

Philharmonia Limited
(Limited by Guarantee)

FINANCIAL STATEMENTS

for the year ended
31 March 2002



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Philharmonia Limited (Limited by Guarantee)

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Philharmonia Limited (Limited by Guarantee)

COUNCIL OF MANAGEMENT AND OFFICERS

COUNCIL OF MANAGEMENT

Vincent Meyer	President
Keith Bragg	Chairman
Kevin Hathway	Vice Chairman
David Whelton	Managing Director
Mark David	
Michael Hurwitz	
Julian Milone	
Debbie Preece	
Daniel Salem	
Susan Salter	
John Wates	
Mary Whittle (appointed 10 December 2001)	

SECRETARY

David Whelton

REGISTERED OFFICE

First Floor
125 High Holborn
London WC1V 6QA

COMPANY REGISTRATION NUMBER

799297

CHARITY REGISTRATION NUMBER

250277

AUDITORS

Baker Tilly
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

BANKERS

National Westminster Bank plc
125 Great Portland Street
London W1A 1GA

LEGAL ADVISERS

Hammond Suddards Edge
7 Devonshire Square
Cutlers Gardens
London, EC2M 4YH

Philharmonia Limited (Limited by Guarantee)

REPORT OF THE COUNCIL OF MANAGEMENT

The Council present their report and financial statements of Philharmonia Limited for the year ended 31 March 2002.

GOVERNING INSTRUMENT

The company is governed by its Memorandum and Articles of Association.

MANAGEMENT

The company ('The Charity') is managed by a Council of Management comprised of 8 playing members of the orchestra, elected in accordance with the Articles of Association, plus 4 non-playing members, who are co-opted at each annual general meeting. The Council of Management is supported by one sub committee, the Finance Committee, charged with working on the detail of the Orchestra's Finance.

APPOINTMENT OF COUNCIL OF MANAGEMENT

The Council of Management is appointed by the members of the Company. A vote is conducted at each AGM to elect nominated members to fill vacancies created by the retirement of existing Members of the Council. Exceptionally, a member may be elected by a properly constituted Extraordinary General Meeting. The 4 non-playing members are co-opted at each annual general meeting.

Council of Management

Player Members

Keith Bragg (Chairman)
Kevin Hathway (Vice Chairman)
Mark David
Michael Hurwitz
Julian Milone
Susan Salter
Debbie Preece
Mary Whittle (appointed 10 December 2001)

Non-Player Members

Vincent Meyer
Daniel Salem
John Wates
David Whelton

Finance Committee

Non-Player Members

John Wates (Chairman)
John Hill
Anthony de Keyser
Patrick Mill
David Whelton

Player Members

Keith Bragg
Mark David

Philharmonia Limited (Limited by Guarantee)

REPORT OF THE COUNCIL OF MANAGEMENT

ACTIVITIES AND REVIEW OF THE BUSINESS

Artistic Programme 2001/02 Season

2001/02 was a hugely successful year for the Philharmonia Orchestra. Highlights of the Royal Festival Hall season included a remarkable collaboration between Principal Conductor Christoph von Dohnányi and Mikhail Pletnev, the William Walton Centenary celebrations and Related Rocks a celebration of the music of Magnus Lindberg, led by Esa-Pekka Salonen. Related Rocks was the most significant event of the London season, encompassing a wide variety of art forms and playing to large audiences in London and the regions. It was very much a model of what can be achieved when presenting music of today within a broad cultural context, and will be the reference point for all similar projects.

In the course of the season, the legendary German Maestro and Philharmonia Conductor Emeritus, Kurt Sanderling, announced his retirement at the age of 89. His unique presence will be sorely missed by the Orchestra and the public. It was with great sadness that the Orchestra learned of the death of Russia's greatest conductor, Yevgeny Svetlanov from cancer at the early age of 73. His performances of the Russian repertoire will be long remembered.

Audiences in London were severely affected by the events of September 11th, not least through the number of artist cancellations. However, by late October, box office targets were being met. Over all, ticket sales remain strong, but only as a result of additional resources being brought to bear to initiate new marketing campaigns direct from the Philharmonia Orchestra office.

The Leicester and Bedford residencies continues successfully, with a wide range of concerts presented in each venue. Seven concerts were given in the Music of Today series in London, which celebrated its 10th anniversary. James MacMillan has been an inspirational Artistic Director of this innovative series, and leaves a powerful legacy to the successor, Julian Anderson, not least a large, loyal, and trusting audience.

The Orchestra continued to work actively in the regions taking some 46 London programmes with the world's finest conductors and soloists to a wide range of venues. The satellite residencies in Basingstoke and Southend continued to be particularly successful. It was very gratifying to be able to present Music of Today concerts for the first time in London, Bedford and Basingstoke. Audiences in the regions remained strong, although conservative in their tastes.

The Philharmonia Orchestra's education programme continued to flourish with a wide range of activities in Leicester, Bedford and London. We are particularly keen to direct the education programme more towards audience development, and this forms a central part of the brief for the New Head of Education. In the course of the year, it was decided to scale down the involvement of the Orchestra in the NESTA funded project "Antarctic Waves" based on the Philharmonia Orchestra commission from Sir Peter Maxwell Davies, Symphony Antarctica. The conflicting demands of the two other partners, Braunarts and British Antarctic Survey, was draining the Department's resources, and affecting its priorities.

The Philharmonia Orchestra maintained an active touring programme throughout the year, performing in Spain, Germany, Sardinia, Greece, France—including the major Chatelet residency, Belgium, USA—launching the New York Residency, and Italy. It was particularly satisfying to take Related Rocks on tour to Europe, and the concerts were met with sold out houses. Market conditions in Europe, North America and Japan remain very tough: the primary objective is now to cover costs rather than to make a surplus, as in previous years.

