG PHILHARMONIC SOCIETY LIMITED

NOTES TO THE ACCOUNTS

7 Administrative and general expenses

	2005 HK\$	2004 HK\$
Salaries of office staff	10,237,991	10,494,097
Provident fund for office staff	181,327	222,714
Provision for unused annual leave for office staff	71,164	47,484
Benefits (medical insurance) for office staff	223,072	182,401
Insurance (employee compensation and other general)	49,770	62,135
Rent and rates	969,172	1,047,172
Postage, stationery, fax and telephone	314,847	290,169
Utilities and sundry expenses	141,580	166,797
Repairs and maintenance	1,510	42,423
Local travelling	35,388	23,206
Professional fees	13,919	47,100
Recruitment of staff	48,309	53,098
Entertainment	55,141	34,886
Fixed assets written off	381,157	174,905
Auditors' remuneration	52,000	52,000
	<u>12,776,347</u>	<u>12,940,587</u>

8 Special project expenses

	2005 HK\$	2004 HK\$
Public relations	-	105,600
Promotional campaign	-	1,266,340
	<u>-</u>	<u>1,371,940</u>

The expenditure in 2004 was mainly for the promotional campaign for the introduction of the new music director.

THE HONG KONG PHILHARMONIC SOCIETY LIMITED

NOTES TO THE ACCOUNTS

9 Results of fund raising activities - the Ladies Committee

	2005 HK\$	2004 HK\$
Income		
Interest income from bank deposits	33,273	94,391
Other income	8,020	851,166
	<u>41,293</u>	<u>945,557</u>
Expenditure		
Donation to Hong Kong Philharmonic Orchestra	500,000	503,200
Salaries	93,000	115,500
Audit fee	10,000	10,000
Sundries	29,574	503,646
	<u>632,574</u>	<u>1,132,346</u>
Results for the year (note 12)	<u>(591,281)</u>	<u>(186,789)</u>

10 Net assets of the Ladies Committee

	2005 HK\$	2004 HK\$
Current assets		
Merchandise - compact discs	1,642	1,642
Bank balances and cash	5,475,442	6,057,625
	<u>5,477,084</u>	<u>6,059,267</u>
Current liabilities		
Sundry creditors and accruals	(20,833)	(11,736)
	<u>5,456,251</u>	<u>6,047,531</u>

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**

**NOTES TO THE ACCOUNTS**

**11 Amount due from 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 from the Trust was unsecured, interest-free and repayable on demand.

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

	2005 HK\$	2004 HK\$
Investments	23,671,329	20,703,999
Other assets less liabilities	748,844	4,229,438
	<u>24,420,172</u>	<u>24,933,437</u>
Financed by:		
Trust fund	<u>24,420,172</u>	<u>24,933,437</u>

**12 Reserves**

	The Ladies Committee HK\$	The Society HK\$	Total HK\$
At 1st April 2003	6,234,320	10,974,008	17,208,328
Results for the year	(186,789)	1,372,592	1,185,803
	<u>6,047,531</u>	<u>12,346,600</u>	<u>18,394,131</u>
At 31st March 2004 and 1st April 2004	6,047,531	12,346,600	18,394,131
Results for the year	(591,281)	(10,188,547)	(10,779,828)
	<u>5,456,250</u>	<u>2,158,053</u>	<u>7,614,303</u>
At 31st March 2005	<u>5,456,250</u>	<u>2,158,053</u>	<u>7,614,303</u>

THE HONG KONG PHILHARMONIC SOCIETY LIMITED

NOTES TO THE ACCOUNTS

13 Young Audience fund

	2005 HK\$	2004 HK\$
At 1st April	560,565	811,658
Income	151,941	93,615
Expenditure	(320,107)	(344,708)
At 31st March	<u>392,399</u>	<u>560,565</u>
Represented by		
Bank balances and cash	<u>392,399</u>	<u>560,565</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, newsletters' printing and postage expenses etc.

14 Notes to the cash flow statement

Reconciliation of results for the year to net cash outflow from operating activities:

	2005 HK\$	2004 HK\$
Results for the year	(10,779,828)	1,185,803
Interest income	-	(17,705)
Fixed assets written off	381,157	174,905
Decrease in bank balances and cash of the Ladies Committee	582,183	184,371
Operating (loss)/surplus before working capital changes	<u>(9,816,488)</u>	<u>1,527,374</u>
Decrease/(increase) in accounts receivable and prepayments	2,134,200	(3,316,116)
Decrease/(increase) in amount due from The Hong Kong Philharmonic Endowment Trust	258,286	(183,031)
Increase/(decrease) in sundry creditors and accruals	1,029,414	(470,671)
(Decrease)/increase in receipts in advance	(771,879)	827,342
Decrease in operating surplus on subvention repayable to the Leisure and Cultural Services Department	(16,936)	(378,707)
Decrease in excess guest artists earmark grant repayable to the Leisure and Cultural Services Department/Home Affairs Bureau	(1,667,559)	-
Net cash outflow from operating activities	<u>(8,850,962)</u>	<u>(1,993,809)</u>

**THE HONG KONG PHILHARMONIC SOCIETY LIMITED**

**NOTES TO THE ACCOUNTS**

**15 Operating lease commitments**

At 31st March 2005, the company had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2005 HK\$	2004 HK\$
Land and buildings		
Not later than one year	503,886	436,686
Later than one year and not later than five years	-	-
Concert venue		
Not later than one year	1,189,725	1,414,350
Later than one year and not later than five years	-	-
	<u>1,693,611</u>	<u>1,851,036</u>

**16 Approval of accounts**

The accounts were approved by the General Committee on 29th July 2005