

# **Hallé Concerts Society**

(A Charitable Company Limited by Guarantee)

## **Annual Report and Accounts**

**For the year ended 31 March 2018**

Company Number 62753  
Charity Number 223882



## TRUSTEES' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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Registered Office: The Bridgewater Hall, Manchester M1 5HA

PATRON HRH The Countess of Wessex

MUSIC DIRECTOR Sir Mark Elder CH, CBE

# MEMBERS OF THE BOARD

## Elected

David McKeith Chairman # \$  
Heejae Chae \* # (resigned 30 December 2017)

Alex Connock (appointed 1 May 2018)

Christine Gaskell MBE #

Tim Edge (appointed 1 May 2018)

Jane Hampson (resigned 1 May 2018)

\* Member of the Audit Committee

Brandon Leigh Deputy Chairman \* #

Jon McLeod

# Member of the Nominations &  
Remuneration Committee

Linda Merrick

Katrina Michel

\$ Member of the Investment Committee

John Phillips CBE \*

## Nominated by Manchester City Council

Maria Balshaw CBE (resigned 25 May 2017)

Cllr Azra Ali (appointed 13 September 2017)

## Nominated by AGMA

Theresa Grant

# EXECUTIVE TEAM

John Summers *Chief Executive and Company Secretary*  
Valerie Hawkin *Finance Director to 14 August 2017* \$  
Ruth Harkin *Finance Director from 14 August 2017* \$

# ORCHESTRAL NOMINEE

Caroline Abbott

# VICE PRESIDENTS

Martin McMillan  
Edward Pysden

# AUDITOR

KPMG LLP, Chartered Accountants  
1 St Peter's Square  
Manchester M2 3AE

# SOLICITORS

Mills & Reeve LLP  
1 New York Street  
Manchester M1 4HD

# BANKERS

The Royal Bank of Scotland plc  
St Ann Street  
Manchester M60 2SS

# INVESTMENT ADVISERS

Schroder & Co Limited  
12 Moorgate  
London EC2R 6DA

COMPANY REGISTRATION NO  
CHARITY REGISTRATION NO

62753  
223882

## Chairman's Report

The year to 31 March 2018 has been a pivotal one for the Hallé, in which we have seen significant developments both on and off the concert platform.

There have been many memorable occasions during the year, including:

- The celebration of Sir Mark Elder's 70th birthday with a performance of Schoenberg's Gurrelieder in collaboration with the BBC Philharmonic Orchestra and the Hallé Choir and Hallé Youth Choir.
- Our first performance in some years at the Edinburgh International Festival, playing Berlioz's Damnation of Faust.
- Two Beyond the Score® performances - one Dvorak's New World Symphony at the Proms in London and the other Shostakovich's Fourth Symphony in Manchester.
- A European tour in November with concerts in France, Germany, the Netherlands and Belgium.

We were all horrified by the terrorist attack at the Manchester Arena in May last year. We were grateful to the BBC Philharmonic, Manchester Camerata, Guy Garvey and Clare Teal who joined with us in a fundraising concert at the Bridgewater Hall on the following Thursday under the title We Stand Together. Our thoughts remain with the victims and their families and friends.

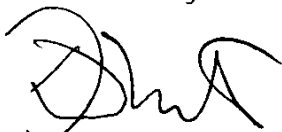
Our Hallé St Peter's Phase 2 project to add a new building to our existing church rehearsal space is an important strategic development for the Society. We were delighted therefore to reach our fundraising targets for the project during 2017/18, ahead of schedule. These total £1.4m of capital funds (in addition to the Arts Council England grant of £4.8m approved last year) and £2.5m of revenue funding, much of which came from the Monument Trust and the Oglesby Charitable Trust, to support our future musical and educational activities in the building. Building work started in May this year and should be completed in the summer of 2019.

In financial terms the Hallé is currently in a stronger financial position than for some years. The revenue funding for Hallé St Peter's Phase 2 and the introduction of orchestra tax relief by the Government has enabled us to rebuild reserves that had been severely depleted by almost 10 years of frozen or reducing public sector funding, to a level which better supports our financial sustainability.

A significant proportion of the income received in 2017/18 was, however, exceptional and the financial picture looking forward remains very challenging. The triennial valuation of the Hallé Retirement Benefit Scheme has resulted in a significant increase in the deficit funding which the Society is required to pay and public sector funding remains under considerable downward pressure. With other costs driven up by inflation it is vital that we maintain our tight financial controls and focus on increasing and diversifying our sources of income.

In this context, the support of our existing and new sponsors and supporters is as vital as ever. In particular we are delighted that PZ Cussons continue as Diamond Sponsors and that during 2017/18 Siemens increased their support to include state of the art technology for Hallé St Peter's Phase 2. They have joined Manchester Airport Group as one of our Principal Sponsors.

We are grateful to all the Hallé's funders and supporters and to our musicians and staff for their hard work and enthusiasm throughout the year.



David McKeith  
Chairman

## Chief Executive's Review of the Year

### Concerts and Events

The collaborations between the two Manchester symphony orchestras (the Hallé and the BBC Philharmonic Orchestra) have come to symbolize the way this city's musical community can work together in a way found in few other places in the world. Two shared major symphony cycles (Mahler and Shostakovich) and a Strauss focus have been nationally admired in recent years, including performances of Mahler's Eighth Symphony and Strauss's Alpine Symphony combining musicians from the two orchestra. The latest in this distinguished cycle was the performance of Schoenberg's vast vocal symphonic cycle *Gurrelieder*, on 4<sup>th</sup> June 2017, the weekend of Mark Elder's 70<sup>th</sup> birthday. 'The Spectator' magazine wrote "*Mark Elder's Manchester Gurrelieder was one of the great events of last season*".

The great British baritone, Sir Thomas Allen, spoke movingly to the full house at the start of the performance about the appalling events in Manchester and London that week. Earlier in the week, musicians from all three professional Manchester orchestras played a special programme, to a packed Bridgewater Hall.

The Orchestra returned to the Isle of Man, where Stephen Bell delighted the full audience with a well-tryed and tested Spanish programme. The second programme in Douglas, presented by Tom Redmond and conducted by Jonathon Heyward, delighted the island's younger audience, for whom it was designed.

The Hallé appeared, after a break of several years, at Edinburgh International Festival in the 'Damnation of Faust' by Berlioz. One critic summed it up: *'hugely memorable' - 'the Hallé at their dazzling best, playing out of their skins for Mark Elder and sounding sensational in the process.'*

At 2017's BBC Prom we presented a re-working of the Beyond the Score® Dvorak show given in Manchester in 2016. The show, devised by Gerard McBurney, involved film and actors reading from material contemporary with the featured composition: in this case Dvorak's New World Symphony.

In the autumn Lyn Fletcher's return to the Leader's chair after months of illness was a welcome sign that all was well in the Hallé at the start of the 2018/19 Bridgewater Hall season.

Mark Elder opened with Stravinsky's complete 'Firebird', followed by Mussorgsky's 'Pictures at an Exhibition', and the fourth, fifth and eighth symphonies of Shostakovich: landmark Russian repertoire being the driving force of the season's programme.

October and November saw notable engagements in Nottingham, Cardiff, Warwick and in York Minster, where 'The Dream of Gerontius' was *'unforgettably moving'* in the words of the Sunday Times critic, who described it as the *'musical highlight of his year'*. The York Minster performance marks the beginning of a new partnership with the Ryedale Festival, with concerts in the same magnificent venue scheduled for April 2019 and beyond.

Our Principal Clarinettist, Sergio Castello-Lopez made his solo debut with the Orchestra in Debussy's fiendish 'Rapsodie' – so successfully that we plan to record it in August this year.

Carlo Rizzi (the Italian conductor with whom the Orchestra made two successful recordings of operatic arias, and a follow-up appearance at the Cadogan Hall in July) made his Bridgewater Hall debut with the Hallé in the December Opus concerts, with a colourful all-orchestral programme of Rossini, Respighi and Rachmaninov. Pablo Gonzalez and Ryan Wigglesworth also conducted during the Autumn.

We were happy to welcome a talented young conductor for December's Family Concert. Tianyi Lu, with New Zealand and Shanghai origins, had originally auditioned for the post of Assistant Conductor. Now a Dudamel Fellow with the Los Angeles Philharmonic, she demonstrated her complete grasp of the very difficult job in hand and won widespread praise from her colleagues.

The Hallé Choir were on fine form, with Verdi's Four Sacred Pieces and Wagner under Mark's direction, and not least in the complete Messiah with the baroque-specialist conductor John Butt, making his Hallé debut.

Beyond the Score® returned to Manchester, focussing on Shostakovich's long-suppressed Fourth Symphony. This is perhaps the composer's most adventurous score, and long-admired by Mark, who heard the UK première of the symphony in the early 1960s after 25 years of neglect.

## **Chief Executive's Review of the Year (continued)**

### **Concerts and events (continued)**

We were fortunate that we were able to celebrate the Hallé's long and very fruitful relationship with the Royal Northern College of Music, with the Hallé joining string-playing students in the final concert of the College's Strings Festival. The concert was not merely an inspiration to the young participants, but a remarkable demonstration of committed music-making, with a memorably rich string sound throughout, and of the richness of talent waiting to join the profession

Mark Elder brought his Shostakovich focus to a thrilling close with his own debut performance of the Eighth Symphony, broadcast on BBC Radio 3

Jonathon Heyward built on his excellent work last year as Assistant Conductor with his debut in the Opus series, a very successful concert of set-works aimed at schools, and participation in a remarkable side-by-side concert with the Orchestra and the Hallé Youth Orchestra

Cristian Macelaru continues to impress in a wide range of repertoire, this time Beethoven's Eroica Symphony and Elgar's Cello Concerto with his fellow Romanian, Andrei Ionita. Gergely Madaras is another conductor, still in his early thirties, making a very eloquent impression, this time in our colourful and perennially successful Spanish programme including the Rodrigo Guitar Concerto. The young American conductor Karina Canellakis also made her Hallé debut.