The Philharmonia Orchestra undertook a number of interesting recording projects throughout the year, being principally funded through Trusts and Foundations. Opera and aria recordings remain popular, but mainstream repertoire is no longer recorded. It was particularly gratifying to be able to record a CD of the work of Magnus Lindberg in time for the launch of the project. It was also good to see a contemporary CD receive rave

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REPORT OF THE COUNCIL OF MANAGEMENT

reviews. The Philharmonia also recorded Schoenberg's *Gurrelieder*, a rare occurrence to say the least! It was pleasing to see this version regarded as a strong competition to the Berlin Philharmonic Orchestra version recorded, incidentally, by the same production team!

2001-02 was financially excellent for the Philharmonia Orchestra. Costs were carefully controlled and income maximised in all sectors despite very difficult trading conditions. For the first time the Orchestra made a surplus in its own promotions budget, and the surplus from engagements and recordings was increased. The Friends of the Philharmonia made a modest surplus, and made a generous donation to the Orchestra. The surplus in foreign touring was reduced reflecting market trends. Foreign touring is continuing to decline, and is heading towards a break-even position in the future. Education projects failed to cover their costs and the opportunity was taken to write off old costs for which projected income has yet to be confirmed. With the appointment of a Trusts and Foundations manager funded by stabilisation, it is anticipated that in future years Education projects will be fully funded.

The Development Department, which now consists of five members of staff with the appointment of a Trusts & Foundations Manager and a new Friends Manager, raised in excess of £800,000 in the course of the year, aided by the Philharmonia Trust, the Development and Friends Committees and the Strategic Advisors. Sponsors and supporters included The Clore Duffield Foundation, The Conde Nast Publications Limited, PwC Consulting, Zurich, Enterprise Oil, Andersen, The Walton Trust, TotalFinaElf, Sun Microsystems, Pemberton Greenish, Bank of America, The Dowager Viscountess Rothermere, Mr G Modiano, and Wilson Bowden plc. The Department also organised charity Fundraising Galas with Breakthrough Breast Cancer at the Royal Festival Hall and with IMS Prussia Cove at Lancaster House. The Orchestra is most grateful to the Philharmonia Trust which under the chairmanship of Sir Sydney Lipworth QC, gave sterling support and continued to offer valuable strategic and policy advice. The following Trustees supported the Orchestra financially throughout the year : Vincent Meyer, Hazel Westbury, Sir Sydney Lipworth QC, Daniel Salem, Donald Kahn OBE, Sir Graham Hearne CBE, John Wates, Sandy Leitch, Chrysanthé Lemos and Mark Austen. The Philharmonia Orchestra is most grateful for their continued and loyal support.

The administration of the financial management of the Orchestra proceeded smoothly. Detailed oversight of this aspect of the Orchestra's work continued through the work of the Finance Committee which met under the chairmanship of John Wates. Membership of the committee remained unchanged.

The Orchestra received the first tranche of debt mitigation in the autumn of 2001 with the balance to be paid over, once the Arts Council of England criteria have been met. The Orchestra worked closely with the Stabilisation Unit throughout the year and is in the process of implementing its strategy for change.

LOOKING AHEAD

Subsidy

The orchestra enjoyed excellent relations with its new funding body, London Arts, throughout the year and is most grateful for its support both financial and in respect of ongoing advice. The transition to the unified national funding body went smoothly and the Orchestra looks forward to working with its colleagues in the new funding structure. The next funding round will be critical to the Philharmonia Orchestra. It is essential for the Orchestra to maintain parity of subsidy with its colleagues in London. It is also vital that it secures additional funding to increase the scope and range of its work throughout the UK as it embraces new priorities including cultural diversity. Working within the conditions of stabilisation funding the Orchestra is planning a to operate at a modest surplus for the future. The Orchestra's objectives of presenting concerts of the highest international quality, new work, education, audience development and access will be central to its future development.

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REPORT OF THE COUNCIL OF MANAGEMENT

South Bank Centre

The South Bank Board has secured funds to enable it to undertake substantial refurbishment of the Royal Festival Hall. It is planned that this refurbishment will take place during the 2005-2006 season. The Philharmonia Orchestra is pleased that it has received assurances from its funding bodies that its financial position will not be prejudiced by this development. It is agreed that it is in the interests of the South Bank Board for the Philharmonia Orchestra to be in the strongest possible artistic and financial position at the time of the Hall's reopening in October 2006.

DESIGNATED FUNDS AND OTHER FUNDS

Note 21 to the accounts sets out an analysis of the company's designated and other funds.

RESERVES AND INVESTMENT POLICY

The finances of the Philharmonia Orchestra are currently insufficient for the creation of a reserves and investment policy, the current objective being to manage cash flow in a declining and unpredictable marketplace so as to avoid bank charges. Upon receipt of the full amount of debt mitigation the Philharmonia Orchestra will be in position to begin building reserves and is in the process of defining a reserves policy. It is noted that the Stabilisation Unit and The Arts Council of England/London Arts require the Orchestra to have sufficient reserves in order to protect its position in the future.

PHILHARMONIA INCOME AND EXPENDITURE ACCOUNT

This fund has been in deficit for a number of years due to operating as most UK symphony orchestras have with insufficient funding. Once full settlement of the debt mitigation award from the Stabilisation Unit has been received, this account will be at a break-even position.

THE MARTIN MUSICAL SCHOLARSHIP FUND

The Fund is a registered charity (number 313937) and was established under a Trust Deed dated 30 March 1967, whereby all monies accepted by the Fund were to be applied at the discretion of Philharmonia Limited for the advancement of musical education.

