

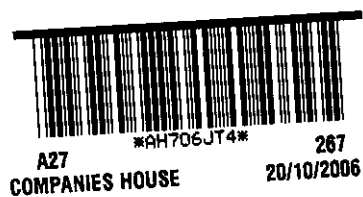
Hallé Concerts Society

(A Charitable Company Limited by Guarantee)

Annual Report and Accounts

For the year ended 31 March 2006

Company Number 62753
Charity Number 223882



Hallé Concerts Society

(A Charitable Company limited by guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

Contents	Page
Officers and independent advisers	1
Chairman's report	2
Review of the year	3-6
Trustees' report	7-12
Independent Auditors' Report to the Members of the Hallé Concerts Society	13
Consolidated and aggregated summary income and expenditure account	14
Consolidated and aggregated statement of financial activities	15
Charitable company statement of financial activities	16
Consolidated and aggregated and Charitable Company balance sheets	17
Consolidated and aggregated cash flow statement	18
Notes to the accounts	19-34

Hallé Concerts Society

page1

(A Charitable Company limited by guarantee)

Registered Office: The Bridgewater Hall, Manchester M1 5HA

PATRON HRH The Countess of Wessex

MUSIC DIRECTOR Mark Elder CBE

MEMBERS OF THE BOARD

Elected

Edward Pysden *Chairman*

Martin McMillan *Deputy Chairman*

Richard Bailey

Carole Baume (appointed 11 October 2005)

Marilyn Blank (resigned 24 October 2005)

Professor Edward Gregson (resigned 7 July 2006)

Jane Hampson (appointed 6 September 2005)

Nicholas Rowe (appointed 11 October 2005)

Colin Smith OBE

David Wertheim (appointed 11 October 2005)

Nominated by Manchester City Council

Councillor Mark Hackett

Nominated by AGMA

Bernard Knight

Councillor John Merry

EXECUTIVE TEAM

John Summers *Chief Executive* (resigned as trustee 18 April 2005)

Valerie Hawkin *Finance Director* (resigned as trustee 18 April 2005)

ORCHESTRAL NOMINEE

Ronald Marlowe (resigned as trustee 18 April 2005)

CHIEF EXECUTIVE AND COMPANY SECRETARY

John Summers

PRESIDENT VICE PRESIDENT

Sebastian de Ferranti

John East

AUDITORS

KPMG LLP, Chartered Accountants

St James' Square

MANCHESTER M2 6DS

SOLICITORS

George Davies and Co

68 Fountain Street

MANCHESTER M2 2FB

Eversheds LLP

Eversheds House

70 Great Bridgewater Street

MANCHESTER M1 5ES

BANKERS

The Royal Bank of Scotland plc

St Ann Street

MANCHESTER M60 2SS

N M Rothschild & Sons Limited

82 King Street

MANCHESTER M2 4WQ

INVESTMENT ADVISERS

Cazenove Capital Management Limited

12 Moorgate

London

EC2R 6DA

COMPANY REGISTRATION NO CHARITY REGISTRATION NO

62753

223882

Once again, I look back with great pride at the achievements of the Hallé over the last twelve months, particularly in a year with considerable financial and regulatory pressures. The Orchestra's reputation continues to build. Following last year's Royal Philharmonic/Radio 3 'Best Ensemble' award for the Orchestra, this year I am delighted to report the award of 'Best Conductor' from that same organisation to our Music Director, Mark Elder. Mark's leadership both on and off the concert platform is an inspiration to us all. I am also very pleased to welcome Christian Mandeal to the organisation as Principal Guest Conductor. We look forward to a long and fruitful association.

On a less happy note, it is with great sadness that I report to you the recent death of John MacMurray, the Hallé's Principal Trumpet for the last 22 years. John had been very ill for some weeks and his death, though not unexpected, was nevertheless very sudden. John was a wonderful musician with a big and unique orchestral trumpet sound and he will be very much missed by us all.

Growing the audiences of the future continues to be a key priority for us. This year we have invested special energy in the important work of developing our relationships with the wider musical community and in particular in broadening the reach of our education and outreach programme. The impact of Mark conducting the Orchestra in local schools, and the wonder and delight that this brought to the children involved, will live with us all for a very long time. Our connections through the North West Music Manifesto Pathfinder project, described in more detail in the Review of the Year, will truly help to put the Hallé's educational agenda at the heart of the organisation and embed our work in the musical life of the region.

As I reported last year, the Board has undergone a change in its constitution in order to ensure its status in relation to cultural exemption from VAT, by removing the Chief Executive, Finance Director and Player Director as ex officio members of the Board. This change in our VAT status has had a positive effect on our finances, as anticipated. We have taken the opportunity afforded by the consequent resignations of the Chief Executive and Finance Director and two other vacancies in the Board, to recruit four new Board members with complementary talents. It is therefore a pleasure to welcome to the Board Carole Baume, Jane Hampson, Nicholas Rowe and David Wertheim. Together with other Board Members, they are making a valuable contribution to guiding the organisation's direction. The vacancy arising from the Player Director ceasing to be a Board Member has not been fulfilled. If it becomes possible to appoint a Player Director consistent with retaining cultural exemption it is our intention to make this appointment.

This year, in common with many other organisations, we have faced challenges in the funding of our pension scheme. We continue to believe that the provision of a sound financial basis for retirement is a priority for the Hallé for all its employees, and it was with great reluctance that following professional advice and the consideration of many options, the Board decided to make the changes to its pension provision described in detail in the Trustees report. The implementation of new reporting standards has required us to show the full position of the pension scheme's funding in the Society's accounts. I would like to reassure you that following negotiation with the pension trustees, a recovery plan for the scheme is in place, which will secure the benefits already promised to employees and which is affordable by the Society.

The Hallé is fortunate to have such a talented and dedicated team of musicians, staff, trustees and volunteers, without whom none of our work could be achieved. My thanks go to all of them for their hard work and commitment.

To maintain our artistic momentum is an expensive business and requires continuing and sustained support from both our public and private funders. We are very fortunate to receive such strong and committed support from Arts Council England together with the Association of Greater Manchester Authorities and Manchester City Council both of whom have demonstrated their belief in the organisation and its importance to the cultural and economic life of the City Region by increasing their revenue funding commitments on an ongoing basis.

The depth of support and commitment we receive from our corporate and individual supporters continues to impress me enormously. I would like to thank all those who have helped the Hallé over the last year whether by Membership, donating money, attending concerts, giving time or simply lending your support – without your generosity the Hallé could not have achieved so much.

Looking forward I feel a great sense of optimism, particularly with the build up to the Hallé's 150th anniversary in 2008. That year will be a cause for both a celebration of past achievements and an opportunity to look forward to the next hundred and fifty years of the Hallé's life and to provide an improved financial base for the Hallé's future. I look forward to sharing it with you.

Highlights of the Artistic Year

The year continued to see remarkable artistic progress for the Hallé under Mark Elder with a season as distinguished and diverse as any in the Orchestra's long history and again it is difficult to select highlights from the year.

The main Bridgewater Hall 2004/5 Season concluded under his direction with a memorable concert performance of Act I of Wagner's *Die Walküre*. The Orchestra was joined by offstage orchestra and ladies of the Hallé Choir in a preceding sequence from *Tannhäuser*. The response to this from the audience, from subsequent correspondence from individual members, and from the critics, underlined the stature of the Hallé's Music Director as one of the world's major Wagner conductors. Events such as this, whilst relatively expensive, remain an important hallmark of his tenure.

In the same month the orchestra gave concerts under Susana Malkki, Heinrich Schiff and Mark Elder. Schiff conducted the April Opus programme with two outstanding young soloists in the Brahms Double concerto. Malkki's concert contained a UK premiere of "Reflected Images", a piece written by our Associate Composer, Colin Matthews for the Los Angeles Orchestra. Kathy Stott was the soloist in Ravel's G major piano concert and the concert finished with a sparkling performance of the *Symphonie fantastique* by Berlioz. This concert was broadcast by the BBC, as was Mark Elder's Opus programme with Janine Jansen of Strauss, Dvorak and Sibelius.

As an illustration of the range of Hallé concerts the Wagner programme was followed two days later by a Hollywood film score programme under John Wilson, who has since further consolidated his relationship with the Orchestra and with the audiences with two contrasting programmes: a highly successful opening to the 100th season of Hallé Promenade Concerts with a popular programme of Greig, Tchaikovsky, Rossini and Mozart, and an evening of Elia Fitzgerald classics with the jazz singer Claire Martin.

In a new venture the Hallé went out into the school communities in Oldham, Glossop and Bolton at the end of June. Together with Mark Elder and André de Ridder, the Orchestra gave a number of concerts in school halls for a wide range of children, aged from about 6 to 16. Although funding for the project was difficult to obtain, and some of the logistical problems encountered were a little tricky, the events were a fantastic success – not just in the range and number of children who attended – but also in the messages it gave to so many young people about the Hallé. Mark spoke appropriately, eloquently and informatively about the Orchestra and the pieces of music that were played, in concerts that lasted about an hour and 15 minutes. The feedback from teachers and pupils has been absolutely fantastic. This will become a regular feature of Hallé summers.

Mark Elder gave his first performance of a Bruckner Symphony (the 7th) in the City of London Festival in St Paul's Cathedral in early July and the Orchestra, together with Sir Willard White and Carl Davis gave a number of concerts in festivals in England and Wales. The Litchfield concert was the second visit in a week, the first conducted by André de Ridder.