The Hallé Choir sang Mendelssohn (with the Youth Choir alongside), broadcast on Radio 3 in Mark's March Thursday programme and, in complete contrast, John Adams's 'Harmonium' with Nicholas Collon, who enjoyed a two-week stint with contrasting programmes

### **Tours**

In November, we completed, with Mark, a tour of four European countries; five concerts in five days taking in France (Grenoble), Germany (Freiburg and Nürnberg), the Netherlands (Heerlen) and Belgium (Bruges). Sabine Meyer, one of the world's acknowledged heroines of the clarinet world, proved an immensely popular soloist. The travel was gruelling, the halls full, and the concerts very successful

### **Recordings**

The Hallé Label continues to attract critical approval and during the year we have released recordings of Wagner's Parsifal and Das Rheingold and Vaughan Williams Symphonies 4 and 6.

### **Education**

Whilst these are challenging times in the world of education, the Hallé has had a very successful year with a number of major highlights. In terms of our core education programme, in the summer term of 2017 our Come and Play with the Hallé programme performed with around 20,000 school children across 14 concerts from the Bridgewater Hall to the Isle of Man via Nottingham and Stoke on Trent (Hanley). A further 9,000 children attended Hallé for Youth this spring when the orchestra performed six concerts on a Natural World theme in Manchester and Sheffield, with schools from Manchester and Tameside being involved in the associated schools' project. Our Adopt-a-Player programme worked with schools in Manchester, Rochdale, Wigan and Bolton. Children and young people from four schools in each borough attended a Hallé performance at the Bridgewater Hall, then adopted a musician from the orchestra who then aided the pupils in creating a new piece of music based on what the children had heard the Hallé perform. This in turn was performed in school to parents and other interested parties.

In partnership with The Bridgewater Hall and some of our Music Education Hub colleagues, the orchestra performed our first concert for students studying GCSE and A level music. Over 2,000 teenagers attended 'The Orchestra Through the Ages' in February which started with eight brass instruments playing Gabrielli and finished with 80 plus players performing Star Wars, which is a set work for GCSE.

Two notable new partnerships have started this year with interesting spinoffs. The first is a Musician in Residence programme at the Seashell Trust – two musicians working with SEND (Special Educational Needs and Disability) children at the school in Cheadle in a variety of activities; and a new venture with Chester Zoo,

## Chief Executive's Review of the Year (continued)

### Education (continued)

where three musicians performed a new work created by the Education Director, Steve Pickett, concerning the conservation of Orangutans. The Zoo also provided video and stills footage for our Natural World Hallé for Youth concerts.

### New Media

Our use of new media and digital means of communication is continuing to expand swiftly. The Hallé's responsive website was accessed by 166,764 users, of which 81.9% were new, with a total of 640,290 page views. The mobile phone is now surpassing desktop and tablet devices as the platform of choice

40 videos have been published on Hallé's Youtube channel, covering musician insights as well as activities from the wider Hallé family. All videos now include subtitles by default. Highlights include 'In-conversation' with the late Livia Gollancz (ex-Principal Horn) and the Hallé Corporate Choir Competition 2017 at the Stoller Hall.

Our audio collection on Soundcloud has been played 11,959 times, with audio teaser clips specifically made to promote the 2017-18 season concerts.

There were over 2.2 million streams of Hallé's recordings on Spotify.

We are committed to engaging our social media audiences on Facebook, Twitter and Instagram, where short-form audiovisual content is tailored towards Twitter and Instagram while longer interviews and insights are preferred on Facebook. Facebook now has almost 12,000 likes; Twitter has reached almost 23,000 followers; Instagram has 1,785 followers.

Contributions from Orchestra musicians and visiting artists was especially welcomed, providing us with plenty of user-generated content, giving our audience a different perspective e.g. Orchestra photos during our European tour and selfie videos from visiting conductors and Pops artists.

### The Choir & Ensembles

The Ensembles family reached more participants than ever this year, with the addition of the Choral Academy taking the number of people involved in making music with us on a weekly basis to over 600. As usual, approximately two-thirds of our Ensemble members came from Greater Manchester, with the remainder from further afield, most notably Yorkshire and Cheshire.

The Hallé Choir contributed to key performances throughout the year, notably Schoenberg's Gurrelieder in June 2017, and Berlioz's Damnation of Faust as part of the Edinburgh International Festival in August. The Choir was joined by the Youth Choir for a performance of Elgar's The Dream of Gerontius in York Minster as part of the Ryedale Festival in November 2017, and Mendelssohn's Psalm 114 in The Bridgewater Hall in March 2018. The Choir is ably supported by a very committed team of volunteers enabling it to thrive.

The Children's Choir received a record number of applications in 2017, and continues to work at an impressive high standard. In June 2017 the Choir performed a semi-staged production of Roald Dahl's Cinderella. The Choir was also delighted to perform in November at the Children's Global Media Summit conference dinner held at the Museum of Science and Industry, and got a full standing ovation from the delegates.

In August 2017 the Hallé Youth Orchestra, Hallé Youth Choir and Hallé Youth Training Choir travelled to the North East for a week-long residential course in Barnard Castle, Co. Durham. The week included an exciting (and rigorous!) rehearsal schedule, including massed rehearsals with all three ensembles preparing for Beethoven's *Mass in C*, as well as social activities including a trip to Beamish open-air museum and an in-house talent show. The trip ended with two concerts back home in Manchester at the Stoller Hall. Additional repertoire included Copland's *Billy the Kid Suite*, Brahms' *Symphony No. 2 in D Major*, Lauridsen *Sure on the Shining Light*, Copland's *Ching a Ring Chaw* and Rudoi's soundscape *Miniyama Nayo*.

The Hallé and Hallé Youth Orchestra joined forces for a side-by-side project in January 2018. It is always inspiring and practically helpful for our youth members to work closely with professional musicians. The performance itself saw 111 performers pack onto the Bridgewater Hall stage to play excerpts of Wagner's *Siegfried's Funeral*.

## Chief Executive's Review of the Year (continued)

### The Choir & Ensembles (continued)

*March and Ride of the Valkyries* and Berlioz's *Les Troyens* under the leadership of Sir Mark Elder and Jonathon Heyward. Feedback from players and parents of the Youth Orchestra was overwhelmingly positive with comments including "Probably the best day of my life".

The Hallé Youth Training Choir continues to go from strength to strength, building on musicianship and sight-singing skills as well as preparing for high-profile concerts. We are seeing many members of the Children's Choir continuing their singing journey through the Hallé Youth Training Choir along with new recruits. This is a small and competitive ensemble, with the standard continuing to rise.

The Training Choir has fewer performance opportunities than the other ensembles but this gives the young musicians a safe and relaxed environment in which to develop their choral skills.

Hallé Youth Choir had an unscheduled opportunity to perform with rock band Snow Patrol as part of BBC Sports Relief 2018. On Friday 23rd March 2018, the Youth Choir performed backing vocals to the band's hit *Run*, in the live primetime broadcast on BBC1. This was an unforgettable experience for our members.

Our annual Youth Ensembles showcase concert took place on Sunday 25th March 2018. The Youth Ensembles had record ticket sales for this concert, and the audience was treated to an a cappella first half showcasing all three youth choirs individually before the second half saw all four Youth Ensembles come together to perform opera excerpts, including Bizet's *Carmen* and Humperdinck's *Hansel and Gretel*.

Youth Ensembles membership is free for everyone, irrespective of individual means. We firmly believe that no young singer or instrumentalist should be prevented from taking part on financial grounds, and are aware of the many costs already associated with participating in musical activities. However, continuing to offer our ensemble experiences for free is proving very difficult in these testing financial times. We now ask members to consider making a voluntary donation in lieu of a membership fee. Donations are entirely voluntary and in no way affect the membership of any of our Youth Ensembles. Now in our second year of asking for such donations, we have seen an increase in the amount donated from the previous year.

Open access singing opportunities for adults continue to thrive, with over 50 regular singers attending Ancoats Community Choir sessions and a record number of 9 corporate (workplace) choirs involved in our annual Corporate Choir Competition in 2017.

June 2017 saw the first 'Thank Hallé it's Friday!' concert, involving over 500 singers performing with the Orchestra in an early evening concert. 120 of these singers worked with the Hallé through our Choral Academy project, running in the five months leading up to the concert with a particular focus on music reading as well as vocal technique and choral singing. Thank Hallé it's Friday! is funded through our European Laboratory II project as part of the Creative Europe Programme of the European Union.

### Sponsorship and Fundraising

The sponsorship landscape continues to be very challenging although we continue to engage in positive conversations with a number of key supporters, most notably Siemens who stepped up to Principal Sponsor during the 2017/18 season – to sit alongside Manchester Airport. This was a terrific boost at a significant time for us and also has helped to deepen our relationship with one of our most supportive and creative sponsors.

In the last season we have worked closely with Manchester Airport to try to build events around Hallé concerts outside Manchester and have so far worked on events in Leeds, which was very successful and was hosted by the Leader of Leeds City Council, and Sheffield. Our objective is to increase our network in cities to which we tour regularly both to increase good will from the local authorities and to access new support from individuals and sponsors.

The 5<sup>th</sup> year of the Corporate Choir Competition culminated very successfully in November 2017 with BAE Systems winning the top award and Brother International Europe winning the Sir Mark Elder Special Award.

We are delighted to welcome new in kind sponsors Wood Restaurant, Don Giovanni Restaurants and the Malmaison Hotel.



## **Chief Executive's Review of the Year (continued)**

### **Individual Giving**

Towards the end of 2017 we received two major legacies from individuals who were both known to us as either patrons or members, but we were unaware that they had remembered the Hallé in their wills.