The Fund is administered by Philharmonia Limited, which itself is managed by a Council of Management whose current members are listed on page 1.

FRIENDS OF THE PHILHARMONIA INCOME AND EXPENDITURE ACCOUNT

The results for the year reveal a small surplus of income over expenditure. It is very welcome to see the growth in the number of friends and the positive impact that they have on the life and work of the Orchestra.

MEMBERS OF THE COUNCIL

The members named on page 1 served throughout the year. Keith Bragg, Kevin Hathway and Andrew Smith retired by rotation under Article 49 of the Articles of Association. Keith Bragg and Kevin Hathway were re-elected and Mary Whittle was elected on 10 December 2001. Mark David, Michael Hurwitz and Julian Milone retire by rotation and Mark David and Julian Milone will be offering themselves for re-election.

Philharmonia Limited (Limited by Guarantee)

REPORT OF THE COUNCIL OF MANAGEMENT

RISK MANAGEMENT

The Council of Management is responsible for the management of the risks faced by the company. Key risks have been identified as under:

a) Box Office Income

The current international economic downturn will affect box office income particularly from the sector of the population dependent on investment income. The planned increase in prices in the stabilisation business plan has therefore been cancelled and ticket prices remain static for the 02-03 and 03-04 seasons.

b) Stabilisation

The conditions attached to stabilisation funding make significant demands on the Orchestra. The Orchestra has to generate significant matching income in order to release the balance of the stabilisation debt mitigation. Steps are being taken to achieve this by the end of the 03-04 financial year. The company must continue to budget for modest operating surplus, and in the event of shortfalls in income or cost overruns, take all necessary steps to avoid losses.

c) Income

Earned income, particularly from the corporate and private sector, remains a high-risk area, in the current climate. Corporate sector sponsorship of the arts continues to decline. The arts, and in particular, orchestral concerts, are increasingly less attractive to corporate funders than social and environmental issues. Is it envisaged that surpluses from recordings and tours will also continue to decline. The recording industry is no longer recording mainstream repertoire, and such recordings as are being made are funded externally by trusts and foundations. It has been agreed to accept conservative budgets in both these areas in order to reflect current and future economic trends for the 2002-2003, and 2003-2004 financial years.

d) South Bank Centre

Whilst the Orchestra is delighted that the South Bank board has received substantial grants from the lottery to refurbish the Festival Hall, the closure of the venue for a period of 19 months presents a significant threat to the Orchestra. Negotiations are in hand with both the South Bank Board and the Arts Council to ensure that the closure does not adversely affect, either financially or artistically, the Philharmonia Orchestra, and assurances have been given by both bodies to this effect. Meanwhile, the Festival Hall and its immediate environs continues to deteriorate, and with a refurbished Barbican, with its re-engineered acoustics, the competitive position of the Philharmonia in relation to audiences and sponsors in London continues to be weakened. It remains a priority for the Orchestra to renegotiate its relationship with the South Bank Centre, in particular to avoid double funding for its sales and marketing operation. The Boyden Review, funded by the Stabilisation Unit, is still addressing this issue, and the Orchestra hopes for an early conclusion to this process. Failure to achieve a satisfactory outcome to the Boyden Review would undermine the Orchestra's future.

e) Parity of Subsidy

It is essential for the Philharmonia Orchestra to maintain parity of The Arts Council of England subsidy with other UK Orchestras and in particular those in London. The London orchestras work in the same national and international market place and any distortion of subsidy would severely affect the competitive position of the Philharmonia Orchestra leading to a loss of conductors, soloists and players, undermining the core business of the Orchestra. The Orchestra has discussed this matter in detail with its funding body and believes they understand the consequences of any change in policy.

Philharmonia Limited (Limited by Guarantee)

REPORT OF THE COUNCIL OF MANAGEMENT

RISK MANAGEMENT (*continued*)

f) Internal Control

It is vital to maintain proper internal controls in order to safeguard the Orchestra's financial position and protect against the possibility of fraud. Internal systems, procedures and controls are accordingly kept under regular review and the Council of Management is satisfied that the risks in this area have been adequately addressed.

Through the above risk management process, the Council of Management are satisfied that the major risks are identified, and as far as practicable, adequately mitigated.

AUDITORS

The auditors, Baker Tilly, have expressed their willingness to continue in office and a resolution will be proposed in General Meeting that they be reappointed.


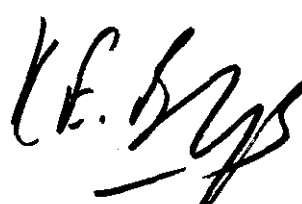
This report was approved by the Council of Management on 19.11.2002

KEITH BRAGG

KEVIN HATHWAY

DAVID WHELTON

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) Members of
) Council of
) Management
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Philharmonia Limited (Limited by Guarantee)

COUNCIL OF MANAGEMENT'S RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the Council of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the Council of Management are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Council of Management are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF PHILHARMONIA LIMITED (LIMITED BY GUARANTEE)

We have audited the financial statements on pages 10 to 26.