Many of you will have seen or heard the *Gerontius* given by Mark and the Orchestra together with the Hallé Choir and the Hallé Youth Choir, in Manchester and then at the London Proms – these performances attracted more unsolicited praise from all over the country than any since Mark has been with the Hallé.

Before the August holiday break, the Orchestra gave its usual final concert in the open air at Tatton Park to a capacity audience of 11,000 and then finished the Hallé Prom series in the BWH.

The Hallé has much to be proud of in the developing careers of its first two young conductors and it was announced during the year that Edward Gardner will follow in Mark Elder's footsteps as Music Director of English National Opera, following his stint at Glyndebourne Touring Opera. André de Ridder has also begun an important relationship with the Company and conducted all of the performances of a new Opera by Gerald Barry of "the Bitter tears of Petra von Kant" which opened the 2005/6 season at the Coliseum. We expect the career of Rory MacDonald, the current incumbent of the Hallé's full time post, to be every bit as distinguished.

In September the Orchestra undertook a major tour of Europe with Mark Elder and Nikolaj Znaider opening in Brussels followed by concerts in Hanover and Cologne and other cities in Germany with the last two concerts in Vienna (Musikverein) and Verona.

Anne Schwanewilms, the distinguished German soprano, graced the first week of the 2005/6 season with Strauss orchestral songs, and the season's *Enigma* theme was underway with Elgar's variations.

In November, Lyn Fletcher captivated the Thursday audience and many more (live on Radio 3) in Vaughan Williams evocative 'The Lark Ascending'. She and Mark then recorded it for release on the HALLÉ label, along with other English landscape masterpieces by Vaughan Williams, Bax, Finzi and Delius.

In the same month Mark gave a triumphant Saturday concert of Russian music, again, of lesser-known works by master composers. As *The Times* put it, it was *'gratifying to find so many seats occupied in a concert not built with Classic FM listeners specifically in mind.'* Two of the original three singers engaged to sing in Rachmaninov's 'The Bells' (not counting the 150 or so members of the Hallé and London Philharmonic Choirs) had cancelled. Happily (having gone back to source for replacements), the two young Russians from Gergiev's Mariinsky Theatre Company more than compensated, with singing of totally idiomatic beauty and character, especially the engaging future star bass, Mikhail Petrenko. The powerful choral contribution provided more evidence of the continued development of the Hallé Choir under James Burton's direction.

The centrepiece of the 2005/6 season was the Shostakovich Festival in January which was a unique collaboration between the BBC Philharmonic Orchestra, the Royal Northern College of Music and the Hallé. The Festival was a long triumphant journey and must be considered, at all levels, to have been a resounding success. There was a huge amount of media coverage of the festival and the concerts all received four or five star reviews.

Putting on this Festival was a substantial artistic and financial risk but the excellent spirit of collaboration between the three partners was a major contributory factor in making it such a success, and we are already engaging in discussions on how we can work together in this way in the future.

To close the year, over a short period in February the Orchestra gave sixteen concerts (of which five were outside Manchester), under six conductors. In March Mark Elder conducted a very successful Opus One week which was notable not only for his debut performances of Beethoven's Pastoral Symphony, but for Stephane Rancourt's four utterly commanding performances of the Strauss Oboe Concerto, enthusiastically received in Leeds Town Hall as well as in Manchester.

Education

It was a record year for the Hallé's Education Department involving nearly 36,000 participants. Involving young people in formal and informal settings, community groups, young offenders and those with special needs, the Education Programme has delivered 68 different projects with over 800 education sessions taking place.

The annual Hallé for Youth Concerts took place in March at The Bridgewater Hall, conducted by Matthew Coorey and played to just under 9,000 young people from 143 schools across AGMA, Lancashire and Cheshire and as far away as Stoke, Halifax and Cumbria. Ewan Easton, the Hallé's Tuba player, presented the programmes created around the theme of "Earth, Wind, Fire and Water" in a project run jointly with Manchester's Museum of Science and Industry, The Northern Ballet School, Creative Partnerships Manchester and Salford and Bolton Music Services.

Furthering the Hallé's special relationship with the Royal Northern College of Music, the continuing Professional Experience Scheme (supported by the Musicians Benevolent Fund) was expanded to involve wind, brass and percussion students as well as the current string programme, which has been running since 2000. In February a wind, brass and percussion ensemble at the RNCM were coached by Hallé musicians and specially selected members of the ensemble were then afforded the experience of working with the Hallé in a rehearsal session at The Bridgewater Hall, conducted by Mark.

In January, the Orchestra, working with Assistant Conductor, André de Ridder, Bolton Music Service and composer, broadcaster and writer on music, Gerard McBurney, gave the UK premiere of Shostakovich's *"The Silly Little Mouse"*, a rarely heard short opera for young children which the composer originally wrote as a soundtrack for a cartoon film in 1939. Two performances involving over 2,500 children from Greater Manchester took place at the Victoria Hall Bolton and the programme also included the evergreen, Peter and the Wolf.

Two major Education projects, SOUND BEGINNINGS, a partnership programme with Youth Music, and *Musical Journeys*, supported primarily by The Paul Hamlyn Foundation, were completed this year and a very successful series of activities which have involved many musicians from the Orchestra working with a wide variety of participants from Early years to families and young offenders, have taken place. The success of the Hallé4Brass project at Thorn Cross Young Offenders Institute, as part of SOUND BEGINNINGS, has been extended for at least another year with funding from City College Manchester.

This was also the first year of a two-year funding partnership with the Foundation for Sport and the Arts supporting a number of projects encouraging young people to take up playing musical instruments and INSET work with primary teachers and enabling an expansion of our project work with schools.

Future developments

The Hallé is centrally involved with a new government funded scheme called the "Music Manifesto". This initiative will provide financial support to three centres: Manchester London and Gateshead, to examine new ways of delivering music education. The Manchester Pathfinder - which involves the music services of Manchester and Salford, the Greater Manchester Music Action Zone and the Hallé - will test collaborative ways of working that might provide a step change in opportunities for young people in Manchester to engage in music.

Recordings and broadcasts

The Orchestra has continued to undertake a full programme of recording, and new releases during the year including the complete incidental music to "The Wasps" by Ralph Vaughan Williams - which was broadcast on Radio 3 early in the New Year- substantially financed by the Vaughan Williams Estate, with Henry Goodman giving a virtuoso performance of David Pountney's new text, which was overdubbed onto the edited music. The final new release of the year was the Music Makers by Elgar.

Our relationship with BBC continues to flourish and provides for 9 to 10 broadcasts each season and a regular invitation to the London Proms.

The Orchestra

The players are, naturally our greatest asset and it is all too easy to take for granted the standards they reach and the dedication and commitment they show.

Inevitably there have been some changes over the year. We said goodbye to two of our longest serving players: John Moate, Principal Timpanist and Laurence Wood, cello, both of whom retire with more than 30 years' service. We have been delighted to welcome some new members filling vacant positions: Nick Trygstad, Principal Cello and Tom Beer viola. The sad news of the recent death of John MacMurray, the Hallé's Principal Trumpet is reported in the Chairmans' report. He will be very much missed by us all.

Another first in the spring saw the Hallé Youth Orchestra and Youth Choir perform together for the first time. Rory Macdonald conducted performances of items from Carmen alongside separate 'a cappella' works from the Youth Choir, and Sibelius's First Symphony from the Youth Orchestra. The concert, aimed at raising money for their joint tour to the South of France, in July, was a great success on all counts.

Hallé Youth Orchestra

The Youth Orchestra toured to Edinburgh and Glasgow in August 2005, performing as part of the British Festival of Youth Orchestras, which is itself part of the Edinburgh Fringe Festival. As André de Ridder, the Youth Orchestra's Music Director, was unfortunately unavailable due to a commitment at English National Opera, James Burton, Hallé Choral Director, was the guest conductor for the tour. James enjoyed working with the Youth Orchestra immensely and the Orchestra responded well to him. During the five-day tour the Orchestra had the opportunity to explore Edinburgh and Glasgow, and developed a real team approach to their activities, both musical and social.

The autumn featured four short compositions written specifically for the Youth Orchestra by young composers with Manchester connections. An essential part of the process was the opportunity for the young musicians of the Youth Orchestra to work directly with the four composers in rehearsal. The four compositions were subsequently premiered in concert in December 2005 and two of the four composers have subsequently been invited to have the Hallé perform their composition or to write a new short piece for the Hallé to perform in 2006.

In January 2006 the Hallé and the Hallé Youth Orchestra were combined in such a way that each Hallé Youth Orchestra member was given the opportunity to rehearse and perform alongside a Hallé player for one of the most difficult pieces in the repertoire: Stravinsky's *The Rite of Spring*. This innovative project involved intense coaching by the Hallé players and culminated in an enthralling performance. The occasion stretched the musicianship and confidence of all Hallé Youth Orchestra members to a new level and provided an unforgettable experience for all the participating musicians, both professional and student.

In March 2006 the Youth Orchestra enjoyed a special rehearsal with conductor Mark Elder on Sibelius' Symphony No.1. In a short time Mark inspired the young musicians to collectively produce an astonishing quality of sound.

Rory Macdonald took over the post of Hallé Assistant Conductor and Hallé Youth Orchestra Music Director in February 2006 and has already built a considerable rapport with the Youth Orchestra members.

Hallé Youth Choir

As reported above, the Youth Choir sang alongside the Orchestra and Hallé Choir at the Royal Albert Hall as part of the BBC Proms in a performance of Elgar's *The Dream of Gerontius*, for which it has won outstanding critical acclaim from the national press. The experience of performing at the Proms will stay with the Youth Choir members for many years to come.