We continue steadily to build our Patrons and Chair Endowment programme and have a larger list than ever of top level supporters. Increased access to rehearsals and a very open and friendly approach from the Development Team has developed this income strand significantly over the last 3 years.

We are, of course immensely grateful to all our supporters at every level.

### **Hallé St Peter's Phase 2**

The long-held ambition to complete the development of Hallé St Peter's by adding a new-build extension to the church to house additional rehearsal and practice facilities, education spaces and a public-facing café took a tremendous leap forward with the awarding of a £4.8m National Lottery grant from the Arts Council. We have continued to work with our professional team to develop the plans and have started on site in May 2018 with completion expected in summer 2019.

We were delighted to complete the fundraising campaigns for the next stage of Hallé St Peter's, both capital and revenue, successfully raising £1.4m for capital and £2.5m for ongoing revenue support. We were honoured to be the first recipient of funding from the Victoria Wood Foundation and their support will ensure that the main workshop space in the new facility will be called the Victoria Wood Hall.

In summary – capital funding has been confirmed to date from the following trusts,

The Oglesby Charitable Trust: £500,000

The Wolfson Foundation £50,000

Granada Foundation: £50,000

The Foyle Foundation: £150,000

Garfield Weston Foundation: £300,000

Fidelity UK Foundation: £75,000

The Victoria Wood Foundation £290,000

Kirby Laing Trust. £30,000

### **The Administration, Board and Trustees**

I would like to thank the Administration and Board for all of their hard work during the year, especially those Board and Committee members who give up a lot of the free time to advise and assist the Hallé. Particular thanks should go to David McKeith, Chairman and Brandon Leigh, Deputy Chairman who have been tireless in their support of the Society.

### **The Artistic Team**

Sir Mark Elder's continuing tenure as Music Director has delivered, as always, some memorable events and concerts this year. From joint events with the RNCM students and the Hallé Youth Orchestra to major concerts – such as the Damnation of Faust in the Edinburgh Festival.

Ryan Wigglesworth has made a significant contribution as Principal Guest conductor, conducting and recording both his own and others music. Our assistant conductor Jonathan Heyward's work across all of his areas of responsibility has been immense and we are delighted that he will continue on for a further year.

The Choral Team of Matthew Hamilton, Stuart Overington and Shirley Court have continued to provide inspirational leadership of the Choir and the Youth and Children's Choirs, taking them to new levels of excellence.

The Orchestra's playing throughout the year, and through a range of very varied concerts, has been remarkable and they have received many outstanding reviews and plaudits across a wide variety of events.

## Chief Executive's Review of the Year (continued)

### The Artistic Team (continued)

This year we have said goodbye to Katherine Baker, *our Principal Flute*, Eva Thorarinsdottir, *Principal 2<sup>nd</sup> Violin* and Anya Muston, *Tutti I<sup>st</sup> violin*.

Players joining us were Helena Buckie *Principal 2<sup>nd</sup> Violin*, Simon Davies *Contra Bassoon*, Sarah Bennett, *2<sup>nd</sup> Flute*, Kyle MacCorquodale, *Bass Trombone* and Jonathan Pether, *Tutti cello* and Cameron Campbell, *Viola*.

A handwritten signature in black ink, reading "John Summers". The signature is written in a cursive, flowing style.

**John Summers**  
Chief Executive

## Trustees' Report

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 2018, in compliance with current statutory requirements, the governing documents and Charities SORP (FRS 102): Accounting and Reporting by Charities. Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland.

### Reference and administrative details

Details of the registered office, Trustees, principal officers and other relevant information are given on page 3

The Hallé Concerts Society ("the Society") is a company limited by guarantee, governed by its Articles of Association as amended and adopted by Special Resolution on 26 October 2009. It is registered as a charity with the Charity Commission.

### 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 meets approximately 7 times a year to review strategy and operational performance and to set operating plans and budgets. Day to day management is delegated to the Chief Executive.

The Board has three standing committees with specific areas of responsibility and which make recommendations to the Board:

- Audit Committee – responsible for overseeing the Society's financial reporting, external audit and reviewing the Society's internal control and risk management systems;
- Nominations & Remuneration Committee – responsible for reviewing the structure, size and composition of the Board and the trustee bodies of the Society's related trusts, having regard to the balance and mix of skills required, and making recommendations to the Board about any adjustments deemed necessary. This Committee is also responsible for setting procedure for recruitment of Board members and other senior appointments, for recommending appointments to the Board and setting the framework for remuneration of senior appointments; and
- Investment Committee – responsible for overseeing the investment portfolio of the Society and its related entities

Other ad hoc committees may also be formed to oversee special projects, including the St Peter's Steering Committee, and their terms of operation are agreed in advance by the Board.

The members of the three standing committees are

<b>Audit Committee</b>	<b>Nominations and Remuneration Committee</b>	<b>Investment Committee</b>
Brandon Leigh (Chairman) *	Christine Gaskell (Chair) *	Richard Bailey (Chairman) \$
Heejae Chae * (resigned 30/12/17)	Heejae Chae * (resigned 30/12/17)	Prof John Garside \$
John Phillips *	Brandon Leigh *	Jim Finlay \$
William Smith (co-optee)	David McKeith *	Ruth Harkin
		David McKeith * \$
		Edward Pysden \$
		John Schultz \$
		Colin Smith \$
		Carol Culley^

\* Member of Hallé Board

\$ Trustee of Hallé Endowment Trust

^ nominated by Manchester City Council

## Trustees' Report (continued)

### Structure, governance and management (continued)

Full terms of reference for the standing committees and short CVs of Board Members are available on the Hallé website [www.Hallé.co.uk](http://www.Hallé.co.uk)

#### Trustees

All Trustees have an equal vote and have the statutory duties and obligations of 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 the two longest-serving elected Trustees retire from office. If a Trustee directly replaces another Trustee, the Trustee retires at the meeting at which the outgoing Trustee would have retired. In accordance with the Articles of Association the following Trustees retire by rotation and being eligible offer themselves for re-election:

Brandon Leigh  
Linda Merrick

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 as Trustees and is given an opportunity for personal meetings with the Chairman and senior management of the Society.

#### Structure of the Group

The Hallé Concerts Society Group (the 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, Terence Judd, by his family, who still have an active interest in its activities. The trust funds periodic piano competitions and recitals. This connected charity is not consolidated or aggregated, in accordance with Statement of Recommended Practice (SORP) FRS 102.

#### 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 Committee of the comments made by the external auditors in their management letter and other reports; and
- Procedures for monitoring progress against the strategic plan.

## Trustees' Report (continued)

### Risk management and internal control (continued)

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

- Regular review by Management and an annual review by the Board of the risks which the Society may face and actions taken to mitigate identified risks (last review completed in December 2017);
- 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.

### Objectives and activities of the Society

The object of the Society, as stated in its Articles, is to promote the study, practice and knowledge of the art of music in the United Kingdom and elsewhere by the giving and arrangement of concerts, and other such means as is thought fit including, without limitation, performances of the Hallé Orchestra at the Bridgewater Hall, Manchester for the benefit of the public generally. Its mission is to be one of the World's most important symphony orchestras and to make a distinctive contribution to promoting Manchester as a significant European cultural centre.

The Society's strategy to achieve its charitable objectives is to undertake the following major activities:

- Promoting concerts by the Orchestra and by other artists and ensembles in Manchester as the principal resident orchestra at the Bridgewater Hall, performing a wide range of music for diverse audiences including concerts for schools and family concerts;
- Performing concerts throughout the United Kingdom including residencies in Nottingham and Sheffield, appearances at major arts festivals such as the BBC Proms together with regular engagements in Leeds, Bradford, Burnley, Hanley, Lincoln and others;
- Concert performances overseas in association with local promoters, acting as a cultural ambassador for the Manchester City region;
- The production of highly acclaimed recordings issued on the Hallé's own label;
- Regular broadcasts for radio, television, the internet and other digital media;
- An extensive and award-winning education programme in Greater Manchester and elsewhere working with over 63,000 children and young people; and
- Running the Hallé Choir, an unpaid chorus of around 150 singers, together with the Hallé Youth Orchestra and Choir and Hallé Children's Choir which all perform both individually to combined audiences of around 20,000 people as well as with the Hallé Orchestra and other ensembles.

### Public Benefit

In shaping the objectives for the year and planning the Society's activities, the Trustees have considered the Charity Commission's guidance on public benefit, including the guidance on public benefit and fee charging. The Society relies on grants, donations, sponsorship, engagement fees and income from sale of tickets to cover its operating costs. Its work is also informed by the aims of its principle public funders including the Arts Council's goal of 'Great Art for Everyone' and the social and cultural priorities of the Greater Manchester Combined Authority (GMCA) and Manchester City Council in ensuring the widest number of people in the region have the opportunity to experience the Hallé's work. In setting the level of ticket prices and concessions, the Trustees give careful consideration to the accessibility of the Hallé to those on low incomes and with special needs. A special scheme for students provides them with access to heavily discounted tickets

Schemes are in place to encourage attendance from those who would not ordinarily have access to concerts. The Hallé offers free tickets and programmes, as well as advice and support to many diverse groups including those targeted through the GMCA network

Charges for Education and Outreach work also have regard to ensuring those activities are accessible to the widest possible community, whatever their means and activity is targeted at schools and communities where there are limited opportunities for cultural involvement and where there may be multiple barriers to participation. Membership of the youth and children's ensembles is free and, with the generous aid of our supporters, bursaries are available to help the less well-off members. The extent of our outreach work is described in more detail in the Chief Executive's Review of the Year and on the Hallé website. The website also makes video and audio content available, free of charge, to users across the world.

Events in Hallé St Peter's and in St Michael's are planned to encourage active participation from the local community and the charging structure for events offers heavily discounted rates for community groups.