Respective responsibilities of the Council of Management and auditors

The Council of Management's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Council of Management's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Council of Management is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Council of Management. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

As described on page 8 the company's Council of Management are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, 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 that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the charitable company's state of affairs as at 31 March 2002 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly
BAKER TILLY

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

16 December 2002

Philharmonia Limited (Limited by Guarantee)

STATEMENT OF FINANCIAL ACTIVITIES

(incorporating an Income and Expenditure Account)

For the year ended 31 March 2002

	Note	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2002 £	Total 2001 £
Income and Expenditure						
Incoming Resources						
Donations and gifts	2	1,464,335	153,600	-	1,617,935	797,192
Activities in furtherance of the charity's objects						
Grants		1,466,775	283,295	-	1,750,070	1,375,039
Sponsorship		-	443,255	-	443,255	303,971
Turnover	1	4,937,540	141,910	-	5,079,450	4,568,138
Other income		5,266	168,825	-	174,091	172,535
Investment income	8	5,152	11,006	-	16,158	72,912
Total Incoming Resources		7,879,068	1,201,891	-	9,080,959	7,289,787
Resources Expended						
Charitable expenditure						
Costs of activities in furtherance of the charity's object:						
Costs of generating funds	3	6,024,190	1,178,667	-	7,202,857	6,220,902
Support costs	4	387,442	118,904	-	506,346	421,498
Grants payable	5	-	58,190	-	58,190	61,580
Management and administration	6	686,928	300	-	687,228	639,890
Total Resources Expended		7,098,560	1,356,061	-	8,454,621	7,343,870
Net incoming/(outgoing) resources		780,508	(154,170)	-	626,338	(54,083)
Other recognised gains and losses:						
Loss on revaluation of investments		(1,165)	-	(18,160)	(19,325)	(12,395)
		779,343	(154,170)	(18,160)	607,013	(66,478)
Transfer between funds		(163,729)	163,729	-	-	-
Net movement in funds		615,614	9,559	(18,160)	607,013	(66,478)
Balances as at 1 April		(1,474,831)	-	192,446	(1,282,385)	(1,215,907)
Balances as at 31 March		(859,217)	9,559	174,286	(675,372)	(1,282,385)

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included above.

Philharmonia Limited (Limited by Guarantee)

BALANCE SHEET (including branches)

31 March 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible assets	12	215,177	215,084
Investments	13	209,467	218,399
		<u>424,644</u>	<u>433,483</u>
CURRENT ASSETS			
Debtors	14	1,304,078	904,077
Cash at bank and in hand		355,796	468,302
		<u>1,659,874</u>	<u>1,372,379</u>
CREDITORS: Amounts falling due within one year	15	(2,759,890)	(3,088,247)
NET CURRENT LIABILITIES		<u>(1,100,016)</u>	<u>(1,715,868)</u>
TOTAL LIABILITIES		<u>(675,372)</u>	<u>(1,282,385)</u>
RESTRICTED FUNDS			
Friends of the Philharmonia	21	1,916	-
Capital fund	21	7,643	-
ENDOWMENT FUNDS	21	174,286	192,446
UNRESTRICTED FUNDS			
Other			
Martin Musical Scholarship Fund	21	63,557	75,155
Friends of the Philharmonia Income and Expenditure Account	21	(14,805)	(14,805)
Philharmonia Income and Expenditure Account	21	(1,017,954)	(1,647,265)
Revaluation reserve	21	109,985	112,084
	21	<u>(675,372)</u>	<u>(1,282,385)</u>

Approved by the Council of Management on 19.11.2002

KEITH BRAGG

KEVIN HATHWAY

DAVID WHELTON

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)
) Members of
) Council of
) Management
)
)
)

K.E. Bragg
K.P.H.

Philharmonia Limited (Limited by Guarantee)

CASH FLOW STATEMENT (including branches)

for the year ended 31 March 2002

	<i>Notes</i>	2002 £	2001 £
Cash flow from operating activities	24a	357,935	257,146
Capital expenditure and servicing of finance	24b	(66,068)	(209,307)
INCREASE IN CASH IN THE PERIOD		<u>291,867</u>	<u>47,839</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN FUNDS

		2002 £	2001 £
Increase in cash in the period		291,867	47,839
NET FUNDS AT 1 APRIL 2001	24c	63,929	16,090
NET FUNDS AT 31 MARCH 2002		<u>355,796</u>	<u>63,929</u>

Philharmonia Limited (Limited by Guarantee)

ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

BASIS OF ACCOUNTING

These financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with applicable accounting standards, and the Statement of Recommended Practice, 'Accounting and Reporting by Charities' issued in October 2000, and on a going concern basis. Where necessary comparative figures have been restated to follow the new format.

These financial statements combine the results of Philharmonia Limited together with its branches, the Friends of the Philharmonia and The Martin Musical Scholarship Fund.

The company relies substantially on funding by grants from the Arts Council of England for its current and future commitments and operates on the basis that, taking one year with another, its revenue will match its expenditure. There is no indication that the company's activities will be curtailed or substantially altered and therefore no provision has been included in the financial statements for costs that would be incurred in these events.

In addition, overdraft facilities in line with the company's projected cash flow requirements have been negotiated with the company's bankers for the period to 10 November 2002.

The company has been accepted onto the Arts Council of England's main Stabilisation programme. This will enable the company to strengthen its balance sheet by means of debt mitigation and removal of the accumulated deficit.

In view of this and of the continuing support of the Arts Council of England, the going concern basis is considered an appropriate basis for the preparation of these financial statements.

TURNOVER

This represents income generated from own promotions, engagements and foreign tours, but excludes grants, sponsorship and donations. It comprises the total value of ticket and programme sales, advertising revenue, relay and transcription revenue, and services invoiced to customers, after deducting all credits and allowances and excluding value added tax.

DEPRECIATION

Fixed assets include musical instruments which have been revalued. Other fixed assets are stated at cost.

Depreciation is provided on all tangible fixed assets except those which are considered to be of high residual value with an immaterial depreciation charge, at rates calculated to write off the cost of the assets down to its estimated residual value evenly over its expected useful life, as follows:-

Office furniture and fittings	20%
Musical instruments, instrument boxes and recordings	10%
Computers and office equipment	33.33%
Motor vehicles	20%

GRANTS AND SPONSORSHIP

Grants and sponsorship are credited to the statement of financial activities in the year in which they accrue.