In November the Youth Choir gave its first stand-alone concert in Lancaster Cathedral, singing a programme of a cappella and accompanied works including works by Palestrina, Tallis, Britten, Arvo Pärt and Quentin Thomas.

In January 2006 the Youth Choir gave the British premiere of 10 Russian Folk Songs and 10 Revolutionary Songs during their participation in the Royal Northern College of Music's chamber music festival, which this year focused on the work of Shostakovich and his Comrades as part of our collaborative Shostakovich celebration.

In February the Youth Choir worked with James Spilling in a musical theatre masterclass. James Spilling studied Musical Theatre at the Royal Academy, and is a regular West End performer. The opportunity arose as he was working in Manchester during the national tour of *Sweeney Todd*.

Hallé Choir

Under the direction of James Burton the Hallé Choir has continued to enjoy very positive press coverage particularly for the performance of Elgar's *The Dream of Gerontius* and the release of Elgar's *The Music Makers* on CD.

Highlights of the season included Rachmaninov's *The Bells*, Handel's *Messiah* and Shostakovich's symphonies 2 and 3. The Choir presented its first ever *a cappella* concert at the Royal Northern College of Music in April 2006, with a programme of Finzi, Tallis, Byrd, Vaughan Williams and Jonathan Harvey.

The second Sing with the Hallé event was held in September in The Bridgewater Hall. The demanding programme of Parry's *I Was Glad*, Mendelssohn's *Verleih uns Frieden* and Walton's *Belshazzar's Feast* proved a challenge for the massed choir of 1,000 singers (including the two Hallé choirs), and is the most difficult level that can realistically be attempted at such an event. However, the atmosphere of the day was fabulous, with a real 'buzz' in the foyer areas and we have once again received some excellent feedback from many of the participants who clearly enjoyed the experience.

Sponsorship and Fundraising

We are once again extremely grateful for the strong support we receive from companies in the North West many of whom have formed long-standing relationships with the Orchestra. In addition to our Principal Sponsor, the Manchester Airports Group, and Major Sponsors, Brother and the Royal Bank of Scotland, there are a large number of firms which sponsor the Hallé and they are acknowledged elsewhere in this report. Corporate sponsorship is a vital component of the Hallé's annual income and without it much of our activity – particularly in developmental areas, education projects and outreach work – would be impossible.

We are, as ever, astonished by the loyalty and warmth of the many individuals who support the Hallé through our fundraising and membership programmes or by attending concerts. Their contribution along with that of trusts and foundations is vital to the Orchestra's success and continued development. Our thanks go to all our supporters at every level.

The Administration, Board and Trustees

The Society is run by a highly efficient and effective administration who are dedicated to making the Hallé a success. The trustees of the Society's Board and those of its related trusts dedicate a tremendous amount of (completely unpaid) time and expertise on the Hallé's behalf and I would like to thank them for all their efforts.

Our Funders

We are hugely indebted to our funders; at a national level the Arts Council of England and regionally the Association of Greater Manchester Authorities (AGMA), and Manchester City Council, both of whom have increased their grants for the Hallé in this coming year. Their support is vital for the current and future success of the Hallé.

John Summers
Chief Executive

The trustees, who are also directors of the charity for the purposes of the Companies Act, present their annual report and the audited financial statements for the year ended 31 March 2006, in compliance with current statutory requirements, the governing documents and the Statement of Recommended Practice (SORP) - Accounting and Reporting by Charities issued in March 2005.

Reference and administrative details

Details of the registered office, trustees, principal officers and other relevant information are given on page 1.

The governing documents of the Society are its Memorandum and Articles of Association.

Structure, Governance and Management

The Society's Board of Trustees is responsible for its affairs and the Chief Executive reports to the Board on behalf of the management and staff. The Board consists of a maximum of 13 members. On 18 April 2005, the Chief Executive, Finance Director and Player Director resigned from the Board and an Extraordinary General Meeting was held to amend the Articles of Association to remove the offices of Executive and Employee directors. These decisions were taken reluctantly in order to secure the Society's position in relation to cultural exemption from VAT.

Following the resignations the Board was appointed as follows:

Elected: Nominated by ten members of the Society, unless recommended by the Board
Nominated: Nominated by Manchester City Council (1) and AGMA (2), appointed by the Board

Trustees

All trustees are members of the Society, with the exception of the Nominated trustees.

All trustees who are members of the Society are guarantors of the Society with a maximum liability of £5.

At each Annual General Meeting two longest-serving elected Directors retire from office. If a director directly replaces another that director retires at the meeting at which the outgoing director would have retired. In accordance with the Articles of Association the following trustees retire by rotation and being eligible offer themselves for re-election:

Jane Hampson

Martin McMillan

The Company Secretary ensures that appropriate induction and training is given to all Board members. Each new trustee is provided with a pack of information about the Hallé and their responsibilities and is given an opportunity for personal meetings with the senior management of the Society.

Structure of the Group

The Hallé Concerts Society Group consists of the Hallé Concerts Society, its subsidiary Hallé Promotions Limited and three related trusts: the Hallé Endowment Trust; the Charles Hallé Foundation and the Hallé Concerts Society Sickness and Benevolent Fund, which are aggregated on the basis that they represent branches of the Society.

The Society also has a connected charity, the Terence Judd Trust Fund, which was set up to hold a biennial competition and recital in memory of Mr Terence Judd. This connected charity is not consolidated or aggregated, in accordance with SORP (2005).

Risk management and internal control

The trustees are responsible for ensuring that an effective system of internal financial control is maintained and operated by the Society.

The system can provide only reasonable, and not absolute, assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or detected within a timely period.

The system of internal financial control is based on a framework of regular management information; administrative procedures, including the segregation of duties; and a system of delegation and accountability. In particular it includes:

- A comprehensive budgeting system, with a strategic plan and an annual budget, which is reviewed and agreed by the trustees;
- Regular reviews by the trustees of periodic and annual financial reports, which indicate financial performance against approved budget and forecast;

- Clearly defined capital expenditure control guidelines;
- A review by the Audit and Remuneration Committee (being a sub-committee of trustees which operates under specific terms of reference which delegate certain functions from the trustee board) of the comments made by the external auditors in their management letter and other reports;
- A review by the Audit and Remuneration Committee, and recommendation to the trustee board, of salaries for all senior employees; and
- Procedures for monitoring progress against the strategic plan and, in particular, expenditure of the Arts Council's Stabilisation award.

As part of the monitoring process, the trustees have implemented a risk management strategy which comprises:

- An annual review of the risks which the Society may face and actions taken to mitigate identified risks;
- The establishment of systems and procedures to mitigate those risks identified; and
- The implementation of procedures designed to minimise any potential impact on the charity should any of those risks materialise.

Principal risks identified are in relation to the emergence from Stabilisation and the Society's ongoing artistic progress and financial stability. A forward business plan is being developed alongside plans for a major fundraising campaign to mark the Society's 150th birthday in 2008.

The Trustees have considered in depth the funding position of the Society's defined benefit pension scheme arising from the actuarial valuation at March 2005 and updated by the FRS 17 valuation, adopted in full for the first time in these accounts. In order to preserve the benefits already accrued by employees and after taking professional advice as to options available to limit the Society's exposure to increasing liabilities accruing under the Scheme, the Board reluctantly took the decision to close the Scheme to future benefit accrual with effect from 1 July 2006. Following negotiations with the Trustees of the pension scheme, a recovery plan has been put in place for the Society to repay the pension fund deficit over a period of 13 years.

Objectives and activities of the Society

The object of the Society is to promote the study, practice and knowledge of the art of music in the UK and elsewhere by the giving and arrangement of concerts and other such means as is thought fit.

The principal activities of the Society are the maintenance and management of the Hallé Orchestra; the promotion of concerts by the Orchestra and by other artists and ensembles in Manchester; the presentation of concerts by the Hallé throughout the United Kingdom and overseas in association with local promoters; the production of recordings and broadcasts for radio and television by the Orchestra; and the undertaking of educational and development work in Greater Manchester and elsewhere.

The main objectives for the year were:

- to continue the artistic development of the Orchestra consistent with the vision of the Music Director, Mark Elder
- to provide a full programme of concerts, broadcasts and recordings at the Bridgewater Hall and elsewhere around the country, together with a comprehensive Education and Outreach programme.
- to continue to develop the activities of the Hallé youth ensembles and the Hallé Choir
- to ensure financial stability and continued solvency year on year so it can pursue its artistic aims and objectives.

Achievements, performance and financial review

The Group's accounts have been prepared in accordance with Statement of Recommended Practice (SORP) issued in March 2005 and have adopted in full the accounting requirements for the defined benefit pension scheme under Financial Reporting Standard (FRS) 17. As explained in note 12 to the accounts, the comparative 2005 figures have been restated as a result of these changes.

The Statements of Financial Activities for the Group and the Society are set out on pages 15 and 16 and the consolidated summary income and expenditure of the Group is given on page 14. A full review of the Society's activities and achievements against the above objectives is set out in the Chairman's Statement and the Review of the Year. The simplified income and expenditure account, set out overleaf, focuses on unrestricted funds before gains and transfers.