## Trustees' Report (continued)

### Strategic Report

#### Achievements, performance and financial review

The Group's accounts have been prepared in accordance with Charities SORP (FRS 102).

The Statements of Financial Activities for the Group and the Society are set out on pages 23 and 24 and the consolidated and aggregated summary income and expenditure of the Group is given on page 22. A full review of the Society's activities and achievements is set out in the Chairman's Statement and the Chief Executive's Review of the Year, which has been approved by the Trustees.

#### Overall financial review

Overall the Group generated a net surplus for the year of £4,838k (2017: deficit of £368k), of which £820k was the surplus before exceptional items and £4,018k related to exceptional items which are described below and presented separately in the Consolidated Summary Income and Expenditure Account on page 22

*This financial year has been a very successful year for our fundraising campaigns associated with the major capital project to extend Hallé St Peter's, with donations of £1,050k received in 2017/18 towards the capital costs of the scheme. This will enable us to meet the required contribution set by the Arts Council which will be providing £4,800k grant funding for the St Peter's capital project. A further £2,921k was received for ongoing support for artistic and revenue costs associated with activities at St Peter's, of which £2,000k was from a single trust. Although we hope that Hallé St Peter's will continue to attract fundraising support, we recognise that a significant proportion of the donation income received was exceptional in nature and have therefore categorised £3,050k as such.*

Another major factor in 2017/18 has been the impact of orchestra tax relief. The financial statements for 2017/18 include both the £968k relating to our 2016/17 tax claim which was received in December 2017 and £900k for the estimated 2017/18 claim (The claim for 2016/17 was not included in the 2016/17 Accounts due to lack of certainty around the size of the claim, for what was then a recently introduced tax relief.) Future periods of account will normally contain one claim and therefore the £968k relating to the 2016/17 claim is identified as an exceptional item in the Income and Expenditure Account. The introduction of this tax relief by HMRC is a very welcome development and will go some way to address the significant funding gap that has arisen due to real terms and actual reductions in public sector funding over the past 10 years

The Group's general unrestricted reserves before the pension deficit improved from a deficit of £1,155k to a deficit of £324k and total funds improved by £5,484k from a deficit of £2,555k to a surplus of £2,929k. This improvement is due to the St Peter's fundraising success and to orchestra tax relief. Although overall funds are higher than in recent years, providing greater financial stability for the Hallé, the majority are held in restricted reserves and permanent endowment funds. Over £1 million of the funds received in 2017/18 for St Peter's will be spent during 2018/19 on the capital scheme and the exceptional level of revenue donations will be required to provide ongoing support for activities at St Peter's over the next 10 years.

There remain significant financial challenges ahead due to the underlying budget deficit caused by inflationary pressure on costs compared to static or decreasing public sector funding. The defined benefit scheme poses additional challenges with the most recent triennial valuation resulting in a significant increase in the pension liability and requiring a further increase in the deficit recovery payments from 2018/19. Despite the considerable success in fundraising for the St Peter's project, the environment for fundraising generally is difficult and we are particularly seeing this in relation to reductions in corporate sponsorship, which is a major area of our fundraising.

During 2017/18 we received £3.2 million from public sector bodies, the same level as in recent years and this continues to be a major source of support to the Hallé. We have received confirmation of the same level of grant from the Arts Council until 2022; however following a review by the new Greater Manchester Combined Authority we have been advised that our GMCA grant will be reduced by £70k per annum for 2018/19 and 2019/20. GMCA have announced a further review of the cultural grant process for 2020/21 onwards which represents a considerable risk for this source of income.

Having considered current cash resources and the availability of reserves within the Society, as well as modelling different potential future funding scenarios and the ongoing discussions with the Trustees of the Hallé Retirement Benefit Scheme, the Trustees have a reasonable expectation that the Society and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

## Trustees' Report (continued)

### Strategic Report (continued)

#### Income

A full analysis of income is provided by notes 5, 6 and 7 to the Accounts. Total income in 2017/18 amounted to £12.2 million (2017: £9.8 million).

Box office income at the Bridgewater Hall amounted to £1.6 million (2017: £1.6 million). The Society's pricing policy reflects our commitment to make the Halle's work accessible to all members of the community, whatever their means, and offers concessions and discounts to appropriate groups. During the year a number of schemes have been run to offer free or heavily discounted tickets to disadvantaged groups who would not normally attend concerts.

During the year Box Office targets were exceeded and engagements continued to grow in terms of the contribution to the Society's financial position, including the 'Come and Play' concerts for children which are increasing in popularity both at the Bridgewater Hall and elsewhere.

The success of fundraising relating to St Peter's has been noted above and this is reflected in the overall fundraising figures, although areas such as corporate sponsorship faced significant challenges during 2017/18 due to wider economic factors. Donations and legacies raised £8.2 million in 2017/18 (2016/2017: £4.9 million). Sponsorship and events raised £0.5 million (2016/17: £0.6 million).

#### Expenditure

A full analysis of expenditure on charitable activity is given in note 9. Total resources expended amounted to £9.2 million (2017: £10.0 million).

#### Subsidiary and Branches

The Society's wholly owned subsidiary, **Hallé Promotions Limited**, did not trade during the year.

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 £18k (2017: £16k) and paid beneficiaries £12k (2017: £8k). Funds from the Sickness and Benevolent Fund are treated as restricted funds for the purposes of the aggregated Statement of Financial Activities.

The **Charles Hallé Foundation** holds funds raised from public donation, legacies 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 £249k in donations and legacies (2017: £278k) and raised £17k (2017: £14k) net income through fundraising events. Funds of £279k (2017: £307k) were transferred to the Society to support educational and other projects. Total funds at 5 April 2018 were £29k (2017: £53k).

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. The Endowment Trust comprises two funds – the Main Endowment and the Catalyst Endowment which was established following an Arts Council England initiative which provided endowment match funding to donations received by the Hallé.

The Trustees have adopted the total return approach to investment under the powers granted in Section 4 of the Trusts (Capital and Income) Act 2013. A resolution to adopt the total return approach for the Main fund was made by the Trustees on 8 February 2018 effective from 1 January 2017. The Catalyst fund will remain under current rules as it is an Arts Council based fund and subject to different arrangements from the Main fund.

The power of total return permits the Trustees to invest permanently endowed funds to maximise total return and to apply an appropriate portion of the unapplied total return to income each year. The Trustees' decision was taken in order to enable increased flexibility in the financial support provided by the Endowment to the Hallé Concert Society.

## Trustees' Report (continued)

### Strategic Report (continued)

#### Subsidiary and Branches (continued)

During the year the Main fund of the Hallé Endowment Trust received donations of £38k and generated investment returns of £158k investment income and £143k investment gain (2017: £156k and £283k) and £200k was granted to the Society (2017: £150k). In addition the Catalyst Endowment fund received donations of £27k and generated investment returns of £88k investment income and £87k investment gain (2017: £86k and £156k) and £76k was donated to the Society (2017: £78k). The capital of the Main fund stood at £4.4 million at 31 December 2017, (2016: £4.2 million) and the Catalyst fund stood at £2.5 million (2016: £2.3 million).

The **Hallé 2058 Foundation** funds are treated as restricted funds for the purposes of the Statement of Financial Activities and are overseen by the Board of the Society. The fund includes monies raised by the Hallé Appeal and supplements the core funding of the Society by striving to support the following: the Society's artistic and educational programmes and initiatives such as the Hallé's Youth and outreach activities including, inter alia, the Hallé Youth Orchestra, Hallé Youth and children's Choirs and the Hallé Assistant Conductor programmes together with any new initiatives and developments in this area.

#### 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. The major movement in fixed assets in year is the capitalisation of £0.5 million costs associated with the St Peter's capital project that were incurred in 2017/18. In addition the Amati violin, held as a fixed asset by the Hallé Endowment Trust and reflected in the Group accounts, was revalued in year to £400k, resulting in a revaluation increase of £81k.

#### 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 Schroder & Co Ltd. and the following investment policies and strategic asset allocations have been adopted by the Trustees of the individual trusts. Schroders have discretion to act within certain benchmark ranges.

The vast majority of investments are held by the Hallé Endowment Trust within the Main Endowment Fund and the Catalyst Endowment Fund. In March 2017 the Investment Committee agreed a move to a total return approach to the investment objective after taking advice from Schroders Investment Managers. With a total investment approach the investment strategy focus is on maximising the total investment return rather than maximising investment income. This is a separate but linked decision to the adoption of total return accounting for the Main Endowment Fund which enables the Trustees to distribute investment gains as well as income.

The target return of the investment strategy is CPI +4% for all funds other than the Catalyst Fund. The investment objective for the Catalyst Fund is to provide income at +4% per annum and maintain the real value of the portfolio above inflation, reflecting the greater emphasis on distributable income because the total return accounting approach has not been adopted for the Catalyst Fund.

The long term strategic asset allocation parameters and benchmarks for the portfolio for all funds during the year were as follows, although the actual allocations within the ranges may differ for each individual portfolio depending on the specific requirements

	<b>Range</b>	<b>Benchmark</b>
Bonds	0%-30%	25% FTSE Brit Gov't Fixed All Stocks Index
		25%BOFA ML £ Non-Gilts Index
Equities(UK& International)	50%-80%	FTSE All Share Index FTSE World ex UK
Property and alternatives	0%-30%	IPD Monthly Property Index
Cash	0%-20%	UK Interbank 7 day



## Trustees' Report (continued)

### Strategic Report (continued)

#### Investment Policy (continued)

There are no restrictions on the Trustees' power to invest and the Trustees have not adopted an ethical investment policy in order that their flexibility to invest is not restricted.

Property investments are in the Cazenove Charities Property Fund and alternatives are in Ruffer and Capita Portfolio Funds and HICL Infrastructure Funds.

