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Hallé Concerts Society

(A Charitable Company Limited by Guarantee)

Annual Report and Accounts

For the year ended 31 March 2007

Company Number 62753

Charity Number 223882

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**TRUSTEES' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2007**

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Hallé Concerts Society

(A Charitable Company limited by guarantee)

Registered Office The Bridgewater Hall, Manchester M1 5HA

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PATRON	HRH The Countess of Wessex
MUSIC DIRECTOR	Mark Elder CBE
MEMBERS OF THE BOARD	<p>Elected Edward Pysden <i>Chairman</i> Martin McMillan <i>Deputy Chairman</i> Richard Bailey Carole Baume Professor Edward Gregson (resigned 7 July 2006) Jane Hampson Bernard Knight CBE (appointed 30 June 2007) Nicholas Rowe Colin Smith OBE David Wertheim</p> <p>Nominated by Manchester City Council Councillor Mark Hackett (resigned 15 May 2007) Councillor Michael Kane (appointed 15 May 2007) Nominated by AGMA Bernard Knight CBE (resigned 30 June 2007) Councillor John Merry John Schultz (appointed 30 June 2007)</p>
EXECUTIVE TEAM	John Summers <i>Chief Executive and Company Secretary</i> Valerie Hawkin <i>Finance Director</i>
ORCHESTRAL NOMINEE	Ronald Marlowe
PRESIDENT	Sebastian de Ferranti
VICE PRESIDENT	John East
AUDITORS	KPMG LLP, Chartered Accountants St James' Square MANCHESTER M2 6DS
SOLICITORS	George Davies and Co LLP 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	62753
CHARITY REGISTRATION NO	223882

As I look back over the last year, there is much to celebrate. The Orchestra, Choir and Youth Ensembles have continued to delight and stimulate audiences at our home, the Bridgewater Hall, around the country and abroad. They are recognised as a significant cultural ambassador for the Manchester City Region. Our education and outreach programme has continued to attract plaudits and the work of the partnership funded through the Music Manifesto is attracting national attention. Further information is contained in the review of the year.

At the same time, we continue to face the challenge of maintaining a world-class symphony orchestra and delivering Mark Elder's vision in the face of rising costs and a difficult funding climate. The changes to our governance and pension arrangements that I reported last year, have helped to secure the financial stability of the Society although we continue to need to grow our reserves to build firm foundations for the future.

I recently spent a day with my fellow trustees, Mark Elder and the senior executives of the organisation, reviewing our progress and setting out our vision. This inspiring event highlighted both the significance of the achievements that we have made and the excitement that we all feel about the challenges ahead. In going forward we will focus our planning on the two most significant areas of achievement over the last six years:

- Excellence, and the continued building of a great orchestra that can now compete at the highest international level, not just in the concert hall but in everything it does, and,
- Distinctiveness, both of the place in which we live and work, and of the people who make up the Hallé and its extended family. This will be manifest in the individual nature of the artistic and community programme, and the flair and commitment shown on the concert platform by all the players of the Orchestra.

We are fortunate to have such a dedicated and talented team of musicians, staff, trustees and volunteers working on the organisation's behalf, and I would like to take this opportunity to thank them for their hard work and commitment.

We rely on the continuing and sustained support of all our funders, both public and private and continue to enjoy close relationships with Arts Council England together with Manchester City Council and the Association of Greater Manchester Authorities, both of whom have increased their revenue funding commitments to the organisation on an ongoing basis in recognition of its importance to the cultural and economic well-being of the City Region.

I continue to be amazed by the generosity and depth of commitment and support shown by our corporate and individual supporters, whether as Members, donors, sponsors, audience members or volunteers. My thanks go to all of them.

2008 will be the Hallé's 150th anniversary and I personally look forward to it with a great sense of optimism and excitement. I invite you to join me in celebrating past achievements and looking forward to the next fifty years.

Edward Pysden
Chairman

Highlights of the Artistic Year

The year has been one of sustained artistic progress, juxtaposing a wide range of concerts from Mark Elder and other established world figures, with debuts and repeat visits by some of the most astonishing young talents in world music

A major landmark was achieved in September when all of the resident ensembles celebrated the 10th anniversary of the opening of The Bridgewater Hall with an open day marked by activities inside and outside the hall, including interviews with Mark Elder and other guests.

With Mark Elder the Orchestra gave a number of remarkable concerts in the Bridgewater Hall. For several reasons the performance of Strauss's *Ein Heldenleben* in January will linger long in the mind. This sell out event, attended by delegates to the Association of British Orchestras conference, and broadcast live on Radio 3 enjoyed a performance of extraordinary confidence and power in spite of some of the worst storms to hit Manchester for decades. Many of the audience heard the concert in their cars as they were stuck in traffic that never quite made it into the centre of Manchester! Strauss, in the shape of *Der Rosekavalier* also featured in a Viennese programme chosen by, and in celebration of, one of the Orchestra's greatest friends Michael Kennedy, who celebrated his 80th birthday this season. Opera provided the vehicle for another of the season's major highlights, the concert performance of Act 3 of *Siegfried*. A world class cast was led by Ben Heppner, who was in outstanding voice prior to a major European tour.

We were delighted to welcome back Cristian Mandeal in his first concerts as Principal Guest Conductor. Cristian was part of a memorable roster of guest conductors, which also included Manfred Honeck, Louis Langree and Hans Graf.