DONATIONS

Donations if allocated to specific concerts, engagements or projects are credited to the statement of financial activities in the year in which they accrue.

Philharmonia Limited (Limited by Guarantee)

ACCOUNTING POLICIES

EXPENDITURE

Resources expended are recognised in the period in which they are incurred.

Resources expended are allocated to the particular activity where the cost relates directly to that activity. However, the cost of overall direction and administration on each activity, comprising the salary and overhead costs of the central function is included as administrative overheads.

INVESTMENTS

Investments held as fixed assets are revalued at mid market value at the balance sheet date and the gain or loss taken to the Statement of Financial Activities.

FUNDS

Unrestricted funds are donations or other incoming resources receivable or generated for the objects of the charity without further specified purpose and are available as general funds.

Designated funds are unrestricted funds earmarked by the Council of Management for particular purposes.

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund, together with a fair allocation of management and support costs.

The endowment fund represent those assets held permanently by the charity, principally investments. Income arising on the endowment fund is to be used to provide grants through the grant fund. Any capital gains or losses arising on the investments form part of the fund. Investment management charges and legal advice relating to the fund are charged against the fund.

EXCHANGE CONVERSIONS

Overseas currencies received from foreign tours have been stated at the actual rates obtained.

LEASES

Rentals under operating leases are charged to income and expenditure account as incurred.

CONNECTED CHARITIES

The Philharmonia Trust Limited (registered charity number 254191) is a connected charity as certain members of the Council of Management who are also trustees, are Members of the Council of Management of Philharmonia Limited.

The position at the end of the year between Philharmonia Limited and the Trust is shown in debtors, note 14 and note 18 to the financial statements.

The Philharmonia Benevolent Fund (registered charity number 280370) is connected to Philharmonia Limited having two trustees who are members of the Council of Management.

No transactions between the entities took place during the year.

PENSION COSTS

The company contributes to personal pension schemes. The charge to the statement of financial activities is the amount payable in respect of the accounting period.

Philharmonia Limited (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

1 TURNOVER

The company's turnover was all derived from its principal activity. Sales were made in the following geographical markets:

	2002 £	2001 £
United Kingdom	3,552,747	2,582,816
Europe	1,000,795	1,875,524
Rest of the World	525,908	109,798
	<u>5,079,450</u>	<u>4,568,138</u>

2 INCOMING RESOURCES

DONATIONS AND GIFTS

	Unrestricted £	Restricted £	2002 Total £	2001 Total £
Charities foundations	149,797	10,300	160,097	202,664
Other donations	1,314,538	143,000	1,457,838	594,528
	<u>1,464,335</u>	<u>153,600</u>	<u>1,617,935</u>	<u>797,192</u>

3 COSTS OF GENERATING FUNDS

	Unrestricted £	Restricted £	2002 Total £	2001 Total £
Concert and relay fees	4,309,915	783,143	5,093,058	4,467,035
Travel, subsistence and transport of instruments	663,914	58,461	722,375	743,369
Music and instrument hire	110,427	9,402	119,829	87,917
Hall hire and box office commission	426,332	14,338	440,670	354,989
Subs and programme expenses	231,675	-	231,675	192,507
Other expenses	281,927	313,323	595,250	375,085
	<u>6,024,190</u>	<u>1,178,667</u>	<u>7,202,857</u>	<u>6,220,902</u>

4 SUPPORT COSTS

	Unrestricted £	Restricted £	2002 Total £	2001 Total £
Public Relations	24,036	-	24,036	18,890
Advertising and Publicity	24,514	16,400	40,914	30,512
Fundraising Event costs	104,125	102,504	206,629	134,662
Employment costs	200,065	-	200,065	185,729
Other expenses	34,702	-	34,702	51,705
	<u>387,442</u>	<u>118,904</u>	<u>506,346</u>	<u>421,498</u>

Philharmonia Limited (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

5 GRANTS PAYABLE

The amount payable in the year comprises:

Name	Instrument	2002 £	2001 £
Ron Abramski +	Piano	800	-
Mark Allen	Trumpet	-	1,000
Tamas Andras	<i>Sidney Perry Award</i> Violin	1,000	1,000
Lucy Baker	Violin	1,000	800
Alison Balsam +	<i>KPMG Award</i> Trumpet	2,000	-
Helen Barker	Oboe	1,000	800
Kristine Blaumane	<i>Gillian Sinclair (Recital)</i> Cello	-	500
Irana Botan	Piano	-	1,000
Tiberiu Buta +	<i>Reginald Conway Award</i> Violin	1,000	-
Rowena Calvert +	Cello	1,000	-
Chiao-Ying Chang +	Piano	1,000	-
Sa Chen	Piano	-	1,000
Natalie Clein	Cello	-	1,000
David Cohen	Cello	-	1,600
<i>John E Mortimer Award + R Conway Award</i>			
Elizabeth Cooney	<i>Leda Casbolt Award</i> Viola	1,000	615
David Cuthbert +	Flute	800	-
Sally Day +	Clarinet	1,000	-
Emma Denton	Cello	-	800
Schlomy Dobrinski +	Violin	1,000	1,000
<i>RCM Hurwitz Award, Leda Casbolt, KPMG Award</i>			
Danny Driver +	<i>John E Mortimer Award</i> Piano	750	1,000
Peter Dykes	Oboe	-	800
Mei-Yi Foo +	Piano	1,000	1,000
David Gardner +	Cello	1,000	-
Timothy Gibbs +	<i>Gillian Sinclair Award (Recital)</i> Double Bass	-	750
Kerry Gordon-Smith	Violin	-	500
Charys Green +	<i>Sidney Perry Award</i> Clarinet	1,000	2,100
Gerald Gregory +	Violin	800	-
Florica Grigoras +	Violin	1,000	800
Tristan Gurney +	Violin	-	1,000
Richard Harwood +	<i>John E Mortimer Award</i> Cello	-	1,000
Waka Hesagawa +	<i>Sidney Perry Award</i> Piano	-	2,000
Catriona Hetherington	Cello	1,000	1,000
Daniel Hill	Piano	1,000	-
David Hilton	Trumpet	1,000	-
Adi Hlavin	Violin	1,000	-
Inju Ho	Piano	-	1,000
Victoria Holland	Double Bass	-	800
Benjamin Hugues	Cello	-	1,000
Jessica Humphreys +	Cello	1,000	800
Alina Ibragimova	<i>John E Mortimer Award</i> Violin	-	1,000
Guy Johnston	Cello	800	-
Rebecca Jones +	Violin	500	-
Tatiana Kozhevato +	Violin	1,000	1,000
Carried forward		25,450	28,665