Each of the portfolios exceeded the CPI +4% investment target over the financial year and were broadly in line with the agreed performance benchmarks.

#### Reserves

The Trustees reviewed and updated the reserves policy in January 2018. The policy is stated below:-

In accordance with the Charities Statement of Recommended Practice (SORP) FRS 102 the Halle Concert Society has taken into account the risks facing the Charity in order to formulate an appropriate Reserves policy. The major financial risk is perceived to be the pressure on public sector funding and the consequential reliance on other, more volatile, income streams.

The Society aims to maintain expendable reserves at a level which will enable the Society to provide for contingencies, withstand periods of poor trading conditions or, in extreme circumstances, to manage a fundamental restructure of the Orchestra's activities. On this basis the Trustees have set a target for expendable reserves of approximately £2 million.

For the purposes of this policy the Trustees define expendable reserves to be the General Fund and those restricted reserves where the funds are given to support activities which fall within the Society's core purpose.

The level of expendable reserves at 31 March 2018 is £2,106k which is in line with this target.

The Trustees consider their expendable reserves at 31 March 2018 to comprise the General funds of the Group of a deficit of £324k, plus the reserves of the Hallé 2058 Foundation of £821k, plus the Monument and Oglesby revenue reserves of £1,609k giving the total of £2,106k. It is acknowledged that the expendable reserves include restricted reserves which have been given for specific purposes to support developmental activity and their disposition is overseen by the Board.

The improvement in expendable reserves from a position of £294k at 31 March 2017 to £2,106k at 31 March 2018 is due to orchestra tax relief and the exceptional level of largely restricted revenue fundraising in respect of the extended St Peter's facility, as described more fully in the financial overview above.

As reported in previous years, the recognition of the defined benefit scheme pension liability under FRS 102 clearly has a major impact on the reported unrestricted reserves of the Group and the Society. This liability is updated annually to reflect market conditions and other actuarial assumptions. The liability at 31 March 2018 was calculated as £10,919k (2017 £11,273k). Although this is significant, it does not mean that an immediate liability for this amount crystallises.

The most recent actuarial valuation was carried out as at 31 March 2017 and as a result the Society has agreed a revised recovery plan with the pension fund Trustees to pay off the shortfall. The plan requires the Society to make payments over 22 years of £450,000 per annum increasing at 3% per annum, plus administration costs of £100,000 per annum.

#### Plans for future periods

The Trustees' key area of focus continues to be the long-term financial sustainability of the Society given the continuing uncertain economic climate and significant cuts to public funding. The Arts Council has confirmed continued funding at cash standstill through to 2021/22 which removes a significant uncertainty. Unfortunately as a result of the review of cultural grants from the transition to the Greater Manchester Combined Authority the Halle grant for 2018/19 and 2019/20 has been reduced by £70k, and there is considerable uncertainty regarding future grant levels.

As noted above the most recent pension valuation has necessitated an increase in deficit payments by the Society and the affordability of deficit repayments remains an area of considerable financial risk.

## Trustees' Report (continued)

### Strategic report (continued)

#### Plans for future periods (continued)

Against this backdrop the Trustees consider that the introduction of orchestra tax relief provides a realistic opportunity to achieve a more balanced financial position and, with careful budget management, to build and maintain a reasonable level of reserves that will allow the Hallé to plan for a sustainable future.

A full programme of concerts is planned at the Bridgewater Hall together with touring engagements in the UK and a tour to China which is scheduled for Spring 2019. Major audience development initiatives are continuing with the aim of diversifying and extending our reach. We will continue to develop our use of new digital media to develop deeper engagement with our current supporters and give wider access to our activities.

The reopening of the extended St Peter's facility, scheduled for summer 2019 will provide vastly improved facilities and provide opportunities to expand our audiences and community work, whilst providing excellent and cost effective alternative rehearsal space. Senior management and the Board are currently working through plans to maximise the opportunities offered by this development.

Our education programme will continue to work closely with Greater Manchester's music services and with individual schools and community groups to reach children, young people and disadvantaged groups across the region. The Hallé is a strategic partner in the GM Music Hub and a delivery partner in the Manchester My Hub. In addition we will continue to develop the Hallé youth and children's ensembles and the work of the Hallé Choir described in more detail in the Chief Executive's review of the year.

#### Principal risks and uncertainties

The Trustees consider the major risks facing the Society are:

- Uncertainty created by the current economic climate and the impact of Brexit,
- Continued pressure on public funding,
- An inability to maintain artistic momentum;
- The threat of reduced income from box office, engagements and donors, and;
- Underfunding of the Hallé Concerts Society Retirement Benefit Scheme, which was closed to future benefit accrual in July 2006.

As reported earlier in this report, in order to mitigate the effects of these, there is a robust risk management framework in place, overseen by the Audit Committee and approved by the Board with ongoing monitoring of management actions and changes in the Society's risk profile.

## **Statement of responsibilities of the Trustees of the Hallé Concerts Society in respect of the Trustees' annual report and the financial statements**

The Trustees are responsible for preparing the Trustees' Annual 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. Under that law they are required to prepare the Group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*

Under company law the Trustees must not approve the financial statements unless they are satisfied that they 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 that period. In preparing each of the Group and Charitable Company 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
- assess the Group's and the Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Charitable Company or to cease operations, or have no realistic alternative but to do so.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and 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 Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 are responsible for the maintenance and integrity of the corporate and financial information included on the Charitable Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Disclosure of information to independent auditor**

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 auditor is 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 auditor is aware of that information.

### **Auditor**

In accordance with Section 485 of the Companies Act 2006, a resolution for the reappointment of KPMG LLP as auditor 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



**David McKeith**  
Chairman and Trustee

29 August 2018

## **Independent auditor's report to the members of Hallé Concerts Society**

### **Opinion**

We have audited the financial statements of Hallé Concerts Society ("the Charitable Company") for the year ended 31 March 2018 which comprise the Consolidated and Aggregated Summary Income and Expenditure Account, Consolidated and Aggregated and Charitable Company Statement of Financial Activities, Consolidated and Aggregated and Charitable Company Balance Sheets and Consolidated and Aggregated Cash Flow Statement and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Charitable Company's affairs as at 31 March 2018 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Other information**

The directors are responsible for the other information, which comprises Trustees' Annual Report, and Chairman's Report and Chief Executive's Review of the Year. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Trustees' Annual Report, which constitutes the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- the Charitable Company has not kept adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the Charitable Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## **Independent auditor's report to the members of Hallé Concerts Society (continued)**

### **Trustees' responsibilities**

As explained more fully in their statement set out on page 19, the Trustees (who are also the directors of the Charitable Company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's and the Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Charitable Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at:  
[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.



**Julie Radcliffe (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
1 St Peter's Square  
Manchester  
M2 3AE

4 September 2018

## Hallé Concerts Society

(A Charitable Company limited by guarantee)

Company number 62753

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### Consolidated and Aggregated Summary Income and Expenditure Account for the year ended 31 March 2018

		Before exceptional items	Exceptional items	Total	Total
	Note	2018 £'000	2018 £'000	2018 £'000	2017 £'000
Gross income from charitable operations		8,975	3,050	12,025	9,279
VAT refund		-	-	-	360
Total income from continuing operations		8,975	3,050	12,025	9,639
Total expenditure for continuing operations		(9,251)	-	(9,251)	(10,025)
<b>(Deficit)/ surplus on ordinary activities for the year before transfers and asset disposals</b>		<b>(276)</b>	<b>3,050</b>	<b>2,774</b>	<b>(386)</b>
Profit on disposal of investments		-	-	-	2
Net (expenditure)/ income after interest and charges, before tax credit and transfers		<b>(276)</b>	<b>3,050</b>	<b>2,774</b>	<b>(384)</b>
Orchestra tax credit		900	968	1,868	-
Transfer from endowment funds	18	196	-	196	16
<b>Net income/(expenditure) for the year</b>		<b>820</b>	<b>4,018</b>	<b>4,838</b>	<b>(368)</b>
Dealt with by:					
The Society		856	4,018	4,874	(351)
Subsidiary company and related trusts		(36)	-	(36)	(17)
		<b>820</b>	<b>4,018</b>	<b>4,838</b>	<b>(368)</b>

- Total income comprises £7,566,000 for unrestricted funds and £4,459,000 for restricted funds (2017: £8,299,000 and £1,340,000 respectively). A detailed analysis of income and expenditure is provided in the Statement of Financial Activities on page 23.
- Income and expenditure totals are shown after eliminating inter-group transactions.
- 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 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 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 23 which, together with the notes to the accounts on pages 27 to 47, 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 27 to 47 form part of these financial statements