In terms of young talent, at the start of the year we were delighted to welcome the Hallé's third Assistant Conductor and Hallé Youth Orchestra Music Director, Rory MacDonald who follows Andre de Ridder and Edward Gardner. We were extremely proud to see Edward announced as the next Music Director of English National Opera.

Young pianists and violinists probably took the headlines over the year, in the appearance of two stars in the making. Polina Leschenko returned (after playing Liszt's First Concerto in an Opus One week) to give an astonishing performance of Chopin's E minor Concerto. The same week also featured a return from Simon Trpceski, who presented Prokofiev's Third Concerto with utterly appropriate insouciance and panache. Janine Jansen also continues to delight and astound in her appearances with the Orchestra – both in Manchester and overseas.

The Hallé's first visit to Aldeburgh for some time was a great success with the concert selling out very early. In June, the Cheltenham International Festival's Director, Martyn Brabbins, conducted a programme, broadcast on BBC radio, of Mahler, Mendelssohn and a new commission by Sally Beamish. We have managed to maintain a constant presence in the BBC Proms over the last five years, the 2006 concert presented a major work (for Horn) by our Associate Composer, Colin Matthews. The Llangollen International Eisteddfod celebrated its 60th anniversary and invited the Hallé, present at the festival's opening in 1946, to join them. Mark Elder took the Orchestra to Oxford, for the first appearance at the Sheldonian Theatre for many years and continued their role in accompanying the finalists of the Leeds International Piano Competition in six concertos, presented on television in instalments by BBC Four. The finals yielded at least two outstanding soloists, the winner Sunwook Kim (Brahms 1) and Denis Kozhukhin (Rachmaninov 2) in particular.

For the first time for decades the Orchestra toured to Spain, with five concerts with three different programmes – with a lot of travelling between them – in San Sebastian, Valencia, Castellon, Logrono & Madrid.

Critical acclaim

The Orchestra has continued to attract excellent reviews, both for its concerts and recordings. Editorial comment has also been consistently good, reaching a notable peak in September last year when Richard Morrison, The Times's Arts Editor, compiled his personal "league" table of orchestras, in which, gratifyingly, the Hallé came top. "Not since the days of Barbirolli has Manchester enjoyed such a powerful combination of inspirational maestro and fired-up orchestra." Other critics have tended to agree with Morrison, "This was one of those great Manchester nights, a triumph for the Hallé and its dynamic music director." Lynne Walker, The Independent, November 2006, of the *Siegfried* concert mentioned above.

Recording

The Hallé's own label continues its distinctive and acclaimed progress with three releases during the year. English Landscapes proved particularly popular with the British audience and our most recent release of Wagner's music featuring Anja Kampe, has been very well received. Critical comment has been uniformly positive with some outstanding reviews, "Here's a treat for devotees of English music: a tour d'horizon of landscapes through the seasons with the Hallé on top form under the ever-scrupulous Mark Elder." Anthony Holden, *The Observer*, November 2006.

Our most admired release of the year, however, was a sumptuous account of Debussy's *La Mer*, matched with the first set of Colin Matthews's Debussy prelude arrangements. The recording, apart from being lauded at home, gained the Orchestra another award, the prestigious Diapason d'Or from France. Praise indeed.

Education

The Hallé's education programme directly reached over 60,000 children and young people during a year in which a new partnership, funded through the Music Manifesto, involved Manchester and Salford Music Services and the Youth Music Action Zone in a number of wide ranging schemes and events. The highlight of the year was the second of the Orchestra's ground-breaking visits to local schools. In July the local media reported that St Peter's Roman Catholic High School in Longsight opened its doors to the Hallé's many trunks and flight cases, as the entire Orchestra crammed into the School Hall to play Rossini and Shostakovich in two performances, presented by Mark Elder to around 700 schoolchildren. The young audience, many of whom will never have heard an orchestra live, maintained their wrapt, not to say astonished, attention.

The Hallé Youth Orchestra and Youth Choir continued to flourish and, for the first time, they performed together. Rory Macdonald conducted performances of items from *Carmen* alongside separate works from the Youth Choir, and Sibelius's *First Symphony* from the Youth Orchestra.

The concert raised money for the ensembles' highly successful joint summer tour to France in an interesting and effective programme which included Borodin's *Second Symphony* and Poulenc's *Gloria*.

Choir

Each year the Hallé Choir, under its Choral Director, James Burton, makes a huge contribution to the artistic life of the Society. In addition to the main Manchester concerts they made an unusual, if not revolutionary, appearance without the Orchestra, in an 'a cappella' concert at the Royal Northern College of Music. It was a great success and an important new dimension to their activities which, it is hoped, can continue on a self-financing basis.

The Choir also made its first appearance in concert with the BBC Philharmonic Orchestra for many years, in Ravel's *'Daphnis et Chloe'* under the baton of Gianandrea Noseda.

England's Eight Orchestras

Over the course of the year the Hallé has played a central part in the Arts Council sponsored campaign to raise the profile of symphonic music with key opinion formers. The campaign, targeted mainly at political figures, civil servants and economic decision makers, reached a public climax in April with the launch of a document detailing a range of objectives that the eight orchestras had set themselves. The event was attended, and notably praised, by the then Culture Minister David Lammy, and the Hallé played a significant part in the print and broadcast media coverage that accompanied the event. The group is continuing to work together and is currently briefing a number of key new ministers and others.