Unrestricted Income and Expenditure	2006 £'000	2005 £'000
Income		
Box office receipts, engagement fees, and income from touring, recording and broadcasting	2,466	2,112
Education and outreach	199	142
Sponsorship and donations	681	542
Revenue grants	2,862	2,743
Stabilisation and project grants	104	380
Other income	51	69
	<hr/> 6,363	<hr/> 5,988
Expenditure		
Costs of performances	6,280	6,046
Pension scheme past service credit	(508)	-
Education and outreach	173	162
Fundraising and trading costs	274	187
Governance	51	54
	<hr/> 6,270	<hr/> 6,449
Net incoming/outgoing resources before gains and transfers	<hr/> 93	<hr/> (461)

Income

Following the change in its governance structure, the Society has been treated as falling within the cultural exemption for VAT. Performances at the Bridgewater Hall achieved a paid capacity of 66% across the year as a whole. Numbers of events are analysed in note 7.

Income was also received from a European tour in September 2005 to Belgium, Germany, Austria and Italy. No touring was undertaken in the previous year.

Revenue funding from Arts Council England increased by 6.2% to £1,956m. As the Society is nearing the end of its Stabilisation programme, additional, one off, funding has reduced significantly.

Total incoming resources are 6% higher than in 2005.

Expenditure

A full analysis of expenditure on charitable activity is given in note 8. Costs of performances include expenditure on the European tour. Overall expenditure, before the pension scheme past service credit, increased by 5%.

The group achieved a total net incoming movement in funds before other recognised gains and losses of £40,000 (2005: outgoing movement £332,000).

The Society's key financial objective is to ensure financial stability and continued solvency year on year so it can pursue its artistic aims and objectives. The Society itself had a net incoming movement on unrestricted funds before other gains and losses of £275,000 after adopting FRS 17. In addition there were net outgoing funds of £220,000 on restricted funds as the Appeal and the Charles Hallé Foundation financed certain of the Society's educational and outreach activities from restricted funds raised in previous years for those purposes.

Prior year adjustments

The Society has adopted Financial Reporting Standard 17 'Retirement Benefits' in these financial statements.

The effect of the change in accounting policy, which has been shown as a prior year adjustment, has been to increase the pension liability by £2,854,000 at 31 March 2006 (2005: £3,972,000).

In the current period the net effect has been to increase the surplus by £1,118,000 (2005: decrease £652,000), and to reduce net assets by £2,854,000 (2005: £3,972,000). The adjustment impacts on the unrestricted funds of the Group and the Society.

Prior to the impact of fully adopting FRS 17 in these financial statements, the Society itself would have reported net outgoing resources of £85,000 on unrestricted funds (2005 net outgoing resources: £11,000), leaving a deficit on unrestricted funds of £9,000, (2005: surplus £76,000). Taking into account the Society's ability to call on its reserves, as agreed in advance by the Board, it can be considered that unrestricted income and expenditure for the two years was in balance.

Subsidiary and Branches

The Society's wholly owned subsidiary, **Hallé Promotions Limited**, carries out non-charitable trading activities for the Society including programme advertising. The company realised a loss on trading of £1,000 (2005: £nil), covered by its brought forward reserves.

The **Hallé Concerts Society Sickness and Benevolent Fund**, which is a charity linked by a Charity Commission Uniting Direction holds investments, which, at the discretion of the Society, may be applied to assist employees of the Society who are in temporary distress through poverty or sickness. The income from this fund has traditionally been used to meet the costs of physiotherapy treatment and similar expenses. In the year this Fund received investment income and bank interest of £15,000 (2005: £14,000) and paid beneficiaries £16,000 (2005: £11,000). Funds from the Sickness and Benevolent Fund are treated as restricted funds for the purposes of the aggregated Statement of Financial Activities.

The **Appeal** was launched in April 1998 to raise funds in the short term to support the Society's Rescue Plan at a time of financial crisis, and in the longer term to support the artistic development and educational activities of the Orchestra. These funds are administered by a Committee of Appeal Custodians and are treated as restricted funds for the purposes of the Statement of Financial Activities. The Appeal continues to fund artistic development and educational activities for the Society. During the year the Appeal received funds from donations and bank interest totalling £110,000 (2005: £120,000). The Appeal gave support of £165,000 to Hallé education and outreach projects, £26,000 to recording, £100,000 for foreign touring and £8,000 to support the costs of fundraising.

Fundraising

A brief review of the activities of the Charles Hallé Foundation and the Hallé Endowment Trust, which raise funds in support of the Society's activities, and which are both separately constituted charities with their own trustee bodies is set out below.

The **Hallé Endowment Trust** holds long-term investments, the income from which is available to the Society, at the discretion of the Endowment trustees, to further the education of the general public in the study, appreciation and practice of music and the allied arts through supporting the activities of the Society.

During the year the Hallé Endowment Trust received restricted income of £195,000 (2005: £177,000), of which £180,000 was transferred to the Society (2005: £170,000). The Trust realised a profit on disposal of investments of £11,000 (2005: £4,000). In addition the Trust received donations and legacies of £5,000 (2005: £32,000), which were added to the capital of the Endowment.

The **Charles Hallé Foundation** holds funds raised from public donation and fundraising events. These funds are applied, at the discretion of the Foundation trustees, to fund projects by the Society, which would not otherwise be funded from core grant income. In the year the Charles Hallé Foundation received £319,000 in donations and legacies (2005: £304,000), raised £42,000 (2005: £37,000) net through fundraising events and received £14,000 (2005: £12,000) bank interest. Funds of £384,000 (2005: £344,000) were transferred to the Society to support educational and other projects.

Significant changes in fixed assets

Significant changes in fixed assets are detailed in note 12 of the financial statements.

All fixed assets are held for direct charitable purposes.

Investment Policy

An Investment sub-committee reviews the investment strategy and performance of the Society and its related entities. The management of the group's investment portfolios is vested in Cazenove Capital Management Ltd. and the following investment policies and strategic asset allocations have been adopted by the trustees of the individual trusts:

With the exception of the Endowment Trust, investments are predominantly in Common Investment Funds. Each asset class is measured against the appropriate market indices for performance purposes. In the case of UK bonds this is the FTSE All Stocks index, for equities, the FTSE All Share and Hedge are 7 day LIBOR.

Reserves

The trustees have reviewed the reserves of the Group and of the Society. The trustees' policy in relation to reserves is to ensure that the Society holds sufficient funds to maintain liquidity, to cover unforeseen short-term emergency cash requirements. The full adoption of FRS 17 in these accounts has had a negative impact of £3,972,000 on brought forward reserves as a result of the recognition of the defined benefit scheme pension liability. This has clearly had a major impact on the reported unrestricted reserves of the Group and the Society. Although the pension fund liability of £2,854,000 is significant, it does not mean that an immediate liability for this amount crystallises, and does not have an immediate cash flow impact on the charity. As explained above, in negotiation with the trustees of the pension fund and following professional advice, the Society has put in place a recovery plan to repay the Scheme deficit over a period of 13 years. These contributions are built into the Society's budgets going forward, and the Board has carefully considered the impact on future operational plans. The directors are confident that future incoming cash flows are sufficient to fund future contributions.

Unrestricted fund balances at 31 March 2006, excluding the pension liability, were £21,000 (2005: £109,000) and there were no free reserves. Although the trustees are content that taking account of the level of grants receivable and the requirement each year to match income and expenditure and avoid accumulating a deficit, the future cash flow projections enable the Group to meet its obligations as they fall due. The trustees consider it important that a higher level of free reserves be built up and the fundraising strategy for the 150th anniversary in 2007/08 is being implemented with a view to increasing free reserves above the current level.

The Group and the Society have a number of other restricted funds the purpose of which is detailed in note 9 in the financial statements.

Plans for Future Periods

The trustees are determined in their resolve to ensure the Society continues to be managed on a sound financial basis and for the coming year we have once again set a break even budget for the Society. In the longer term we plan to consolidate on our recent success and to strive towards long-term artistic growth coupled with financial stability whilst recognising an increasingly difficult funding climate.

Forward funding

The Society has been informed of the proposed level of its Arts Council revenue grant for the next two years to 2007/08. This is £2,009,300 for 2006/07 and £2,064,600 for 2007/08.

Trustees' responsibilities in relation to the financial statements

The trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year in accordance with UK accounting standards.

The group and charitable company's financial statements are required by law to give a true and fair view of the state of affairs of the Group and charitable company and of the group's excess of income over expenditure for the year.

In preparing these financial statements the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the charitable company will continue its activities.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its financial statements comply with the Charities Act 1993 and the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

In preparing these financial statements the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the charitable company will continue its activities.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its financial statements comply with the Charities Act 1993 and the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The trustees who held office at the date of approval of this trustees' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each trustee has taken all the steps that they ought to have taken as a trustee to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP as auditors of the Charitable Company will be proposed at the Annual General Meeting, together with a resolution empowering the trustees to fix their remuneration.