**Consolidated and Aggregated Statement of Financial Activities**  
for the year ended 31 March 2018

	Note	Unrestricted Funds 2018 £'000	Restricted Funds 2018 £'000	Endowment Funds 2018 £'000	Total 2018 £'000	Total 2017 £'000
<b>Income and endowments from:</b>						
Donations and legacies	5	3,756	4,351	66	8,173	4,904
VAT refund		-	-	-	-	360
<i>Income from charitable activities:</i>						
Orchestral activity and education	6	3,252	-	-	3,252	3,636
<i>Income from other trading activities</i>						
Activities for generating funds	7	548	-	-	548	599
Income from investments		10	108	158	276	264
<b>Total income and endowments</b>		<b>7,566</b>	<b>4,459</b>	<b>224</b>	<b>12,249</b>	<b>9,763</b>
<b>Expenditure</b>						
<i>Expenditure on raising funds:</i>						
Costs of activities for raising funds	8	357	1	-	358	476
Investment management expenses		-	8	12	20	17
<i>Expenditure on charitable activities</i>						
Orchestral activity and education	9	8,073	371	16	8,460	9,121
<i>Other expenditure</i>						
Retirement Benefit Scheme costs	21	440	-	-	440	411
<b>Total expenditure</b>		<b>8,870</b>	<b>380</b>	<b>28</b>	<b>9,278</b>	<b>10,025</b>
<b>Net (expenditure)/ income and net movement in funds before (losses)/gains on investments</b>		<b>(1,304)</b>	<b>4,079</b>	<b>196</b>	<b>2,971</b>	<b>(262)</b>
Net gains on investments	13	(2)	(11)	230	217	502
<b>Net (expenses)/ income before transfers and orchestra tax credit</b>		<b>(1,306)</b>	<b>4,068</b>	<b>426</b>	<b>3,188</b>	<b>240</b>
Orchestra Tax Credit		1,868	-	-	1,868	-
Transfers between funds	18	276	(80)	(196)	-	-
<b>Net incoming resources before other recognised gains and losses</b>		<b>838</b>	<b>3,988</b>	<b>230</b>	<b>5,056</b>	<b>240</b>
<b>Other recognised gains and losses</b>						
Gains on revaluation of fixed assets	12	-	-	81	81	-
Actuarial gain/(loss) on defined benefit pension scheme	21	347	-	-	347	(3,184)
<b>Net movement in funds</b>		<b>1,185</b>	<b>3,988</b>	<b>311</b>	<b>5,484</b>	<b>(2,944)</b>
<b>Reconciliation of funds</b>						
Total funds brought forward at 1 April		(12,428)	3,311	6,562	(2,555)	389
<b>Total funds carried forward at 31 March</b>	17	<b>(11,243)</b>	<b>7,299</b>	<b>6,873</b>	<b>2,929</b>	<b>(2,555)</b>

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 on pages 27 to 47 form part of these financial statements.

Total investment income amounted to £276k (2017: £264k) of which £10k (2017: £5k) was unrestricted, £108k restricted (2017: £259k) and £158k (2017: £nil) accounted for within the Endowment Fund

**Charitable Company Statement of Financial Activities**  
for the year ended 31 March 2018

	Note	Unrestricted Funds 2018 £'000	Restricted funds 2018 £'000	Endowment Funds 2018 £'000	Total 2018 £'000	Total 2017 £'000
<b>Income and endowments from:</b>						
Donations and legacies	5	4,044	4,370	-	8,414	5,037
VAT refund		-	-	-	-	360
<i>Income from charitable activities:</i>						
Orchestral activity and education	6	3,252	-	-	3,252	3,636
<i>Income from other trading activities</i>						
Activities for generating funds	7	531	-	-	531	575
Income from investments		10	2	-	12	5
<b>Total income</b>		<b>7,837</b>	<b>4,372</b>	<b>-</b>	<b>12,209</b>	<b>9,613</b>
<b>Expenditure</b>						
<i>Expenditure on raising funds:</i>						
Costs of activities for generating funds	8	349	1	-	350	467
<i>Expenditure on charitable activities</i>						
Orchestral activity and education	9	8,063	348	-	8,411	9,098
<i>Other expenditure</i>						
Retirement benefit scheme costs	21	440	-	-	440	411
<b>Total expenditure</b>		<b>8,852</b>	<b>349</b>	<b>-</b>	<b>9,201</b>	<b>9,976</b>
<b>Net (expenditure)/ income and net movement in funds before gains and losses on investments</b>		<b>(1,015)</b>	<b>4,023</b>	<b>-</b>	<b>3,008</b>	<b>(363)</b>
Net (losses)/gains on investments	13	(2)	-	-	(2)	12
<b>Net (outgoing)/ incoming resources before Orchestra Tax Credit and other recognised gains and losses</b>		<b>(1,017)</b>	<b>4,023</b>	<b>-</b>	<b>3,006</b>	<b>(351)</b>
Orchestra tax credit		1,868	-	-	1,868	-
<b>Other recognised gains and losses</b>						
Actuarial gain/(loss) on defined benefit pension scheme	21	347	-	-	347	(3,184)
<b>Net movement in funds</b>		<b>1,198</b>	<b>4,023</b>	<b>-</b>	<b>5,221</b>	<b>(3,535)</b>
<b>Reconciliation of funds</b>						
Total funds brought forward at 1 April (restated)		(12,443)	2,813	42	(9,588)	(6,053)
<b>Total funds carried forward at 31 March</b>	<b>17</b>	<b>(11,245)</b>	<b>6,836</b>	<b>42</b>	<b>(4,367)</b>	<b>(9,588)</b>

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

The accompanying notes on pages 27 to 47 form part of these financial statements.

Total investment income amounted to £12,000 (2017: £5,000) of which £10,000 (2017: £4,000) was unrestricted and £2,000 restricted (2017: £1,000)



**Consolidated and Aggregated and Charitable Company Balance Sheets**  
at 31 March 2018

	Note	Group 2018	Group 2017	Company 2018	Company 2017
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	12	2,110	1,694	1,726	1,377
Investments	13	6,667	6,308	108	110
		<u>8,777</u>	<u>8,002</u>	<u>1,834</u>	<u>1,487</u>
<b>Current assets</b>					
Stocks		3	3	3	3
Debtors	14	1,850	1,276	2,185	1,142
Cash at bank and in hand		4,256	911	3,547	601
		<u>6,109</u>	<u>2,190</u>	<u>5,735</u>	<u>1,746</u>
<b>Liabilities:</b>					
<b>Creditors:</b> amounts falling due within one year	15	(1,038)	(1,474)	(1,017)	(1,548)
<b>Net current assets</b>		<u>5,071</u>	<u>716</u>	<u>4,718</u>	<u>198</u>
<b>Total assets less liabilities excluding pension liability</b>		<b>13,848</b>	<b>8,718</b>	<b>6,552</b>	<b>1,685</b>
Pension liability	21	(10,919)	(11,273)	(10,919)	(11,273)
<b>Total assets less liabilities including pension liability</b>		<u><b>2,929</b></u>	<u><b>(2,555)</b></u>	<u><b>(4,367)</b></u>	<u><b>(9,588)</b></u>
<b>Capital funds</b>					
Endowments		6,873	6,562	42	42
<b>Income funds</b>					
Restricted funds		7,299	3,311	6,836	2,813
<b>Unrestricted funds:</b>					
Non-charitable funds		-	5	-	-
Other charitable funds		(324)	(1,160)	(326)	(1,170)
Pension reserve		(10,919)	(11,273)	(10,919)	(11,273)
		<u>(11,243)</u>	<u>(12,428)</u>	<u>(11,245)</u>	<u>(12,443)</u>
<b>Total Funds</b>	17	<u><b>2,929</b></u>	<u><b>(2,555)</b></u>	<u><b>(4,367)</b></u>	<u><b>(9,588)</b></u>

The notes on pages 27 to 47 form part of these financial statements

These financial statements were approved by the Board of Trustees and signed on its behalf on **29** August 2018

by 

**David McKeith**  
Chairman



**Brandon Leigh**  
Chairman of Audit Committee

**Consolidated and Aggregated Cash Flow Statement**  
for the year ended 31 March 2018

	2018 £'000	2017 £'000
<b>Cash used in operating activities</b>	<b>3,663</b>	<b>(323)</b>
<b>Cash flows from investing activities:</b>		
<b>Interest and dividends</b>		
Interest received	7	2
Interest paid	-	(1)
Dividends received	269	263
<b>Net cash inflow from returns on investments</b>	<b>276</b>	<b>264</b>
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(452)	(17)
Receipts from sales of tangible fixed assets	-	-
Payments to acquire fixed asset investments	(142)	(46)
Receipts from sales of fixed asset investments	-	43
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(594)</b>	<b>(20)</b>
<b>Reconciliation of net cash flows to movement in net funds</b>		
Increase/ (decrease) in cash and cash equivalents in the year	3,345	(79)
Cash and cash equivalents at 1 April	911	990
<b>Total cash and cash equivalents at 31 March</b>	<b>4,256</b>	<b>911</b>
<b>Notes to the group cash flow statement</b>		
<b>Reconciliation of net movement in funds to net cash flow from operating activities</b>		
Net incoming resources (as per the SOFA)	5,056	240
Depreciation charge	117	122
In kind addition of tangible fixed assets	-	(32)
Increase in debtors	(574)	(180)
(Decrease)/increase in creditors	(436)	298
Decrease in pension fund liability	(7)	(4)
Deduct gains on investments	(217)	(502)
Interest received	(7)	(2)
Interest paid	-	1
Investment income	(269)	(264)
<b>Net cash outflow from operating activities</b>	<b>3,663</b>	<b>(323)</b>

The notes on pages 27 to 47 form part of these financial statements.

## 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.

#### *a) Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, in accordance with Accounting and Reporting by Charities Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The accounts are prepared under the historical cost accounting convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to the accounts

The Society meets the definition of a public benefit entity under FRS 102

The Society is considered to be a qualifying entity under FRS 102 and has taken advantage of the reduced disclosure framework of FRS 102 in respect of certain disclosures for the Company. No separate Company cash flow statement is included and Key Management Personnel compensation has not been included a second time

#### *b) Preparation of accounts on a going concern basis*

Taking into account the improved position on overall and general reserves (as explained in the Trustees' Strategic report on pages 14 to 18), the current cash balances and forecast income and expenditure flows, the Trustees have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. The Trustees therefore consider the going concern basis to be appropriate for the preparation of these financial statements.

#### *c) Basis of consolidation and aggregation*

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 and the Charles Hallé Foundation which has a year end of 5 April. The Hallé Endowment Trust and Charles Hallé Foundation have been aggregated based on their financial statements as at 31 December 2017 and 5 April 2018 respectively.

The Society has taken advantage of section 408 of the Companies Act 2006 in not presenting its own income and expenditure account.

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### Notes (continued)

#### 2 Accounting policies (continued)

##### *d) Income*

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 relating to performances which take place 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 recognised 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, the grant of probate where known or the legacy being received. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution.

Gifts in kind are included in income 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.