Sponsorship and Fundraising

We are extremely grateful for the strong and continued support we receive from the many and varied companies throughout the North West. Many of these companies have formed long-standing relationships with the Orchestra. Alongside our Principal Sponsor, the Manchester Airports Group, and our Major Sponsors, Brother UK and The Royal Bank of Scotland, there are numerous other companies, both large and small, which sponsor the Hallé and they are acknowledged elsewhere in this report.

We are, as ever, delighted and 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 very important to the Orchestra's success and continued development.

Income raised through corporate sponsorship and individual fundraising 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. Our thanks go to all our supporters at every level.

The Orchestra

As ever, there have been some changes over the year as we said goodbye to Andrea Gilliatt, Frances Wood and Ania Safanova along with Richard Smith who retired from the percussion section after over 35 years' service. We have been delighted to welcome new members Daniel Storer and Daniel Wibley who job share as Number 2 Double Bass, John Abendstern, Principal Timpanist and Natasha Hughes, Double Bass.

I must thank all of the members of the Orchestra, under Mark Elder and many other conductors, who have given their all through a highly successful and taxing series of concerts in Manchester and elsewhere. It is their performance on the platform that is making this era such an exciting one for the Hallé and Manchester.

The Administration, Board and Trustees

The Hallé owes a great debt of gratitude to the members of the Board and associated trusts who give so freely of their time and expertise to advise and guide the Society. I am also extremely grateful for the hard work and excellence of the members of the management team who work so diligently behind the scenes to make the Hallé a success.

The Bridgewater Hall

We are fortunate to have as our home a venue of the quality and standing of the Bridgewater Hall and we are delighted as partners in Hallogen, the company which operates the Hall, to play a role in its success as an international concert venue. I would particularly like to thank the staff of the Hall for making this a home of which we can be justly proud.

Our Funders

Finally, we are enormously indebted to our funders: at a national level the Arts Council of England and regionally, Manchester City Council and the Association of Greater Manchester Authorities (AGMA) who demonstrated their confidence in the Hallé by increasing their annual grant to us over the last two years. I would like to take this opportunity to thank them all for their continuing support.

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 2007, 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 2

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 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

The Board has three sub-committees with specific areas of responsibility which make recommendations to the Board

- Audit and Remuneration Committee – responsible for overseeing audit aspects, risk management and remuneration of senior executives
- Nominations Committee – responsible for recommending appointments to the Board
- Investment Committee – responsible for overseeing investment portfolio of the Society and its related entities

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

Richard Bailey

David Wertheim

The Company Secretary ensures that appropriate induction and training is given to all Board members, for example updates on new charity regulations are provided at trustee meetings. 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 in memory of the pianist, Mr Terence Judd, and which funds periodic piano competitions and recitals. 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

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 Society's ongoing artistic progress and financial stability and in particular the continued funding of the defined benefit scheme pension deficit.

As reported last year, the Trustees considered in depth the funding position of the Society's defined benefit pension scheme arising from the actuarial valuation at March 2005. 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 plan was 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.

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 below focuses on unrestricted funds before gains and transfers

Unrestricted Income and Expenditure	2007 £'000	2006 £'000
Income		
Box office receipts, engagement fees, and income from touring, recording and broadcasting	2,614	2,466
Education and outreach	221	199
Sponsorship and donations	766	681
Revenue grants	2,971	2,862
Stabilisation and project grants	30	104
Other income	58	51
	<hr/> 6,660	<hr/> 6,363
Expenditure		
Costs of performances	6,127	6,280
Pension scheme past service credit	-	(508)
Pension scheme curtailment	(768)	
Education and outreach	175	173
Fundraising and trading costs	293	274
Governance	62	51
	<hr/> 5,889	<hr/> 6,270
Net incoming resources before gains and transfers	<hr/> 771	<hr/> 93

Income

Performances at the Bridgewater Hall achieved a paid capacity of 66% across the year as a whole in line with the previous year. Numbers of events are analysed in note 7.

Income was also received from a European tour in May 2006 to Spain. In the previous year a tour was undertaken to Belgium, Germany, Austria and Italy.

Revenue funding from Arts Council England increased by 2.7% to £2,009,300 and AGMA funding by £50,000 to £643,000. As the Society has reached the end of its Stabilisation programme, additional, one off, funding has reduced significantly.

£225,000 was received from DCSF (formerly DfES) for the first of two year's funding for the Music Manifesto North West Pathfinder project which the Hallé is co-ordinating.

Total incoming resources are 12% higher than in 2006.

Expenditure

A full analysis of expenditure on charitable activity is given in note 8. Costs of performances include expenditure on the Spanish tour.

Expenditure on the Music Manifesto North West Pathfinder project is included in Educational and Outreach activity.

The group achieved a total net incoming movement in funds before other recognised gains and losses of £842,000 (2006: £40,000) while the Society itself had a net incoming movement on unrestricted funds of £261,000. In addition there were net outgoing funds of £95,000 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.

Overall financial review

Before adjustments made for reporting pension costs of the defined benefit pension scheme under FRS 17, the Group reported a deficit for the year of £137,000 (2006 £161,000) reflecting the expenditure of certain reserves, particularly Appeal funds, raised in previous years. On unrestricted funds the surplus for the year was £65,000 (2006 deficit of £88,000) and for the Society itself a surplus on unrestricted funds of £32,000 (2006 shortfall £85,000) which exceeded the planned break even budget for the year.