By Order of the Board
J Summers
Secretary

12 September 2006

Independent Auditors' Report to the Members of the Hallé Concerts Society Group

We have audited the group and charity financial statements (the 'financial statements') of the Hallé Concerts Society for the year ended 31 March 2006, which comprise the group summary income and expenditure account, the group and charitable company statements of financial activities, the group and charitable company balance sheets and the group cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As described in the statement of trustees' responsibilities on pages 11 and 12, the charitable company's trustees, who are also the directors of the Hallé Concerts Society Group for the purposes of company law, are responsible for preparing the trustees' report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the trustees' report is consistent with the financial statements. We also report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all information and explanations we require for our audit or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the trustees' report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and charitable 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the charitable company's affairs as at 31 March 2006 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the trustees' report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

St James' Square
Manchester M2 6DS
12 September 2006

Consolidated and Aggregated Summary Income and Expenditure Account
for the year ended 31 March 2006

	Note	2006 £'000	2005 £'000 Restated
Gross income from charitable operations		6,780	6,418
Non-charitable trading activities: net surplus/(deficit)	4	(1)	1
Total income from continuing operations		6,779	6,419
Total expenditure for continuing operations		(6,619)	(6,642)
Net expenditure for the year before transfers and asset disposals		160	(223)
Transfer from revaluation reserve		1	1
Net income/(expenditure) before investment asset disposals		161	(222)
Gain on disposal of investments		11	3
Net income/(expenditure) before interest and charges		172	(219)
Finance cost of defined benefit pension scheme	22	(125)	(142)
Net income/(expenditure) after interest and charges		47	(361)
Transfer to endowment funds		(10)	(4)
Net surplus/(deficit) for the year		37	(365)
Dealt with by:			
The Society		55	(371)
Subsidiary company and related trusts		(18)	6
		37	(365)

- Total income comprises £6,353,000 for unrestricted funds and £427,000 for restricted funds. A detailed analysis of income and expenditure is provided in the Statement of Financial Activities.
- Income and expenditure totals are shown after eliminating inter-group transactions.
- Turnover of non-charitable trading activities amounted to £10,000. A detailed analysis of the trading results is shown in note 4.
- A detailed analysis of expenditure is provided in the Statement of Financial Activities and notes 8 and 9.
- The Group had no recognised gains or losses other than the surplus/deficit in both the current and preceding years and the movements in other recognised gains and losses as shown in the Statement of Financial Activities.
- In both the current and preceding years the surplus/deficit calculated on an historical cost basis is not materially different from the reported results as above.
- The Summary Income and Expenditure Account is derived from the Statement of Financial Activities on page 14 which, together with the notes to the accounts on pages 18 to 34, provides full information on the movements during the year on all funds of the Group.
- During the year, the Group has neither discontinued any of its operations nor acquired any new ones.

The notes on pages 19 to 34 form part of these accounts.

Consolidated and Aggregated Statement of Financial Activities
for the year ended 31 March 2006

	Note	Unrestricted Funds 2006 £'000	Restricted funds 2006 £'000	Endowment Funds 2006 £'000	Total 2006 £'000	Total 2005 £'000 Restated
Incoming resources						
Incoming resources from generated funds:						
Voluntary income	5	3,251	173	5	3,429	3,613
Activities for generating funds	6	406	-	-	406	327
Investment income		41	254	-	295	276
Incoming resources from charitable activities	7	2,665	-	-	2,665	2,254
Total incoming resources		6,363	427	5	6,795	6,470
Resources expended						
Costs of generating funds:						
Costs of generating voluntary income		263	8	-	271	225
Fundraising Trading: costs of goods sold and other costs		11	-	-	11	20
Investment management expenses		-	6	-	6	-
Charitable activities	8	5,945	468	-	6,413	6,500
Governance costs		51	3	-	54	57
Total resources expended		6,270	485	-	6,755	6,802
Net incoming/(outgoing) resources before transfers		93	(58)	5	40	(332)
Transfers between funds		180	(190)	10	-	-
Net incoming/(outgoing) resources before other recognised gains and losses		273	(248)	15	40	(332)
Other recognised gains and losses						
Gains/(losses) on investment assets:						
Unrealised		5	14	135	154	120
Realised		-	11	-	11	3
Actuarial gain/(loss) on defined benefit pension scheme	22	752	-	-	752	(417)
Net movement of funds		1,030	(223)	150	957	(626)
Reconciliation of funds						
Total funds brought forward at 1 April 2005						
	22	(3,863)	1,504	3,216	857	4,803
Prior year adjustment		-	-	-	-	(3,320)
Restated		(3,863)	1,504	3,216	857	1,483
Total funds carried forward at 31 March 2006		(2,833)	1,281	3,366	1,814	857

All incoming and outgoing resources derive from continuing operations. The Group has no gains and losses other than those recognised in this Statement of Financial Activities.

The accompanying notes form part of these financial statements.

Charitable Company Statement of Financial Activities
for the year ended 31 March 2006

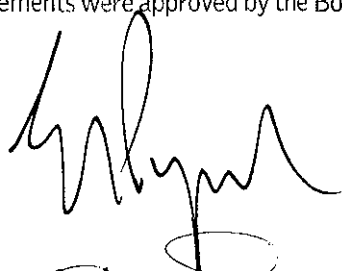

	Note	Unrestricted Funds 2006 £'000	Restricted funds 2006 £'000	Endowment Funds 2006 £'000	Total 2006 £'000	Total 2005 £'000 Restated
Incoming resources						
Incoming resources from generated funds:						
Voluntary income	5	3,476	192	-	3,668	3,793
Activities for generating funds	6	301	-	-	301	268
Investment income		26	43	-	69	72
Incoming resources from charitable activities	7	2,665	-	-	2,665	2,254
Total incoming resources		6,468	235	-	6,703	6,387
Resources expended						
Costs of generating funds:						
Costs of generating voluntary income		202	8	-	210	219
Charitable activities	8	5,939	447		6,386	6,466
Governance costs		52	-	-	52	74
Total resources expended		6,193	455	-	6,648	6,759
Net incoming/(outgoing) resources before other recognised gains and losses						
		275	(220)	-	55	(372)
Gains/(losses) on investment assets:						
Unrealised		6	-	-	6	4
Actuarial gain/(loss) on defined benefit pension scheme	22	752	-	-	752	(417)
Net movement of funds		1,033	(220)	-	813	(785)
Reconciliation of funds						
Total funds brought forward at 1 April 2005		(3,896)	1,069	42	(2,785)	1,320
Prior year adjustment	22	-	-	-	-	(3,320)
Restated		(3,896)	1,069	42	(2,785)	(2,000)
Total funds carried forward at 31 March 2006		(2,863)	849	42	(1,972)	(2,785)

Consolidated and Aggregated and Charitable Company Balance Sheets
at 31 March 2006

	Notes	Group 2006 £'000	Group 2005 £'000 Restated	Company 2006 £'000	Company 2005 £'000 Restated
Fixed assets					
Tangible assets	12	180	224	125	163
Investments	13	3,592	3,344	71	65
		<u>3,772</u>	<u>3,568</u>	<u>196</u>	<u>228</u>
Current assets					
Debtors	14	749	632	925	981
Cash at bank and in hand		1,499	2,032	1,089	1,368
		<u>2,248</u>	<u>2,664</u>	<u>2,014</u>	<u>2,349</u>
Creditors: amounts falling due within one year	15	(458)	(515)	(458)	(515)
Net current assets		<u>1,790</u>	<u>2,149</u>	<u>1,556</u>	<u>1,834</u>
Total assets less current liabilities		5,562	5,717	1,752	2,062
Creditors: amounts falling due after more than one year					
Accruals and deferred income	16	(894)	(888)	(870)	(875)
Total assets less liabilities excluding pension liability		<u>4,668</u>	<u>4,829</u>	<u>882</u>	<u>1,187</u>
Pension liability	22	(2,854)	(3,972)	(2,854)	(3,972)
Total assets less liabilities including pension liability		<u>1,814</u>	<u>857</u>	<u>(1,972)</u>	<u>(2,785)</u>
Capital funds					
Endowments	17	3,366	3,217	42	42
Income funds					
Restricted funds	18	1,281	1,504	849	1,069
Unrestricted funds:					
Non-charitable funds		8	9	-	-
Other charitable funds	19	(2,841)	(3,873)	(2,863)	(3,896)
		<u>(2,833)</u>	<u>(3,863)</u>	<u>(2,863)</u>	<u>(3,896)</u>
Total Funds		<u>1,814</u>	<u>857</u>	<u>(1,972)</u>	<u>(2,785)</u>

These financial statements were approved by the Board of Trustees on 12 September 2006 and signed on its behalf by

Edward S Pysden
Chairman

Colin Smith
Chair of Audit and Remuneration Committee

Consolidated and Aggregated Cash Flow Statement
for the year ended 31 March 2006

	2006 £'000	2005 £'000 Restated
Cash flow from operating activities	(730)	(493)
Return on investments and servicing of finance	294	276
Capital expenditure and financial investment	(97)	(80)
Decrease in cash in the year	(533)	(297)

Notes to the group cash flow statement

	2006 £'000	2005 £'000
Reconciliation of net incoming resources to net cash inflow from operating activities		
Net outgoing resources	40	(332)
Depreciation charge	58	70
Increase in debtors	(117)	(339)
(Decrease)/increase in creditors	(51)	150
(Decrease)/increase in pension fund liability	(366)	235
Interest received	(91)	(94)
Investment income	(203)	(183)
Net cash outflow from operating activities	(730)	(493)
Return on investments and servicing finance		
Interest received	91	93
Dividends received	203	183
Net cash inflow from returns on investments	294	276
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(15)	(12)
Payments to acquire fixed asset investments	(1,845)	(470)
Receipts from sales of fixed asset investments	1,763	402
Net outflow from capital expenditure and financial investment	(97)	(80)
Reconciliation of net cash flows to movement in net funds		
Decrease in cash in the year	(533)	(297)
Net funds at 1 April	2,032	2,329
Net funds at 31. March	1,499	2,032

Analysis of changes in net funds

	At 1 April 2005 £'000	Cash flow £'000	At 31 March 2006 £'000
Cash in hand and at bank	2,032	(533)	1,499

Notes to the Accounts (forming part of the financial statements)

1 Status of charitable company and liability of members

The Hallé Concerts Society is a registered charity and a company limited by guarantee. Each member undertakes to contribute to the assets of the Society in the event of the Society being wound-up during the time he is a member, or within one year of ceasing to be a member. In the case of Subscribing Members this sum shall not exceed £5, but in the case of Permanent Members such sum shall not exceed the amount which the Board determined and agreed with the member when he became a member of the Society.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements except that in these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date'; and
- FRS 28 'Corresponding amounts'.