Income from the permanent endowment is unrestricted.

##### *e) 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.

##### *f) Expenditure*

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

The costs of raising funds represents 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 are apportioned on a basis consistent with the average consumption of resources as set out in the notes.

Governance costs represent the costs associated with the governance arrangements of the Group which relate to the strategic management 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 on a basis consistent with the average consumption of resources as set out in note 10.

##### *g) Irrecoverable VAT*

Irrecoverable VAT is charged against the category of expenditure for which it was incurred.

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### Notes (continued)

#### 2 Accounting policies (continued)

##### *h) Funds*

Unrestricted funds are those funds available for use at the discretion of the Trustees in the furtherance of the general objectives of the charity.

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 17.

Within the Hallé Group there are two permanent endowment funds which are held within the Hallé Endowment Trust: the Main Endowment Fund and the Catalyst Endowment Fund.

The principal activity of the Hallé Endowment Trust is to maintain a capital endowment fund and to apply the annual income of that fund in perpetuity towards the education of the general public in the study, appreciation and practice of music and the allied arts by furthering and supporting the objects and work of the Hallé Concerts Society. As at 1 January 2017 the Trustees adopted the total return approach to investment accounting for the Main Endowment Fund, under the powers granted in Section 4 of the Trusts (Capital and Income) Act 2013. This allows any increase in the value of an investment to be treated as income. The Catalyst Endowment Fund is held as a segregated fund within the fund of the Hallé Endowment Trust under the terms of a Trust deed dated 29 October 2012 between the Hallé Concerts Society and the Arts Council of England.

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

##### *i) Tangible fixed assets*

Assets with a purchase cost of less than £500 are not capitalised. 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:

Fixtures and Fittings -	Three to ten years
Motor Vehicles -	Five years
Music Library -	Five years
Musical Instruments -	Ten to twenty-five years
Leasehold property -	Twenty-five years

The musical instrument held by the Hallé Endowment Trust is re-valued at market value by the Trustees periodically based on the Trustees' review of recent sales values of similar instruments.

The leasehold of Hallé St Peter's was acquired from the Homes and Communities Agency for a period of 999 years at a peppercorn rent. The terms of the lease place restrictions on the use of the building and its disposition and therefore no value is placed on the leasehold itself.

##### *j) Investments*

Investments are included at fair value, measured at bid value. The SOFA includes the net gains and losses arising on revaluations and disposals throughout the year. In relation to the Hallé Endowment Trust, the Trustees have adopted a total return approach to the permanent endowment with effect from 1 January 2017.

Investments in subsidiary undertakings are valued at cost.

# Hallé Concerts Society

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## Notes (continued)

### 2 Accounting policies (continued)

#### *k) Stocks*

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

#### *l) Pension costs*

The Charitable Company's defined benefit pension scheme was closed to future accrual in July 2006. For that 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.

The Society also operates a defined contribution pension scheme (Group Personal Pension Plan) for which the amount charged to the Statement of Financial Activities in respect of pension costs is the contributions 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.

#### *m) Exceptional items*

In order to provide further clarity to the users of the financial statements, a columnar format is used within the Consolidated Income and Expenditure statement to record exceptional items. These are items that, in the opinion of the Trustees, should be presented separately due to their size or qualitative materiality in order to give a better understanding of the recurring operational performance of the Group.

#### *n) Accounting estimates and judgements*

##### *Key sources of estimation uncertainty*

In the application of the Group's accounting policies, which are described above, the Trustees are required to make judgements, estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below:

#### *i) Taxes*

Determining income tax provisions involves judgements on the tax treatment of certain transactions. Tax debtors are only recognised when there is sufficient certainty of the value and recoverability of the amount.

#### *ii) Defined benefit scheme*

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including: life expectancy, salary increases, asset valuations and the discount rate of corporate bonds. Management estimates these factors in determining the net pension liability in the balance sheet. The assumptions reflect historical experience and current trends. See note 21 for the disclosures relating to the defined benefit pension scheme.

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### Notes (continued)

#### 3 Net movement in funds

i) The net movement in funds is stated after charging:

	2018 £'000	2017 £'000
Auditor remuneration - audit: - Group (including Society)	20	19
- Society alone	19	18
- other services relating to taxation for the Group and the Society	11	4
Depreciation	117	122

Amounts receivable by the Company's auditor and its associates in respect of administration, governance and actuarial services for associated pension schemes is £77,000 (2017: £64,000).

ii) The net movement in funds includes the following items which have been identified by the trustees as exceptional:

	2018 £'000	2017 £'000
Gross income from charitable operations	3,050	360
Total expenditure from continuing operations	-	(141)
Orchestra tax credit	968	-
Total exceptional items	4,018	219

Gross income includes £1,050k from 5 restricted donations, raised from the major capital appeal for St Peter's Phase 2. Over the next 2 years the Arts Council are providing funding of £4,800k and as part of the Arts Council Funding agreement the Hallé is required to raise £1,400k. These future donations will be held in the restricted Fixed Asset reserve, providing the funding for the Phase 2 building project and against which the depreciation on St Peter's Phase 2 will be charged. The current income has been categorised as exceptional because it has been received in connection with a capital appeal for a project which is due to complete at the end of summary 2019 and which is outside of the usual operational activities of the Hallé.

Gross income also includes £2,000k from a single Trust to support the artistic programme associated with St Peter's Phase 2. Although we have received other donations from this particular Trust, the size of this donation and the fact it reflects a final distribution on the closing down of the Trust it has been shown within exceptional income.

£968k is the sum received in 2017/18 in respect of our first claim for orchestra tax credit for the previous financial year (the first year of this new tax relief). The whole of this sum has been accounted for within 2017/18 because there was insufficient certainty to accrue the relief in the 2016/17 financial statements. As a result there are two years claims included in 2017/18. This is an exceptional occurrence.

#### 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 company undertook no transactions during the year.

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## Notes (continued)

### 5 Donations and legacies

Group	Unrestricted Funds 2018 £'000	Restricted Funds 2018 £'000	Endowment Funds 2018 £'000	Total 2018 £'000	Total 2017 £'000
<b>Grants receivable</b>					
<b>Revenue grants receivable:</b>					
Arts Council England	2,084	-	-	2,084	2,084
Association of Greater Manchester Authorities	821	-	-	821	821
Manchester City Council	337	-	-	337	337
<b>Total revenue grants receivable</b>	<b>3,242</b>	<b>-</b>	<b>-</b>	<b>3,242</b>	<b>3,242</b>
<b>Donations and similar income</b>					
Fundraising donations	286	4,351	17	4,654	1,465
Membership subscriptions	34	-	-	34	45
Legacies and bequests	194	-	49	243	152
<b>Total donations and similar income</b>	<b>514</b>	<b>4,351</b>	<b>66</b>	<b>4,931</b>	<b>1,662</b>
<b>Total donations and legacies</b>	<b>3,756</b>	<b>4,351</b>	<b>66</b>	<b>8,173</b>	<b>4,904</b>

In 2017 income from donations and legacies for the Group totalled £4,904,000 of which £3,699,000 was unrestricted (£3,242,000 revenue grants and £457,000 donations), £1,081,000 was restricted (£1,081,000 donations) and £124,000 was for permanent endowment (£19,000 donations and £105,000 legacies).

Company	Unrestricted Funds 2018 £'000	Restricted funds 2018 £'000	Endowment Funds 2018 £'000	Total 2018 £'000	Total 2017 £'000
<b>Grants receivable</b>					
<b>Revenue grants receivable:</b>					
Arts Council England	2,084	-	-	2,084	2,084
Association of Greater Manchester Authorities	821	-	-	821	821
Manchester City Council	337	-	-	337	337
<b>Total grants receivable</b>	<b>3,242</b>	<b>-</b>	<b>-</b>	<b>3,242</b>	<b>3,242</b>
<b>Donations and similar income</b>					
Fundraising donations	574	4,370	-	4,944	1,704
Membership subscriptions	34	-	-	34	45
Legacies and bequests	194	-	-	194	46
<b>Total donations and similar income</b>	<b>802</b>	<b>4,370</b>	<b>-</b>	<b>5,172</b>	<b>1,795</b>
<b>Total donations and legacies</b>	<b>4,044</b>	<b>4,370</b>	<b>-</b>	<b>8,414</b>	<b>5,037</b>

In 2017 income from donations and legacies for the Company totalled £5,037,000 of which £3,944,000 was unrestricted (£3,242,000 revenue grants and £702,000 donations) and £1,093,000 was restricted



# Hallé Concerts Society

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## Notes (continued)

### 6 Income from charitable activities

	Group and Company 2018 £'000	Group and Company 2017 £'000
<b>Orchestral concerts and related work</b>		
Box office income (Manchester promotions)	1,623	1,623
Engagement income	938	987
Overseas touring	236	381
Broadcasts, recordings and other income	164	148
	<u>2,961</u>	<u>3,139</u>
Education and outreach	208	368
Hallé St Peter's & St Michael's	83	129
	<u>3,252</u>	<u>3,636</u>

Income from charitable trading activities was all unrestricted as in the previous year

### 7 Income from other trading activities

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
<b>Sponsorship and other income</b>				
Corporate sponsorship	405	432	405	432
Fundraising events	17	23	-	-
Other income	126	144	126	143
<b>Total activities for generating funds</b>	<u>548</u>	<u>599</u>	<u>531</u>	<u>575</u>

Income from other trading activities was all unrestricted as in the previous year.