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. 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 or better.

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 profit on trading of £4,000 (2006 loss of £1,000) which was paid under gift aid to the Society.

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 £17,000 (2006 £15,000) and paid beneficiaries £13,000 (2006 £16,000). 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 £102,000 (2006 £110,000). The Appeal gave support of £122,000 to Hallé education and outreach projects, £40,000 to recording and £3,000 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 £168,000 (2006 £195,000), and £170,000 was transferred to the Society (2006 £180,000). The Trust realised a profit on disposal of investments of £12,000 (2006 £11,000). In addition the Trust received donations and legacies of £10,000 (2006 £5,000), which were added to the capital of the Endowment which stood at £3.3m at 31 December 2006.

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 £256,000 in donations and legacies (2006 £319,000), raised £48,000 (2006 £42,000) net through fundraising events and received £13,000 (2006 £14,000) bank interest. Funds of £390,000 (2006 £384,000) 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

Hallé Concerts Society: 40% UK bonds, 50% UK equities, 10% Hedge

Hallé Concerts Society Sickness and Benevolent Fund: 40% UK bonds, 50% UK equities, 10% Hedge

Hallé Endowment Trust: investments are predominantly in the Cazenove Income Trust for Charities (UK bonds) and in permanent interest bearing securities. Each year the trustees' intention is to diversify new funds into equities (65%), property (25%) and hedge (10%) as funds and the Hallé Concerts Society's income needs allow.

The Terence Judd Trust: 25% UK bonds, 65% UK equities, 10% Hedge

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. As reported last year, the recognition of the defined benefit scheme pension liability under FRS 17 has clearly had a major impact on the reported unrestricted reserves of the Group and the Society. Although the pension fund liability of £2,625,000 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 2007, excluding the pension liability, showed an accumulated surplus of £65,000 (2006 surplus of £21,000) 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. 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 18 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 better than 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. With this in mind a vision for the future has been developed alongside plans for a major fundraising campaign to mark the Society's 150th birthday in 2008.

Over the coming year our programme of work both on and off the concert platform is as ambitious and wide ranging as ever and will seek to develop new audiences for our work as well as continuing to appeal to our loyal long-term supporters.

We intend to build on the work of the Music Manifesto North West Pathfinder project and consolidate our collaborative work with Manchester and Salford Music Services and Greater Manchester Music Action Zone to embed our education work firmly in the community.

Forward funding

The Society's Arts Council revenue grant for 2007/08 is confirmed at £2,064,600. Funding levels for future years will not be confirmed until the Arts Council decides its client allocations following the government comprehensive spending review in autumn 2007.

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

Disclosure of information to independent auditors

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

4 September 2007

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 2007, 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 page 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 2007 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
4 September 2007

Consolidated and Aggregated Summary Income and Expenditure Account
for the year ended 31 March 2007

	Note	2007 £'000	2006 £'000 Restated
Gross income from charitable operations		7,187	6,780
Non-charitable trading activities net surplus/(deficit)	4	4	(1)
Total income from continuing operations		7,191	6,779
Total expenditure for continuing operations		(6,353)	(6,619)
Net income for the year before transfers and asset disposals		838	160
Transfer from revaluation reserve		1	1
Net income before investment asset disposals		839	161
Gain on disposal of investments		12	11
Net income before interest and charges		851	172
Finance cost of defined benefit pension scheme	22	(7)	(125)
Net income after interest and charges		844	47
Transfer to endowment funds		(8)	(10)
Net surplus for the year		836	37
Dealt with by			
The Society		927	55
Subsidiary company and related trusts		(91)	(18)
		836	37

- Total income comprises £6,646,000 for unrestricted funds and £545,000 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 £17,000. 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 15 which, together with the notes to the accounts on pages 19 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

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Consolidated and Aggregated Statement of Financial Activities for the year ended 31 March 2007

	Note	Unrestricted Funds 2007 £'000	Restricted funds 2007 £'000	Endowment Funds 2007 £'000	Total 2007 £'000	Total 2006 £'000
Incoming resources						
Incoming resources from generated funds						
Voluntary income	5	3,303	324	10	3,637	3,429
Activities for generating funds	6	482	-	-	482	406
Investment income		40	221	-	261	295
Incoming resources from charitable activities	7	2,835	-	-	2,835	2,665
Total incoming resources		6,660	545	10	7,215	6,795
Resources expended						
Costs of generating funds						
Costs of generating voluntary income		280	3	-	283	271
Fundraising Trading costs of goods sold and other costs		13	-	-	13	11
Investment management expenses		-	5	-	5	6
Charitable activities	8	5,534	472	-	6,006	6,413
Governance costs		62	4	-	66	54
Total resources expended		5,889	484	-	6,373	6,755
Net incoming resources before transfers		771	61	10	842	40
Transfers between funds	18	175	(183)	8	-	-
Net incoming/(outgoing) resources before other recognised gains and losses		946	(122)	18	842	40
Other recognised gains and losses						
Gains/(losses) on investment assets						
Unrealised		89	(5)	(84)	-	154
Realised		-	12	-	12	11
Actuarial (loss)/gain on defined benefit pension scheme	22	(762)	-	-	(762)	752
Net movement of funds		273	(115)	(66)	92	957
Reconciliation of funds						
Total funds brought forward at 1 April 2006		(2,833)	1,281	3,366	1,814	857
Total funds carried forward at 31 March 2007		(2,560)	1,166	3,300	1,906	1,814

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.