Philharmonia Limited (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

Name	Instrument	2002 £	2001 £
Brought forward		25,450	28,665
Simone Lamsma	Violin	1,000	
Chenyin Lee	Piano	-	1,000
Georgia Lewis +	Violin	-	800
Natalia Lomeiko +	Violin	-	800
<i>Leda Casbolt & Gillian Sinclair (Recital) Award</i>			
Matthew Lowe	Cello	1,000	-
Harriet Mackenzie +	Violin	1,000	-
Mary Macleod	Cello	790	-
Martin Marko	Piano	-	1,000
Burak Marlali	Bassoon	2,000	-
<i>Sidney Perry Award and Special Category</i>			
Rebekah Matthews	Bassoon	-	1,000
Melanie McLoughlin	Trumpet	-	1,000
Demitri Murrath	Violin	1,000	-
Desmond Neysmith	Cello	750	-
Ning	Violin	1,000	-
Yumi Nomoto	Piano	-	1,000
Michael O'Donnell +	Flute	1,000	-
Maggie O'Herlihy +	Piano	1,000	-
Jane Oliver	Cello	1,000	1,000
Roger Owen	Violin	-	600
Vrta Panomarioviate	Piano	-	1,000
Rafal Payne	Violin	-	1,000
David Perez	Violin	1,000	-
Marianna Prjevalskaya +	Piano	1,000	1,000
Kristina Puspure +	Violin	1,000	600
David Quigley +	Piano	1,000	500
Alex Redington +	Violin	800	-
Duncan Reid	Violin	-	1,000
Kate Robinson	Violin	800	-
Ruth Rogers +	Violin	800	800
Dominika-Anna Rosiek +	Violin	1,000	1,000
Anna Safonova +	Violin	1,000	1,000
Segei Salov	Piano	1,000	-
<i>Sidney Perry Award, KMPG Award</i>			
Anneke Scott	Horn	-	1,000
Catriona Scott	Clarinet	-	615
Alender Sitkovetsky	Violin	1,000	2,000
Andrew Skidmore	Cello	-	1,000
Helena Smart	Violin	800	-
Bauant Skeley	Violin	-	1,000
Anna Smith +	Violin	800	-
Kim So-Ock +	Violin	1,500	800
Jennifer Stokes +	Violin	1,000	-
Balint Szekely	Violin	1,000	-
Dmitri Torchinsky	Violin	1,000	1,000
<i>John E Mortimer Award</i>			
Carried forward		53,490	52,180

Philharmonia Limited (Limited by Guarantee)

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for the year ended 31 March 2002

Name	Instrument	2002 £	2001 £
Brought forward		53,490	52,180
Shu-Wei Tseng +	Piano	1,000	1,000
Tetyana Ursova	<i>John E Mortimer Award</i> Piano	1,000	1,000
Katarina Varngy	Violin	1,000	1,000
Alastair Warren	Bass Trombone	-	1,000
Ashley Wass	Piano	-	1,000
Ying-Jun Wei	<i>Special Category</i> Cello	1,000	-
Lydia Westcombe-Evans +	Violin	800	1,000
Naomi Williams	Cello	-	1,000
Alexandra Wood	<i>E Hurwitz Award</i> Violin	-	800
Helena Wood +	Violin	1,000	800
Katherine Wood +	<i>John E Mortimer Award</i> Cello	-	1,000
Natasha Wright	<i>Trevor Snoad Award £500</i> Viola	-	1,000
Nicholas Wright	<i>KPMG Award</i> Violin	1,000	1,000
Qian Wu +	<i>John Wates Award</i> Piano	1,500	2,100
Maria Zachariadou	Cello	1,000	-
Jia Zhang	Violin	1,000	-
less: Grants not claimed		(5,600)	(4,300)
TOTAL		58,190	61,580

+ Previous award winner

The total number of grants awarded were 64 to individuals and none to institutions.