The recognition and measurement requirements of FRS 17 'Retirement Benefits' have also been adopted in full, previously the transitional disclosures of that standard have been followed. See note 24 for details of the impact on the accounts.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, in accordance with the Statement of Recommended Practice for Accounting and Reporting by Charities (SORP) issued in March 2005 (see also note 24), and under the historical cost accounting rules, except for the revaluation of certain tangible fixed assets and for listed investments which are included at market value. The financial statements also comply with the Companies Act 1985.

Basis of consolidation

The income and expenditure account, statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the charity and its wholly owned subsidiary, Hallé Promotions Limited. The results of the subsidiary are consolidated on a line by line basis. The income and expenditure account, SOFA and balance sheet also aggregate the results of the charity's branches, with the exception that movements in endowment funds are not aggregated in the income and expenditure account in accordance with the SORP.

All subsidiaries and branches are consolidated and aggregated based on financial statements as at 31 March except the Hallé Endowment Trust, which has a year end of 31 December. This Trust has been aggregated based on its financial statements as at 31 December 2005.

The Society has taken advantage of section 230 (4) of the Companies Act 1985 in not issuing its own income and expenditure account.

Incoming resources

Income from box office admissions, engagement fees and education workshops is included in incoming resources in the period in which the relevant performance takes place. Income from performances after the year end is deferred.

Grants receivable from funders for general purposes are taken to the statement of financial activities in the year to which they relate.

All other income is included in incoming resources when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. For legacies, entitlement is the earlier of the charity being notified of an impending distribution or the legacy being received.

Gifts in kind are included in incoming resources when they are receivable. Gifts of shares are held at market value but not recognised as a realised gain until all restrictions on disposal have been met.

Notes (continued)

Taxation

The Society is a registered charity and by virtue of its trading activities being in fulfilment of the objects of the Charitable Company, the Charitable Company is exempt from corporation tax on all charitable activities. The charge for taxation on the subsidiary company's non-charitable activities is based on the profit for the year.

Resources expended

All expenditure is accounted for on an accruals basis, inclusive of irrecoverable VAT.

The costs of generating voluntary income represent the costs of securing sponsorship and donations for the funds for the Society

Resources expended which form part of the Group's trading activities are separately disclosed in fundraising trading.

The cost of activities in furtherance of the Group's charitable objectives include costs directly incurred in undertaking those activities. Costs for future performances are deferred until the period in which the relevant performance takes place. Where costs cannot be directly attributed to particular categories they have been allocated to activities on the basis of time spent by staff on those activities.

Governance costs represent the costs associated with the governance arrangements of the Group which relate to the general running of the Group as opposed to those costs associated with fundraising or charitable activity. They include the costs of external audit, legal and professional advice for trustees and the costs of constitutional and statutory compliance.

Support costs relating to a single activity are allocated directly to that activity. Where support costs relate to several activities they have been apportioned as set out in note 9.

Funds

Unrestricted funds are available for use at the discretion of the trustees in the furtherance of the general objectives of the charity and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The purpose of each restricted fund is set out in note 18.

Transfers between funds represent grants made by branches from restricted funds to the Society to support its activities in accordance with the terms of the branches' trust deeds.

Tangible fixed assets

All assets are held at cost with the exception of certain musical instruments which were revalued.

Depreciation is provided so as to write off tangible fixed assets over their expected useful lives in equal instalments, as follows:

Music Library - five years

Musical Instruments - ten to twenty-five years

Fixtures and Fittings - three to ten years

Motor Vehicles - five years

Investments

Investments are included at market value. The SOFA includes the net gains and losses arising on revaluations and disposals throughout the year. Fixed interest investments are valued including the interest accrued to date.

Investments in subsidiary undertakings are valued at cost.

Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow-moving items.

Notes (continued)*Pension costs*

The Charitable Company operates both defined benefit and defined contribution (Stakeholder) pension schemes.

For the defined benefit scheme current and past service costs and the interest cost and expected return on assets are charged to resources expended, and are allocated to appropriate expenditure categories. Actuarial gains and losses are recognised immediately in Other recognised gains and losses.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the group, in a separate trustee administered fund. The scheme's assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

For the defined contribution scheme, the amount charged to the Statement of Financial Activities in respect of pension costs is the contribution payable in the year. Differences between contributions payable and contributions actually paid in the year are shown as either other creditors or prepayments in the balance sheet.

3 Net movement in funds

The net movement in funds is stated after charging:

	2006 £'000	2005 £'000
Auditors remuneration - audit: - group	17	15
- parent	12	11
Depreciation	59	70

4 Subsidiary company

The Hallé Concerts Society owns the whole of the issued ordinary share capital of Hallé Promotions Limited, a company registered in England. The subsidiary is used for non-primary purpose trading activities such as advertising. All activities have been consolidated on a line-by-line basis in the Statement of Financial Activities. The total net profit is gifted to Hallé Concerts Society if a profit arises. Due to a loss in 2006, no payment under gift aid arises. A summary of the results of Hallé Promotions Limited is shown below:

	Total 2006 £'000	Total 2005 £'000
Turnover	10	21
Expenditure	(11)	(20)
Net (loss)/profit	(1)	1
Contributions to Society under gift aid	-	(1)
Net loss after contributions to Society	(1)	-

Notes (continued)

5. Voluntary income

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Grants receivable				
Revenue grants receivable:				
Arts Council England	1,956	1,842	1,956	1,842
Association of Greater Manchester Authorities	313	308	313	308
Manchester City Council	593	593	593	593
	<u>2,862</u>	<u>2,743</u>	<u>2,862</u>	<u>2,743</u>
Project grants receivable				
National Heritage Lottery Fund	-	36	-	36
Stabilisation grants receivable:				
Arts Council England Stabilisation award	104	344	104	344
Total grants receivable	<u>2,966</u>	<u>3,123</u>	<u>2,966</u>	<u>3,123</u>
Donations and similar income				
Hallé Endowment Trust	5	32	180	170
Charles Hallé Foundation	320	304	384	345
Terence Judd Trust Fund	2	2	2	2
Fundraising donations and legacies	11	14	11	14
Hallé Appeal	67	84	67	84
Membership subscriptions	58	54	58	54
Hallé Promotions	-	-	-	1
Total donations and similar income	<u>463</u>	<u>490</u>	<u>702</u>	<u>670</u>
Total voluntary income	<u>3,429</u>	<u>3,613</u>	<u>3,668</u>	<u>3,793</u>

6. Activities for generating funds

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Sponsorship and other income				
Corporate sponsorship	274	241	274	241
Fundraising events	95	38	-	-
Other income	27	27	27	27
	<u>396</u>	<u>306</u>	<u>301</u>	<u>268</u>
Commercial trading operations	10	21	-	-
Total activities for generating funds	<u>406</u>	<u>327</u>	<u>301</u>	<u>268</u>

Notes (*continued*)

7 (a). Incoming resources from charitable activities

	Group and Company 2006 £'000	Group and Company 2005 £'000
Orchestral concerts and related work		
Box office income (Manchester promotions)	1,558	1,317
Engagement income	593	670
Overseas touring	156	-
Other income	159	125
	<u>2,466</u>	<u>2,112</u>
Education and Outreach	199	142
	<u>2,665</u>	<u>2,254</u>

7 (b). The number of events from which income is derived is as follows

	Group and Company 2006 Number	Group and Company 2005 Number
Manchester own promotions	73	74
Engagements and co-promotions	34	39
Overseas touring	7	-
	<u>114</u>	<u>113</u>
Broadcast relay and repeat fees	<u>14</u>	<u>9</u>

In addition income was derived from continued sales from the Hallé recording label. 3 new recordings were released during the year.

Notes (continued)

8. Costs of charitable activity

Group	Unrestricted Funds 2006 £'000	Restricted funds 2006 £'000	Endowment Funds 2006 £'000	Total 2006 £'000	Total 2005 £'000 Restated
Orchestral concerts and related work					
Orchestra and related staff costs	3,804	17	-	3,821	3,682
Pension scheme past service credit	(508)	-	-	(508)	-
Conductors and soloists	649	-	-	649	599
Overseas tours	169	100	-	269	-
Travel and subsistence	91	-	-	91	80
Hall hire	479	-	-	479	469
Sundry concert costs	42	-	-	42	63
Music and instrument hire	47	-	-	47	55
Recording costs	54	26	-	80	76
Marketing	385	-	-	385	427
Box office charges	144	-	-	144	129
Programme costs	57	-	-	57	56
Choir, Youth Orchestra, Youth Choir	11	130	-	141	120
Depreciation	23	34	-	57	70
Support costs	325	-	-	325	395
	5,772	307	-	6,079	6,221
Education and Outreach					
Direct Education costs	146	146	-	292	220
Support costs	27	-	-	27	50
	173	146	-	319	270
Payments to beneficiaries	-	16	-	16	9
Total charitable expenditure	5,945	468	-	6,413	6,500

Charitable expenditure for the Company is the same as that for the Group with the exception of depreciation £53,000 (2005: £65,000), payments to beneficiaries and support costs, which are analysed in note 9.