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Charitable Company Statement of Financial Activities
for the year ended 31 March 2007

	Note	Unrestricted Funds 2007 £'000	Restricted funds 2007 £'000	Endowment Funds 2007 £'000	Total 2007 £'000	Total 2006 £'000
Incoming resources						
Incoming resources from generated funds						
Voluntary income	5	3,607	327	-	3,934	3,668
Activities for generating funds	6	373	-	-	373	301
Investment income		26	36	-	62	69
Incoming resources from charitable activities	7	2,835	-	-	2,835	2,665
Total incoming resources		6,841	363	-	7,204	6,703
Resources expended						
Costs of generating funds						
Costs of generating voluntary income		226	3	-	229	210
Charitable activities	8	5,531	454	-	5,985	6,386
Governance costs		62	1	-	63	52
Total resources expended		5,819	458	-	6,277	6,648
Net incoming/(outgoing) resources before other recognised gains and losses		1,022	(95)	-	927	55
Gains/(losses) on investment assets						
Unrealised		1	-	-	1	6
Actuarial (loss)/gain on defined benefit pension scheme	22	(762)	-	-	(762)	752
Net movement of funds		261	(95)	-	166	813
Reconciliation of funds						
Total funds brought forward at 1 April 2006		(2,863)	849	42	(1,972)	(2,785)
Total funds carried forward at 31 March 2007		(2,602)	754	42	(1,806)	(1,972)

Hallé Concerts Society

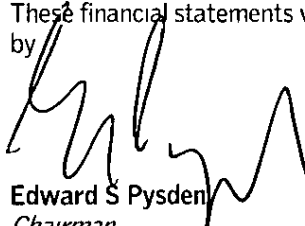
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Consolidated and Aggregated and Charitable Company Balance Sheets at 31 March 2007

	Notes	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Fixed assets					
Tangible assets	12	231	180	94	125
Investments	13	3,519	3,592	72	71
		<u>3,750</u>	<u>3,772</u>	<u>166</u>	<u>196</u>
Current assets					
Stocks		3	1	3	1
Debtors	14	719	748	1,054	924
Cash at bank and in hand		<u>1,614</u>	<u>1,499</u>	<u>1,139</u>	<u>1,089</u>
		<u>2,336</u>	<u>2,248</u>	<u>2,196</u>	<u>2,014</u>
Creditors amounts falling due within one year	15	<u>(1,555)</u>	<u>(1,352)</u>	<u>(1,543)</u>	<u>(1,328)</u>
Net current assets		<u>781</u>	<u>896</u>	<u>653</u>	<u>686</u>
Total assets less liabilities excluding pension liability		<u>4,531</u>	<u>4,668</u>	<u>819</u>	<u>882</u>
Pension liability	22	(2,625)	(2,854)	(2,625)	(2,854)
Total assets less liabilities including pension liability		<u>1,906</u>	<u>1,814</u>	<u>(1,806)</u>	<u>(1,972)</u>
Capital funds					
Endowments	17	3,300	3,366	42	42
Income funds					
Restricted funds	18	1,166	1,281	754	849
Unrestricted funds					
Non-charitable funds		8	8	-	-
Other charitable funds		57	13	23	(9)
Pension reserve	19	<u>(2,625)</u>	<u>(2,854)</u>	<u>(2,625)</u>	<u>(2,854)</u>
		<u>(2,560)</u>	<u>(2,833)</u>	<u>(2,602)</u>	<u>(2,863)</u>
Total Funds		<u>1,906</u>	<u>1,814</u>	<u>(1,806)</u>	<u>(1,972)</u>

These financial statements were approved by the Board of Trustees on 4 September 2007 and signed on its behalf by


Edward S Pysden
Chairman


Colin Smith
Chair of Audit and Remuneration Committee



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"AZTOSUNB"
14/11/2007
COMPANIES HOUSE

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Hallé Concerts Society

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Consolidated and Aggregated Cash Flow Statement for the year ended 31 March 2007

	2007 £'000	2006 £'000
Cash flow from operating activities	(118)	(730)
Return on investments and servicing of finance	259	294
Capital expenditure and financial investment	(26)	(97)
Increase/(decrease) in cash in the year	115	(533)

Notes to the group cash flow statement

	2007 £'000	2006 £'000
Reconciliation of net incoming resources to net cash inflow from operating activities		
Net incoming resources	842	40
Depreciation charge	60	58
(Increase) in stocks	(2)	-
Decrease/(increase) in debtors	29	(117)
Increase/(decrease) in creditors	203	(51)
(Decrease) in pension fund liability	(991)	(366)
Interest received	(81)	(91)
Investment income	(178)	(203)
Net cash outflow from operating activities	(118)	(730)
Return on investments and servicing finance		
Interest received	81	91
Dividends received	178	203
Net cash inflow from returns on investments	259	294
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(23)	(15)
Payments to acquire fixed asset investments	(383)	(1,845)
Receipts from sales of fixed asset investments	380	1,763
Net outflow from capital expenditure and financial investment	(26)	(97)
Reconciliation of net cash flows to movement in net funds		
Increase/(decrease) in cash in the year	115	(533)
Net funds at 1 April	1,499	2,032
Net funds at 31 March	1,614	1,499

Analysis of changes in net funds

	At 1 April 2006 £'000	Cash flow £'000	At 31 March 2007 £'000
Cash in hand and at bank	1,499	115	1,614

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.