6	MANAGEMENT AND ADMINISTRATION	Unrestricted £	Restricted £	2002 Total £	2001 Total £
	Employment costs	433,008	-	433,008	351,471
	Travel, subsistence and entertaining	70,756	-	70,756	57,631
	Occupation and office costs	112,308	-	112,308	104,821
	Professional fees	19,572	-	19,572	31,426
	Bank interest and charges	32,626	300	32,926	41,672
	Other expenses	18,658	-	18,658	52,869
		686,928	300	687,228	639,890
7	NET INCOMING RESOURCES FOR THE YEAR			2002 £	2001 £
	Net incoming resources for the year are stated after charging:				
	Auditors' remuneration			10,000	9,500
	Operating lease rentals			22,616	34,292

Philharmonia Limited (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

8	INVESTMENT INCOME AND INTEREST RECEIVABLE	2002 £	2001 £
	Investment income	10,393	72,912
	Interest receivable	5,765	6,346
		<u>16,158</u>	<u>79,258</u>
9	INTEREST PAYABLE	2002 £	2001 £
	Bank interest payable	25,676	41,672
10	EMPLOYEES	2002 No.	2001 No.
	The average monthly number of persons (excluding Council of Management) employed by the company during the year was:		
	Office and management	20	17
	Transport	1	1
		<u>21</u>	<u>18</u>
		2002 £	2001 £
	Staff costs for the above persons (including transport department costs):		
	Wages and salaries	596,460	504,487
	Social security costs	52,891	50,013
	Other pension costs	33,173	28,391
		<u>682,524</u>	<u>582,891</u>
	Council of Management Remuneration		
	Fees	6,849	6,746
	Remuneration for services as a director	120,601	88,426
		<u>127,450</u>	<u>95,172</u>
	The Honorarium and other emoluments disclosed above (excluding pension contributions) includes amounts paid to:		
	The highest paid member of Council	120,601	88,426
	No other members of Council received emoluments.		
		2002 No	2001 No
	Members of Council received reimbursement of expenses of £714 (2001: £1,299).		
	The number of employees whose emoluments exceed £50,000 are as follows:		
	£120,001 - £130,000	1	1

Philharmonia Limited (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

11 TAXATION

As a charity the company is exempt from corporation tax.

12 TANGIBLE FIXED ASSETS	<i>Office furniture & fittings £</i>	<i>Musical instruments, cases and recordings £</i>	<i>Computers and office equipment £</i>	<i>Motor vehicles £</i>	<i>Total £</i>
Cost or valuation:					
1 April 2001	55,448	249,180	135,523	86,163	526,314
Additions	4,929	31,007	19,739	-	55,675
Disposal	-	-	(360)	-	(360)
31 March 2002	60,377	280,187	154,902	86,163	581,629
Depreciation					
1 April 2001	27,227	112,692	94,022	77,289	311,230
Charged in the year	9,268	10,244	31,851	4,090	55,453
Disposal	-	-	(231)	-	(231)
31 March 2002	36,495	122,936	125,642	81,379	366,452
Net book value					
31 March 2002	23,882	157,251	29,260	4,784	215,177
31 March 2001	28,221	136,488	41,501	8,874	215,084

The musical instruments were revalued on a replacement value basis for insurance purposes on 25 March 1999 by Thomas Winter. The value of these depreciating instruments was determined at £140,710.

French violin by Pierre Sylvestre was valued by John & Arthur Beare on 17 August 1999 at £20,000. Six double basses by Pullman were valued by Gallery Strings (London) at £12,000 each on 17 August 1999.

The Council of Management believe that the musical instruments have not materially changed in value as at 31 March 2002.

Philharmonia Limited (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

13	FIXED ASSET INVESTMENTS	2002 £	2001 £
	QUOTED INVESTMENTS		
	COST		
	19,319 AXA Sun Life Trust Management Limited, Master portfolio accumulation units	5,370	5,370
	625 Scottish Mutual	2,000	2,000
	Norwich Union PPT Monthly Income Plus Portfolio	20,000	20,000
	Threadneedle UK Corporate Bond	20,000	20,000
	Aberdeen Unit Trust Managers Ltd Fixed Interest Fund	20,000	20,000
	Aberdeen Unit Trust Managers Ltd Fund of Investment Trusts Acc	20,000	20,000
	Aberdeen Unit Trust Managers Ltd Gilt Income	20,000	20,000
	Aberdeen Unit Trust Managers Ltd Sterling Bond	20,000	20,000
	Britannic Gilt & Fixed Interest	20,000	20,000
	Britannic High Income Fund	20,000	20,000
	Exeter Fund Managers Ltd Fixed Interest	20,000	20,000
	Schroders Gilt and Fixed Interest	20,000	20,000
		<u>207,370</u>	<u>207,370</u>
	OTHER INVESTMENTS		
	Christopher Warren Green Violin Trust (1.442% holding)	5,000	5,000
		<u>212,370</u>	<u>212,370</u>
	Middle Market Value	<u>209,467</u>	<u>218,399</u>
		2002 £	2001 £
	1 April 2001	218,399	49,500
	Additions	10,393	200,000
	Disposals	-	(18,706)
	Deficit on revaluation	(19,325)	(12,395)
	31 March 2002	<u>209,467</u>	<u>218,399</u>
14	DEBTORS	2002 £	2001 £
	Due within one year:		
	Trade debtors	506,375	340,192
	Other debtors	64,113	171,772
	Prepayments and accrued income	585,255	352,522
	Amounts owed by Philharmonia Trust Limited	17,338	39,591
		<u>1,173,081</u>	<u>904,077</u>
	Due after more than one year:		
	Trade debtors	130,997	-
		<u>1,304,078</u>	<u>904,077</u>

Philharmonia Limited (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

15	CREDITORS: Amounts falling due within one year	2002 £	2001 £
	Bank overdraft	-	404,373
	Loan	76,000	76,000
	Trade creditors	1,045,981	987,346
	Other creditors	565,313	453,147
	Philharmonia Trust Limited	350,000	400,000
	Other taxation and social security costs	71,201	75,351
	Accruals	282,317	352,393
	Deferred income	369,078	339,637
		<u>2,759,890</u>	<u>3,088,247</u>

The bank overdraft of £Nil (2001: £404,373) was secured by a first charge on the company's book debts.