9. Analysis of support costs

Group	Orchestral work	Education 2006 £'000	Fundraising 2006 £'000	Governance 2006 £'000	Total 2006 £'000	Total 2005 £'000
Management and Finance	211	28	28	14	281	290
Office and sundry operational costs	140	19	19	9	187	210
Professional and consultancy fees	-	-	-	35	35	51
Pension scheme past service credit	(26)	(21)	(20)	(3)	(70)	-
	325	26	27	55	433	551
Company						
Management and Finance	211	28	28	14	281	290
Office and sundry operational costs	136	19	18	9	182	206
Professional and consultancy fees	-	-	-	33	33	49
Pension scheme past service credit	(26)	(21)	(20)	(3)	(70)	-
	321	26	26	53	426	545

Notes (continued)

10 Staff numbers and costs

The average number of full-time equivalent employees during the year, analysed by category, was as follows:

	Group and Company 2006 Number	Group and Company 2005 Number
Orchestral musicians	80	80
Administrative and other non-playing personnel	32	32
	<u>112</u>	<u>112</u>

The aggregate payroll costs of these persons were as follows:

	Group and Company 2006 £'000	Group and Company 2005 £'000
Salaries and fees	2,953	2,966
Employers' National Insurance contributions	252	225
Pension contributions	328	283
	<u>3,533</u>	<u>3,474</u>

11 Remuneration of trustees and employees

The Trustees receive no remuneration nor reimbursement of expenses and derive no financial benefit from their services to the Society. All employee trustees resigned as trustees with effect from 18 April 2005. Employee trustees received remuneration only for their services as employees of the Society as permitted by the Memorandum and Articles of Association.

The number of employees who earned more than £60,000 during the year was as follows:

	2006 Number	2005 Number
£80,001-£90,000	1	1

The number of higher paid employees accruing pension benefits was:

	2006 Number	2005 Number
Defined benefit scheme	1	1

Notes (continued)

12. Tangible fixed assets

	Music Library	Musical Instruments	Fixtures & Fittings	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Group					
Cost or valuation					
At 1 April 2005	90	383	348	91	912
Additions	5	-	10	-	15
Disposals	-	-	(40)	-	(40)
At 31 March 2006	95	383	318	91	887
Depreciation					
At 1 April 2005	65	249	286	88	688
Charge for the year	6	21	30	2	59
Disposals	-	-	(40)	-	(40)
At 31 March 2006	71	270	276	90	707
Net book value					
At 31 March 2006	24	113	42	1	180
At 31 March 2005	25	134	62	3	224
Company					
Cost or valuation					
At 1 April 2005	90	313	348	91	842
Additions	5	-	10	-	15
Disposals	-	-	(40)	-	(40)
At 31 March 2006	95	313	318	91	817
Depreciation					
At 1 April 2005	65	240	286	88	679
Charge for the year	6	15	30	2	53
Disposals	-	-	(40)	-	(40)
At 31 March 2006	71	255	276	90	692
Net book value					
At 31 March 2006	24	58	42	1	125
At 31 March 2005	25	73	62	3	163

The Music Library and Musical Instruments held by the Society itself were revalued on an open market basis at 31 March 1998 at £30,000 and £179,000 respectively. In accordance with SORP 2005 and with the transitional provisions of FRS 15, these valuations have not been updated. The trustees are not aware of any significant changes to the valuation since that date. The musical instrument held by the Hallé Endowment Trust was valued by a professional valuer at 8 December 2004 on an open market basis at £150,000.

Under the historical cost convention accounting rules the net book value of the Music Library and Musical Instruments at 31 March 2006 would have been £1,000 and £93,000 respectively. Further information regarding the revaluation of the Society's fixed assets is not available.

The net book value of the musical instrument held by the Hallé Endowment Trust at 31 December 2005, would have been £81,600.

All tangible fixed assets are used for direct charitable purposes.

Notes (continued)

13 (a) Investments

	Group 2005 £'000	Company 2005 £'000
Market value at 1 April 2005	3,344	65
Additions	1,845	-
Disposals	(1,763)	-
Change in market value	166	6
Market value at 31 March 2006	3,592	71

13 (b) Investments

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Shares in group companies				
At cost	1	1	1	1
Provision for diminution in value	(1)	(1)	(1)	(1)
	-	-	-	-
Shares in undertaking with participating interest				
At cost	1	1	1	1
Quoted investments:				
At market value - UK	3,591	3,343	70	64
	3,592	3,344	71	65

The Society holds the following investments in group companies registered in England. The investments represent 100% of the issued ordinary share capital of the companies:

- 100 £1 ordinary shares in Hallé Promotions Limited, a company engaged in publicity and advertising.

Under a joint venture agreement with SMG the Society holds 50% of the shares in Hallogen Limited, a company engaged in the operational management of the Bridgewater Hall. The Society benefits from the security of a prescribed number of dates in the Bridgewater Hall for which it pays rent determined by the agreement. In accordance with the agreement any losses are indemnified by SMG and profits in excess of £50,000 are distributed. For the current period no profit accrues to the Society. For these reasons, the joint venture is treated as a simple investment in accordance with FRS9.

In addition to the aforementioned subsidiary, the following trusts are aggregated on the basis that they are considered to be branches of the Society: Hallé Endowment Trust; Charles Hallé Foundation; and Hallé Concerts Society Sickness and Benevolent Fund.

Quoted investments include shares listed on the Alternative Investment Market with a market value of £38,000 (2005: £64,000). The shares must be held for a minimum of two years.

Notes (continued)

14 Debtors

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Trade debtors	250	213	247	212
Amounts owed by connected charities	14	9	14	9
Amounts owed by group charities	-	-	196	379
Other debtors	39	142	25	113
Prepayments and accrued income	446	268	443	268
	749	632	925	981

All debtors fall due within one year.

15 Creditors: amounts falling due within one year

	Group & Company 2006 £'000	Group & Company 2005 £'000
Trade creditors	329	435
Taxation and Social Security	78	77
Other creditors	51	3
	458	515

16 (a) Accruals and deferred income

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Deferred income	452	390	439	382
Accruals	442	498	431	493
	894	888	870	875

Deferred income includes project-specific amounts in respect of education funds, £159,000 (2005: £121,000).
Box office income is deferred until the appropriate concert has taken place.

16 (b) Deferred income

	Group 2006 £'000	Company 2005 £'000
As at 1 April 2005	390	382
Amount released to incoming resources	(390)	(382)
Amount deferred in the year	452	439
As at 31 March 2006	452	439

Notes (continued)

17 Analysis of Endowment Funds

	Group 2006 £'000	Company 2005 £'000
As at 1 April 2005	3,216	42
Incoming resources	5	-
Net gains on investments	135	-
Transfers from restricted funds	10	-
As at 31 March 2006	3,366	42

Endowments amounting to £42,000 (2005: £42,000) represent the amounts received from members under Article 10 of the Articles of Association.

Funds held in the Hallé Endowment Trust are in respect of public donations received. All endowment funds are in respect of permanent endowments.

18 Analysis of restricted funds

	At 1 April 2005 £'000	Income £'000	Expenditure £'000	Investment gains £'000	Transfers £'000	At 31 March 2006 £'000
Company						
Harp Fund	8	-	(2)	-	-	6
Education Instruments	1	-	(1)	-	-	-
FSA Fund	23	-	(2)	-	-	21
Lottery Fund	56	-	(24)	-	-	32
Fixed asset reserves	88	-	(29)	-	-	59
Heritage Lottery Fund	10	-	(3)	-	-	7
Appeal Fund	804	110	(172)	-	-	742
Appeal Fund – touring	126	-	(100)	-	-	26
Appeal Fund – recording	41	-	(26)	-	-	15
Education & outreach	-	125	(125)	-	-	-
	1,069	235	(455)	-	-	849
Group						
Fixed asset reserves	88	-	(29)	-	-	59
Heritage Lottery Fund	10	-	(3)	-	-	7
Appeal Fund	804	110	(172)	-	-	742
Appeal Fund – touring	126	-	(100)	-	-	26
Appeal Fund – recording	41	-	(26)	-	-	15
Sickness & Benevolent Fund	293	15	(17)	37	-	328
Charles Hallé Restricted Funds	117	106	(125)	(22)	-	76
Hallé Endowment Trust	25	196	(13)	10	(190)	28
	1,504	427	(485)	25	(190)	1,281

The Foundation for Sport and the Arts (FSA) Fund, Lottery Fund, Stabilisation Equipment Fund, Education Instruments Fund and Harp Fund represent monies provided for capital expenditure which are transferred to the income and expenditure account over the useful life of the assets purchased.

The Heritage Lottery Fund (HLF) represents monies provided for expenditure on the Hallé Archive project, the capital parts of which are transferred to the Income & Expenditure account over the useful life of the assets purchased.

Notes (continued)

Analysis of restricted funds (continued)

The Sickness and Benevolent Fund and Hallé Endowment Trust funds represents donations and investments held for the restricted distributable purposes of those trusts.

The Appeal Fund represents donations received for the Hallé Orchestra Public Appeal which in the longer term supports the Society's Educational and Development objectives. To that end the Appeal Custodians designated part of the Appeal Fund for touring and recording and support has been given to a number of educational and outreach projects during the year.

The Education and outreach funds represent funds received from the Charles Hallé Foundation in support of specific educational and outreach projects.

The Charles Hallé Foundation restricted funds represent funds received from a variety of donors for specific educational and outreach projects. Funds include gifts of shares in companies listed on the Alternative Investment Market, which must be held for a minimum of two years. These are accounted for in restricted funds until that condition is satisfied. Full details of those funds are disclosed in the accounts of the Charles Hallé Foundation.