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, 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 2006.

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

	2007 £'000	2006 £'000
Auditors remuneration - audit - group	20	17
- parent	16	12
Depreciation	60	59

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 2007 £'000	Total 2006 £'000
Turnover	17	10
Expenditure	(13)	(11)
Net (loss)/profit	4	(1)
Contributions to Society under gift aid	(4)	-
Net loss after contributions to Society	-	(1)

Notes (continued)

5 Voluntary income

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Grants receivable				
Revenue grants receivable				
Arts Council England	2,009	1,956	2,009	1,956
Association of Greater Manchester Authorities	643	593	643	593
Manchester City Council	319	313	319	313
	<u>2,971</u>	<u>2,862</u>	<u>2,971</u>	<u>2,862</u>
Project grants receivable				
Music Manifesto	225	-	225	-
Stabilisation grants receivable:				
Arts Council England Stabilisation award	30	104	30	104
Total grants receivable	<u>3,226</u>	<u>2,966</u>	<u>3,226</u>	<u>2,966</u>
Donations and similar income				
Hallé Endowment Trust	10	5	170	180
Charles Hallé Foundation	257	320	390	384
Terence Judd Trust Fund	2	2	2	2
Fundraising donations and legacies	15	11	15	11
Hallé Appeal	67	67	67	67
Membership subscriptions	60	58	60	58
Hallé Promotions	-	-	4	-
Total donations and similar income	<u>411</u>	<u>463</u>	<u>708</u>	<u>702</u>
Total voluntary income	<u>3,637</u>	<u>3,429</u>	<u>3,934</u>	<u>3,668</u>

6 Activities for generating funds

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Sponsorship and other income				
Corporate sponsorship	348	274	348	274
Fundraising events	92	95	-	-
Other income	25	27	25	27
	<u>465</u>	<u>396</u>	<u>373</u>	<u>301</u>
Commercial trading operations	17	10	-	-
Total activities for generating funds	<u>482</u>	<u>406</u>	<u>373</u>	<u>301</u>

Hallé Concerts Society

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Notes (continued)

7 (a) Incoming resources from charitable activities

	Group and Company 2007 £'000	Group and Company 2006 £'000
Orchestral concerts and related work		
Box office income (Manchester promotions)	1,665	1,558
Engagement income	705	593
Overseas touring	42	156
Other income	202	159
	<u>2,614</u>	<u>2,466</u>
Education and Outreach	221	199
	<u>2,835</u>	<u>2,665</u>

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

	Group and Company 2007 Number	Group and Company 2006 Number
Manchester own promotions	71	73
Engagements and co-promotions	41	34
Overseas touring	5	7
	<u>117</u>	<u>114</u>
Broadcast relay and repeat fees	15	14

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 2007 £'000	Restricted funds 2007 £'000	Endowment Funds 2007 £'000	Total 2007 £'000	Total 2006 £'000 Restated
Orchestral concerts and related work					
Orchestra and related staff costs	3,710	-	-	3,710	3,821
Pension scheme past service credit	-	-	-	-	(508)
Pension scheme curtailment credit	(768)	-	-	(768)	-
Conductors and soloists	640	-	-	640	649
Overseas tours	42	-	-	42	269
Travel and subsistence	108	-	-	108	91
Hall hire	516	-	-	516	479
Sundry concert costs	75	-	-	75	42
Music and instrument hire	46	-	-	46	47
Recording costs	43	40	-	83	80
Marketing	345	-	-	345	385
Box office charges	146	-	-	146	144
Programme costs	54	-	-	54	57
Choir, Youth Orchestra, Youth Choir	53	82	-	135	141
Depreciation	25	35	-	60	57
Support costs	324	-	-	324	325
	5,359	157	-	5,516	6,079
Education and Outreach					
Direct Education costs	165	303	-	468	292
Support costs	10	-	-	10	27
	175	303	-	478	319
Payments to beneficiaries	-	12	-	12	16
Total charitable expenditure	5,534	472	-	6,006	6,413

Charitable expenditure for the Company is the same as that for the Group with the exception of depreciation £54,000 (2006 £53,000), payments to beneficiaries and support costs, which are analysed in note 9

9 Analysis of support costs

Group	Orchestral work 2007 £'000	Education 2007 £'000	Fundraising 2007 £'000	Governance 2007 £'000	Total 2007 £'000	Total 2006 £'000
Management and Finance	203	27	27	13	270	281
Office and sundry operational costs	165	22	22	11	220	187
Professional and consultancy fees	-	-	-	47	47	35
Pension scheme curtailment credit	(44)	(39)	(48)	(6)	(137)	-
Pension scheme past service credit	-	-	-	-	-	(70)
	324	10	1	65	400	433
Company						
Management and Finance	203	27	27	13	270	281
Office and sundry operational costs	161	22	22	11	216	182
Professional and consultancy fees	-	-	-	46	46	33
Pension scheme curtailment credit	(44)	(39)	(48)	(6)	(137)	-
Pension scheme past service credit	-	-	-	-	-	(70)
	320	10	1	64	395	426

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 2007 Number	Group and Company 2006 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 2007 £'000	Group and Company 2006 £'000
Salaries and fees	3,103	2,953
Employers' National Insurance contributions	308	252
Pension contributions	276	328
	<u>3,687</u>	<u>3,533</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