Deferred income relates to income in respect of future accounting periods received in advance in the form of subscriptions, sponsorship and other grants. It is the expectation of the various income donors that this income will be expended in future financial periods.

	2002 £	2001 £
Amount payable by instalments: within 1 year	76,000	76,000

The loan is interest free and is secured by a second charge on the company's book debts and a first charge on the fixed assets. In addition it is secured on the music library of Philharmonia Trust Limited.

16 LIABILITY OF MEMBERS

All members have a liability not exceeding £1 per member. There were 74 members at 31 March 2002 (2001: 74).

Philharmonia Limited (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

18 THE PHILHARMONIA TRUST LIMITED

The Philharmonia Trust Limited which exists with the object of supporting Philharmonia Limited had unrestricted trust funds of £238,956 at 31 March 2002 (2001: £228,951) which can be utilised to support the orchestra if required.

The Philharmonia Trust Limited forgave £50,000 of the amount due by Philharmonia Limited as at 31 March 2002 (2001: £50,000), and this amount has been credited to the Income and Expenditure Account.

19	LEASE COMMITMENTS	2002 £	2001 £
	Land and buildings:		
	Annual commitments under operating leases expiring:		
	Between two and five years	22,616	22,616

20 RELATED PARTY TRANSACTIONS

Vincent Meyer, President of the Orchestra made a donation of £100,000 (2001: £100,000) towards general music costs of the orchestra.

The Meyer Foundation, of which Vincent Meyer is a trustee, made a donation of \$125,000 (2001: \$125,000) towards general music costs of the Orchestra.

During the year the Philharmonia Trust Limited forgave £50,000 (2001: £50,000) of the debt owed by Philharmonia Limited. At the year end Philharmonia Limited owed the Philharmonia Trust £350,000 (2001: £400,000).

Daniel Salem and John Wates, members of the Council of Management, contributed a total of £31,150 and £20,100 respectively through sponsorship and donations towards the music costs of the Orchestra.

Philharmonia Limited (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

21 FUNDS	Balance at 1 April 2001 £	Incoming £	Outgoing £	Transfers £	Recognised gains and losses £	Balance at 31 March 2002 £
RESTRICTED FUNDS						
Philharmonia Income and Expenditure	-	1,012,888	(1,169,536)	156,648	-	-
Martin Musical Scholarship fund	-	-	-	-	-	-
Friends of the Philharmonia Income and Expenditure Account	-	126,220	(124,304)	-	-	1,916
Grant fund	-	62,783	(62,221)	7,081	-	7,643
ENDOWMENT FUNDS	192,446	-	-	-	(18,160)	174,286
UNRESTRICTED FUNDS						
Martin Musical Scholarship Fund	75,155	15,192	(18,544)	(7,081)	(1,165)	63,557
Friends of the Philharmonia Income and Expenditure Account	(14,805)	-	-	-	-	(14,805)
Philharmonia Income and Expenditure Account	(1,647,265)	7,863,876	(7,080,016)	(154,549)	-	(1,017,954)
Revaluation Reserve	112,084	-	-	(2,099)	-	109,985
	(1,282,385)	9,080,959	(8,454,621)	-	(19,325)	(675,372)

Unrestricted funds comprise those funds which the trustees are free to use in accordance with the charitable objects.

Restricted funds are funds which have been given for particular purposes and projects.

Endowment Funds

The endowment funds represents those assets held permanently by the charity, principally investments. Income arising on the endowment fund is to be used to provide grants through the grant fund. Any capital gains or losses arising on the investments form part of the fund. Investment management charges and legal advice relating to the fund are charged against the fund.

The Capital fund represents a capital donation given by the Mortimer Foundation. The interest arising on this capital is used to provide grants through the grant fund.

The transfer of £163,729 from unrestricted to restricted funds represents the deficits on projects financed by specific funding.

Philharmonia Limited (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

22 CONTINGENT LIABILITIES

At 31 March 2002 the company has a claim for dilapidation of its old offices outstanding. Whilst the Council of Management accept that an amount is payable the final amount, at this time, cannot be determined with any accuracy.

23 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	General Funds £	Capital Fund £	Friends of the Philharmonia Fund £	Total £
Tangible fixed assets	215,177	-	-	215,177
Fixed asset investments	9,024	200,443	-	209,467
Cash at bank	353,880	-	1,916	355,796
Debtors	1,304,078	-	-	1,304,078
Creditors	(2,759,890)	-	-	(2,759,890)
	<u>(877,731)</u>	<u>200,443</u>	<u>1,916</u>	<u>(675,372)</u>

24 CASH FLOWS

	2002 £	2001 £
a Reconciliation of operating profit to net cash inflow from operating activities		
Net incoming/(outgoing) resources before revaluations	626,338	(54,083)
Depreciation	55,453	63,041
Loss on sale of fixed assets	129	1,415
Loss on sale of investments	-	300
(Increase)/decrease in debtors	(400,001)	528
Increase in creditors	76,016	245,945
Net cash flow from operating activities	<u>357,935</u>	<u>257,146</u>
	2002 £	2001 £
b Analysis of cash flows for headings netted in the cash flow		
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(55,675)	(28,012)
Sale of tangible fixed assets	-	18,705
Purchase of investments	(10,393)	(200,000)
Net cash outflow from capital expenditure and financial investment	<u>(66,068)</u>	<u>(209,307)</u>

Philharmonia Limited (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

24	CASH FLOWS (<i>continued</i>)	At 1 April 2001 £	Cash flow £	At 31 March 2002 £
c	Analysis of net debt			
	Cash in hand, at bank	468,302	(112,506)	355,796
	Overdrafts	(404,373)	404,373	-
	Total	<u>63,929</u>	<u>291,867</u>	<u>355,796</u>