19 Analysis of unrestricted funds

	At 1 April 2005	Prior year adjust- ment	Income	Expenditure	Gains	Transfers	At 31 March 2006
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Group							
Revaluation reserve	6	-	-	-	6	-	12
Sinking fund	20	-	-	-	-	(20)	-
General reserves	83	(3,972)	6,363	(6,270)	752	199	(2,845)
	109	(3,972)	6,363	(6,270)	758	179	(2,833)
Company							
Revaluation reserve	4	-	-	-	6	-	10
Sinking fund	20	-	-	-	-	(20)	-
General reserves	53	(3,972)	6,468	(6,193)	752	19	(2,873)
	77	(3,972)	6,468	(6,193)	758	(1)	(2,863)

The transfer from the Revaluation Reserve represents additional depreciation of £6,000 resulting from the revaluation of the Music Library and Musical Instruments.

The general reserves at 1 April 2005 and 31 March 2006 include defined benefit pension fund liabilities of £3,972,000 and £2,854,000 respectively shown as prior year adjustments following the full adoption of FRS 17.

Notes (continued)

20 Analysis of group net assets between funds

	Unrestricted Funds 2006 £'000	Restricted funds 2006 £'000	Endowment Funds 2006 £'000	Total 2006 £'000
Balances at 31 March 2006 are represented by				
Tangible assets	56	68	56	180
Investments	71	410	3,111	3,592
Current assets	1,025	1,055	168	2,248
Current liabilities	(194)	(170)	(94)	(458)
Accruals and deferred income	(807)	(82)	(5)	(894)
Pension liability	(2,854)	-	-	(2,854)
Profit on inter-group disposals	(88)	-	88	-
Society endowments	(42)	-	42	-
Total net assets	(2,833)	1,281	3,366	1,814
Unrealised gains included above:				
On tangible fixed assets	3	-	62	65
On investment assets	7	11	326	344
Total unrealised gains at 31 March 2006	10	11	388	409
Reconciliation of movements in unrealised gains on tangible and investment assets:				
Unrealised gains at 1 April 2005	5	(3)	256	258
Disposals in year	-	-	(11)	(11)
	5	(3)	245	247
Add net gains/(losses) arising on revaluations in the year	-	14	134	148
Transfers	5	-	9	14
Unrealised gains at 31 March 2006	10	11	388	409

In respect of the Hallé Endowment Trust, the Charles Hallé Foundation and the Hallé Concerts Society Sickness and Benevolent Fund, there are adequate funds available to fulfil the obligations of the trusts.

Also included within other restricted funds are reserves in respect of fixed assets acquired by Lottery and FSA, Harp, Stabilisation Equipment and HLF funds as disclosed in note 18.

Current assets in endowment funds include £195,000 held in cash (2005: £354,000). Current liabilities in endowment funds represent amounts due to Hallé Concerts Society in respect of donations approved, not paid over at the year end.

21 Statement of changes in resources available for Charitable Group's use

	Unrestricted Funds 2006 £'000	Restricted funds 2006 £'000	Endowment Funds 2006 £'000	Total 2006 £'000	Total 2005 £'000
Net movement in funds for the year	1,031	(223)	149	957	(626)
Prior year adjustment	-	-	-	-	(3,320)
Net decrease in tangible fixed assets					
for direct charitable purposes	7	31	6	44	(4)
Net movement in funds available for future activities	1,038	(192)	155	1,001	(3,950)

Notes (continued)

22 Pensions

During the year the Society operated both a funded defined benefit pension scheme (the Hallé Concerts Society Retirement Benefits Scheme) which was closed to new entrants and provides benefits based on final pensionable salary. The scheme was closed to future accrual of benefits from 1 July 2006. The Society also contributes to a contributory defined contribution (Stakeholder) scheme for its employees.

Defined benefit pension scheme

The scheme is financed by payments by the Hallé Concerts Society and employees into a trustee-administered fund. The assets of the Scheme are held separately from those of the Society. A full actuarial valuation was carried out at 31 March 2005 and updated to 31 March 2006 on an approximate basis by a qualified independent actuary. The service cost has been calculated using the Projected Unit method. As a result of the Scheme being closed to new entrants, the service cost will increase as the members of the scheme approach retirement although this increase will be offset by members leaving service or retiring. The major assumptions used by the actuary were (in nominal terms):

	2006	2005	2004
Rate of increase in salaries	3.55%	3.90%	3.80%
Rate of increase of pensions in payment and deferment	2.70%	2.90%	2.80%
Discount rate	5.00%	5.40%	5.50%
Inflation assumption	2.80%	2.90%	2.80%

The assets in the scheme and the expected rate of return were:

		2006 £'000		2005 £'000		2004 £'000
Equities	6.55%	7,583	6.70%	6,270	6.70%	-
Bonds	4.50%	3,912	4.70%	3,091	4.70%	2,922
Cash	3.60%	-	4.00%	-	6.70%	5,544
Total market value of assets		11,495		9,361		8,466
Actuarial value of liability		(14,349)		(13,333)		(11,786)
Total deficit in the Scheme and net pension liability		(2,854)		(3,972)		(3,320)

The large holding in cash at 31 March 2004 is due to the equity portion of the portfolio being switched between investment managers. The expected rate of return at that date has been taken to be that expected on equities as the majority of the cash was subsequently invested in equities on 1 April 2004.

In accordance with actuarial recommendations the employer contribution rate for the year was 12% and the employee contribution rate was 6% of pensionable earnings.

Analysis of the amount charged within resources expended

	2006 £'000	2005 £'000
Current service cost	395	366
Past service credit	(579)	-
	(184)	366

Notes (continued)

22 Pensions (continued)

Prior to 31 March 2005, the pension scheme held a reserve to meet the extra cost associated with granting unreduced early retirement to active members, for pension accrued prior to 1 September 2002. Following the actuarial valuation at 31 March 2005, the Society confirmed that should unreduced early retirements be granted in the future, a one off payment to cover that additional cost will be made to the Scheme. Consequently, a reserve of £579,000 has been released from the balance sheet and therefore shown as a negative past service cost.

Analysis of net return on scheme charged within resources expended

	2006 £'000	2005 £'000
Expected return on scheme assets	570	513
Interest on pension liabilities	(695)	(655)
Other finance costs	<u>(125)</u>	<u>(142)</u>

Analysis of the actuarial gain/(loss) recognised in other recognised gains and losses

	2006 £'000	2005 £'000
Actual return less expected return on scheme assets	1,405	235
Experience (loss)/gain on liabilities	(155)	384
Changes in assumptions	(498)	(1,036)
Actuarial gain/(loss) recognised	<u>752</u>	<u>(417)</u>

Movement in deficit during the year

	2006 £'000	2005 £'000
Deficit at start of the year	(3,972)	(3,320)
Current service cost	(395)	(366)
Contributions	307	273
Past service cost	579	-
Net return on assets/(interest cost)	(125)	(142)
Actuarial gain/(loss)	752	(417)
	<u>(2,854)</u>	<u>(3,972)</u>

History of experience gains and losses

	2006	2005	2004
Difference between expected and actual return on scheme assets:			
Amount £'000s	1,405	235	987
As percentage of Scheme assets	12%	3%	12%
Experience gain/(loss) on Scheme liabilities			
Amount £'000s	(155)	384	282
As percentage of Scheme assets	-1%	3%	-2%
Total actuarial gain/(loss) recognised in other recognised gains and losses			
Amount £'000s	752	(417)	825
As percentage of Scheme assets	5%	-3%	-7%

Notes (continued)

22 Pensions (continued)

Stakeholder Scheme

Since 1 September 2002 the Hallé Concerts Society has offered a contributory stakeholder pension scheme with Standard Life to its employees. All contributions are charged to the income and expenditure account as they arise. The pension cost charge for the current year was £21,000 (2005: £16,000.)

23 Related party transactions

The Charitable Company has relied on the exemption in Financial Reporting Standard 8, which does not require the disclosure of transactions between wholly-owned subsidiaries which are consolidated.

The Society has a connected charity: the Terence Judd Trust. This Trust made contributions to the Society for specific concerts during the current and previous years as set out in note 6.

The contact address of the connected charity is the Bridgewater Hall, Manchester.

During the year payments of £707,000 (2005: £706,000) were made to Hallogen Limited for use of the Bridgewater Hall and related services. At the end of the year, amounts owed to Hallogen Limited included in trade creditors amounted to £25,000 (2005: £24,000). The balance due from Hallogen for box office and other income was £33,000 (2005: £10,000). Two of the directors of Hallogen Limited (Edward Pysden and Jonn Summers) were also trustees of the Society during the year.

Payments of £4,500 (2005: £NIL) for various legal advice were made to Eversheds LLP of which Edward Pysden (Chairman) is a partner. No balances were outstanding at the year end.

Cash was placed on deposit with N M Rothschild & Sons of which Richard Bailey (trustee) is a director. The balance on deposit at 31 March 2006 was £125,000 (2005: £150,000).

24 Comparative figures

The Society has adopted SORP 2005 and FRS 17 during the year. Comparative figures in the Group and Company Statement of Financial Activities, the Balance Sheets and the Group Cash Flow Statement have been revised to comply with these accounting requirements.

FRS 17

The effect of the change in accounting policy, which has been shown as a prior year adjustment, has been to increase the pension liability by £2,854,000 at 31 March 2006 (2005: £3,972,000).

In the current period the net effect has been to increase the surplus by £1,118,000 (2005: decrease £652,000), and to reduce net assets by £2,854,000 (2005: £3,972,000). The adjustment impacts on the unrestricted funds of the Group and the Society.

SORP 2005

The effect of adopting SORP 2005 is that certain headings have been reclassified on the face of the Statement of Financial Activities. There is no impact on the balance sheet or cash flow statement.