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

	2007 Number	2006 Number
£80,001-£90,000	1	1

The number of higher paid employees accruing pension benefits was

	2007 Number	2006 Number
Defined benefit scheme	-	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 2006	95	383	318	91	887
Additions	-	-	23	-	23
Revaluation adjustment	-	88	-	-	88
Disposals	-	-	(23)	-	(23)
At 31 March 2007	95	471	318	91	975
Depreciation					
At 1 April 2006	71	270	276	90	707
Charge for the year	12	20	27	1	60
Disposals	-	-	(23)	-	(23)
At 31 March 2007	83	290	280	91	744
Net book value					
At 31 March 2007	12	181	38	-	231
At 31 March 2006	24	113	42	1	180
Company					
Cost or valuation					
At 1 April 2006	95	313	318	91	817
Additions	-	-	23	-	23
Disposals	-	-	(23)	-	(23)
At 31 March 2007	95	313	318	91	817
Depreciation					
At 1 April 2006	71	255	276	90	692
Charge for the year	12	14	27	1	54
Disposals	-	-	(23)	-	(23)
At 31 March 2007	83	269	280	91	723
Net book value					
At 31 March 2007	12	44	38	-	94
At 31 March 2006	24	58	42	1	125

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. This instrument was acquired from the Society in March 1998 and the revaluation adjustment above reflects the group revaluation at that date.

Under the historical cost convention accounting rules the net book value of the Music Library and Musical Instruments at 31 March 2007 would have been £1,000 and £88,000 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 2006, would have been £76,800 in that trust's books.

All tangible fixed assets are used for direct charitable purposes.

Notes (continued)

13 (a) Investments

	Group £'000	Company £'000
Market value at 1 April 2006	3,592	71
Additions	383	-
Disposals	(380)	-
Change in market value	(76)	1
Market value at 31 March 2007	3,519	72

13 (b) Investments

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'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	3,518	3,591	71	70
	3,519	3,592	72	71

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 £26,000 (2006: £38,000).

Notes (continued)
14 Debtors

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Trade debtors	224	250	223	247
Amounts owed by connected charities	20	14	20	14
Amounts owed by group charities	-	-	362	196
Other debtors	165	38	139	24
Prepayments and accrued income	310	446	310	443
	719	748	1,054	924

All debtors fall due within one year

15 Creditors: amounts falling due within one year

	Note	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Trade creditors		331	329	331	329
Taxation and Social Security		157	78	157	78
Other creditors		190	51	190	51
Deferred income	16	659	452	653	439
Accruals		218	442	212	431
		1,555	1,352	1,543	1,328

Deferred income includes project-specific amounts in respect of education funds, £182,000 (2006 £159,000)
Box office income is deferred until the appropriate concert has taken place

16 Deferred income

	Group £'000	Company £'000
As at 1 April 2006	452	439
Amount released to incoming resources	(452)	(439)
Amount deferred in the year	659	653
As at 31 March 2007	659	653

Notes (continued)

17 Analysis of Endowment Funds

	Group £'000	Company £'000
As at 1 April 2006	3,366	42
Incoming resources	10	-
Net losses on investments	(84)	-
Transfers from restricted funds	8	-
As at 31 March 2007	<u>3,300</u>	<u>42</u>

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 2006	Income	Expenditure	Investment gains	Transfers	At 31 March 2007
	£'000	£'000	£'000	£'000	£'000	£'000
Company						
Fixed asset reserves	66	-	(32)	-	-	34
Music Manifesto	-	225	(225)	-	-	-
Appeal Fund	742	102	(125)	-	(528)	191
Appeal Fund – touring	26	-	-	-	200	226
Appeal Fund – recording	15	-	(40)	-	120	95
Appeal Fund - 150	-	-	-	-	100	100
Appeal Fund - PR	-	-	-	-	108	108
Education & outreach	-	36	(36)	-	-	-
	<u>849</u>	<u>363</u>	<u>(458)</u>	<u>-</u>	<u>-</u>	<u>754</u>
Group						
Fixed asset reserves	66	-	(32)	-	-	34
Music Manifesto	-	225	(225)	-	-	-
Appeal Fund	742	102	(125)	-	(528)	191
Appeal Fund – touring	26	-	-	-	200	226
Appeal Fund – recording	15	-	(40)	-	120	95
Appeal Fund - 150	-	-	-	-	100	100
Appeal Fund - PR	-	-	-	-	108	108
Sickness & Benevolent Fund	328	17	(13)	7	-	339
Charles Hallé Restricted Funds	76	32	(36)	(12)	(5)	55
Hallé Endowment Trust	28	169	(13)	12	(178)	18
	<u>1,281</u>	<u>545</u>	<u>(484)</u>	<u>7</u>	<u>(183)</u>	<u>1,166</u>

The fixed asset reserves represent monies provided for capital expenditure which are transferred to the income and expenditure account over the useful life of the assets purchased

The Music Manifesto Fund represents monies received from the DCSF (formerly DfES) for the North West Music Manifesto Pathfinder Project for which the Hallé is acting as co-ordinator

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

The following transfers were made in the year from restricted funds

	£'000
Transfer from Charles Hallé Foundation restricted to unrestricted funds following	
Realisation of investments last year	5
Transfer to Society from Hallé Endowment Trust	170
Transfer from restricted funds to the capital of the Hallé Endowment Trust	8
	<u>183</u>

19 Analysis of unrestricted funds

	Group £'000	Company £'000
General funds (excluding pension liability)		
at 1 April 2006	21	(9)
(Deficit)/surplus for the year	(44)	32
Revaluation adjustment	88	-
General funds at 31 March 2007	<u>65</u>	<u>23</u>
Pension Liability		
At 1 April 2006	(2,854)	(2,854)
Current service charge	93	93
Pension finance cost	(7)	(7)
Scheme curtailment	905	905
Actuarial losses	(762)	(762)
At 31 March 2007	<u>(2,625)</u>	<u>(2,625)</u>
Total unrestricted funds		
At 1 April 2006	(2,833)	(2,863)
Surplus for the year	185	261
Revaluation adjustment	88	-
At 31 March 2007	<u>(2,560)</u>	<u>(2,602)</u>

The revaluation adjustment reflects the profit on acquisition of musical instruments by the Hallé Endowment Trust from the Society in 1998

Hallé Concerts Society

(A Charitable Company limited by guarantee)

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Notes (continued)

20 Analysis of group net assets between funds

	Unrestricted Funds 2007 £'000	Restricted funds 2007 £'000	Endowment Funds 2007 £'000	Total 2007 £'000
Balances at 31 March 2007 are represented by				
Tangible assets	54	39	138	231
Investments	72	404	3,043	3,519
Current assets	1,261	849	226	2,336
Current liabilities	(1,280)	(126)	(149)	(1,555)
Pension liability	(2,625)	-	-	(2,625)
Society endowments	(42)	-	42	-
Total net assets	(2,560)	1,166	3,300	1,906

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, HLF funds as disclosed in note 18

Current assets in endowment funds include £226,000 held in cash (2006 £195,000) 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 2007 £'000	Restricted funds 2007 £'000	Endowment Funds 2007 £'000	Total 2007 £'000	Total 2006 £'000
Net movement in funds for the year	273	(115)	(66)	92	957
Net decrease in tangible fixed assets for direct charitable purposes	2	29	6	37	44
Net movement in funds available for future activities	275	(86)	(60)	129	1,001

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 full actuarial valuation at 31 March 2005 showed a deficit of £1.5m on the Trustees' funding basis. The Scheme was closed to future accrual of benefits from 1 July 2006. Company contributions were paid at a rate of 12% of pensionable salaries up to 30 June 2006. The Company also paid deficit removal contributions at a rate of £115,000 a year from that date. Member contributions of 6% of pensionable salaries were paid in addition up to 30 June 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 2007 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):

	2007	2006	2005
Rate of increase in salaries	3.10%	3.55%	3.90%
Rate of increase of pensions in payment and deferment	3.10%	2.70%	2.90%
Discount rate	5.10%	5.00%	5.40%
Inflation assumption	3.10%	2.80%	2.90%

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

	2007 £'000	2006 £'000	2005 £'000
Equities	7.00% 8,200	6.55% 7,583	6.70% 6,270
Bonds	4.20% 3,963	4.50% 3,912	4.70% 3,091
Cash	4.80% -	3.60% -	4.00% -
Total market value of assets	12,163	11,495	9,361
Actuarial value of liability	(14,788)	(14,349)	(13,333)
Total deficit in the Scheme and net pension liability	(2,625)	(2,854)	(3,972)

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

	2007 £'000	2006 £'000
Current service cost	102	395
Past service credit	-	(579)
Scheme curtailment credit	(905)	-
	(803)	(184)

Notes (continued)
22 Pensions (continued)

The Scheme closed to future benefit accrual with effect from 30 June 2006. Consequently, a reserve of £894,000 has been released from the balance sheet and has been recorded as a curtailment gain.

Analysis of net return on scheme charged within resources expended

	2007 £'000	2006 £'000
Expected return on scheme assets	673	570
Interest on pension liabilities	(680)	(695)
Other finance costs	(7)	(125)

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

	2007 £'000	2006 £'000
Actual return less expected return on scheme assets	77	1,405
Experience (loss)/gain on liabilities	-	(155)
Changes in assumptions	(839)	(498)
Actuarial (loss)/gain recognised	(762)	752

Movement in deficit during the year

	2007 £'000	2006 £'000
Deficit at start of the year	(2,854)	(3,972)
Current service cost	(102)	(395)
Contributions	195	307
Scheme curtailment	905	-
Past service cost	-	579
Net return on assets/(interest cost)	(7)	(125)
Actuarial (loss)/gain	(762)	752
	(2,625)	(2,854)

History of experience gains and losses

	2007	2006	2005	2004
Difference between expected and actual return on scheme assets				
Amount £'000s	77	1,405	235	987
As percentage of Scheme assets	1%	12%	3%	12%
Experience gain/(loss) on Scheme liabilities				
Amount £'000s	-	(155)	384	282
As percentage of Scheme assets	0%	-1%	3%	-2%
Total actuarial (loss)/gain recognised in other recognised gains and losses				
Amount £'000s	(762)	752	(417)	825
As percentage of Scheme assets	-5%	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 £152,000 (2006 £21,000).

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 £758,000 (2006 £707,000) 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 £81,000 (2006 £25,000). The balance due from Hallogen for box office and other income was £nil (2006 £33,000). Two of the directors of Hallogen Limited (Edward Pysden and John Summers) were also trustees of the Society during the year.

Payments of £5,500 (2006 £4,500) 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 2007 was £nil (2006 £125,000).