### 8 Expenditure on raising funds

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Fundraising salary & administration costs	279	259	280	259
Campaign & event costs	7	8	-	-
Allocated support costs	64	201	63	201
Allocated governance costs	8	8	7	7
	<u>358</u>	<u>476</u>	<u>350</u>	<u>467</u>

Expenditure on raising funds were £358,000 for the Group (2017: £476,000) of which £771 was restricted (2017: £nil) and for the Charitable Company £350,000 (2017: £467,000) of which £771 (2017: £nil) was restricted

# Hallé Concerts Society

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## Notes (continued)

### 9 Costs of charitable activity

Group	Unrestricted Funds 2018 £'000	Restricted Funds 2018 £'000	Endowment Funds 2018 £'000	Total 2018 £'000	Total 2017 £'000
<b>Orchestral concerts and related work</b>					
Orchestra, related staff and other costs	4,049	-	-	4,049	4,117
Conductors and soloists	602	111	-	713	843
Augmenting extra players	164	-	-	164	113
Overseas tours	235	21	-	256	365
Travel and subsistence	150	-	-	150	192
Hall hire	675	-	-	675	716
Sundry concert costs	169	-	-	169	177
Music and instrument hire	66	-	-	66	78
Recording costs	88	6	-	94	57
Marketing & Communications	455	-	-	455	435
Box office charges	152	-	-	152	153
Programme costs	48	-	-	48	57
Depreciation	18	85	16	119	122
Support costs	437	-	-	437	452
Governance costs	44	11	-	55	59
	<b>7,352</b>	<b>234</b>	<b>16</b>	<b>7,602</b>	<b>7,936</b>
<b>Education and outreach</b>					
Direct Education costs	351	17	-	368	385
Choir, Youth Orchestra, Youth Choir, & Children's Choir	168	58	-	226	294
Support costs	58	-	-	58	60
Governance costs	7	-	-	7	7
	<b>584</b>	<b>75</b>	<b>-</b>	<b>659</b>	<b>746</b>
<b>Hallé St Peter's &amp; St Michael's Costs</b>					
Operational costs	137	19	-	156	153
St Peter's Phase 2 expenditure	-	31	-	31	278
	<b>137</b>	<b>50</b>	<b>-</b>	<b>187</b>	<b>431</b>
<b>Payments to beneficiaries</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>12</b>	<b>8</b>
<b>Total charitable expenditure</b>	<b>8,073</b>	<b>371</b>	<b>16</b>	<b>8,460</b>	<b>9,121</b>

Total charitable expenditure for the Group was £8,460,000 (2017: £9,121,000) of which £8,073,000 was unrestricted (2017: £8,140,000), £371,000 was restricted (2017: £981,000) and £16,000 was charged to the Endowment (2017: £nil).

Company charitable expenditure is analysed overleaf.

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## Notes (continued)

### 9 Cost of charitable activity (continued)

Company	Unrestricted Funds 2018 £'000	Restricted funds 2018 £'000	Endowment Funds 2018 £'000	Total 2018 £'000	Total 2017 £'000
<b>Orchestral concerts and related work</b>					
Orchestra, related staff and other costs	4,042	-	-	4,042	4,117
Conductors and soloists	602	111	-	713	843
Augmenting extra players	164	-	-	164	113
Overseas tours	235	21	-	256	365
Travel and subsistence	150	-	-	150	192
Hall hire	675	-	-	675	716
Sundry concert costs	169	-	-	169	177
Music and instrument hire	66	-	-	66	78
Recording costs	88	6	-	94	57
Marketing & Communications	455	-	-	455	435
Box office charges	152	-	-	152	153
Programme costs	49	-	-	49	57
Depreciation	18	85	-	103	104
Support costs	428	-	-	428	455
Governance costs	52	-	-	52	57
	<b>7,345</b>	<b>223</b>	<b>-</b>	<b>7,568</b>	<b>7,919</b>
<b>Education and outreach</b>					
Direct Education costs	351	17	-	368	385
Choir, Youth Orchestra, Youth Choir, & Children's Choir	168	58	-	226	294
Support costs	57	-	-	57	62
Governance costs	6	-	-	6	7
	<b>582</b>	<b>75</b>	<b>-</b>	<b>657</b>	<b>748</b>
<b>Hallé St Peter's &amp; St Michael's Costs</b>					
Operational costs	136	19	-	155	153
St Peter's Phase 2 feasibility costs	-	31	-	31	278
	<b>136</b>	<b>50</b>	<b>-</b>	<b>186</b>	<b>431</b>
<b>Total charitable expenditure</b>	<b>8,063</b>	<b>348</b>	<b>-</b>	<b>8,411</b>	<b>9,098</b>

Total charitable expenditure for the Company was £8,411,000 (2017: £9,098,000) of which £8,063,000 was unrestricted (2017: £8,145,000) and £348,000, was restricted (2017: £953,000).

### 10 Analysis of governance and support costs

Group	Orchestral work 2018 £'000	Education 2018 £'000	Fundraising 2018 £'000	Governance 2018 £'000	Total 2018 £'000	Total 2017 £'000
Management and Finance	245	33	33	15	326	350
Office and sundry operational costs	192	26	26	13	257	251
Professional and consultancy fees	-	-	5	40	45	185
	<b>437</b>	<b>59</b>	<b>64</b>	<b>68</b>	<b>628</b>	<b>786</b>

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## Notes (continued)

### 10 Analysis of governance and support costs (continued)

	Orchestral work 2018 £'000	Education 2018 £'000	Fundraising 2018 £'000	Governance 2018 £'000	Total 2018 £'000	Total 2017 £'000
<b>Company</b>						
Management and finance	245	33	33	15	326	352
Office and sundry operational costs	183	24	24	13	244	252
Professional and consultancy fees	-	-	6	38	44	185
	<b>428</b>	<b>57</b>	<b>63</b>	<b>66</b>	<b>614</b>	<b>789</b>

### 11 (a) Staff numbers and costs

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

	Group and Company 2018 Number	Group and Company 2017 Number
Orchestral musicians	67	71
Administrative and other non-playing personnel	38	38
	<b>105</b>	<b>109</b>

The aggregate payroll costs of these persons were as follows:

	Group and Company 2018 £'000	Group and Company 2017 £'000
Salaries and fees	3,360	3,460
Employers' National Insurance contributions	332	337
Employers' Group Personal Pension Plan pension contributions	397	385
	<b>4,089</b>	<b>4,182</b>

### 11 (b) Remuneration of Trustees and employees

The Trustees consider the Key Management Personnel to comprise the Trustees and the Chief Executive. The Trustees receive no remuneration nor reimbursement of expenses and derive no financial benefit from their services to the Society. The Chief Executive's pay is reviewed each year and normally increased in line with other management salaries.

The number of employees whose emoluments (salaries and benefits in kind) amounted to more than £60,000 during the year was as follows:

	2018 Number	2017 Number
£90,001-£100,000	<b>1</b>	<b>1</b>

The employers' contribution to the Hallé Group Personal Pension Plan for the above employees was £10,000 (2017: £10,000).

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## Notes (continued)

### 12 Tangible fixed assets

	Leasehold Property	Music Library	Musical Instruments	Fixtures & Fittings	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Group</b>						
<b>Cost or valuation</b>						
At 1 April 2017	1,231	95	982	449	134	2,891
Additions	440	-	-	12	-	452
Revaluation	-	-	81	-	-	81
Disposals	-	-	-	(13)	-	(13)
At 31 March 2018	<b>1,671</b>	<b>95</b>	<b>1,063</b>	<b>448</b>	<b>134</b>	<b>3,411</b>
<b>Depreciation</b>						
At 1 April 2017	(192)	(95)	(499)	(278)	(133)	(1,197)
Charge for the year	(49)	-	(36)	(31)	(1)	(117)
Disposals	-	-	-	13	-	13
At 31 March 2018	<b>(241)</b>	<b>(95)</b>	<b>(535)</b>	<b>(295)</b>	<b>(134)</b>	<b>(1,301)</b>
<b>Net book value</b>						
At 31 March 2018	<b>1,430</b>	<b>-</b>	<b>528</b>	<b>152</b>	<b>-</b>	<b>2,110</b>
At 31 March 2017	1,039	-	483	171	1	1,694
<b>Company</b>						
<b>Cost or valuation</b>						
At 1 April 2017	1,231	95	574	449	134	2,483
Additions/Disposals	440	-	-	(1)	-	439
At 31 March 2018	<b>1,671</b>	<b>95</b>	<b>574</b>	<b>448</b>	<b>134</b>	<b>2,922</b>
<b>Depreciation</b>						
At 1 April 2017	(192)	(95)	(408)	(278)	(133)	(1,106)
Charge for the year	(49)	-	(21)	(18)	(2)	(90)
At 31 March 2018	<b>(241)</b>	<b>(95)</b>	<b>(429)</b>	<b>(296)</b>	<b>(135)</b>	<b>(1,196)</b>
<b>Net book value</b>						
At 31 March 2018	<b>1,430</b>	<b>-</b>	<b>145</b>	<b>152</b>	<b>(1)</b>	<b>1,726</b>
At 31 March 2017	1,039	-	166	171	1	1,377

The Music Library and Musical Instruments held by the Society itself were re-valued on an open market basis at 31 March 1998 to £30,000 and £179,000 respectively. In accordance with Charities SORP FRS 102 and with the transitional provisions of FRS 102, these valuations have not been updated. The Trustees are not aware of any significant changes to the valuation since that date

Under the historical cost convention accounting rules the net book value of the Music Library and Musical Instruments at 31 March 2018 would have been £nil and £52,000 respectively. Further information regarding the revaluation of the Society's fixed assets is not available

The musical instrument held by the Hallé Endowment Trust was acquired from the Society in March 1998. The instrument was professionally re-valued on an open market basis at 30 November 2011 by Sotheby's at £400,000. This represented an increase of £215,000 on the net book value as at that date

The musical instrument has been revalued to £400,000 as at 1 January 2017. The revaluation was undertaken by reference to the Coutts index by the Hallé senior management team. It was agreed that the fee associated with a professional valuation was not an effective use of charitable funds, particularly given the volatility of this market over recent years.

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## Notes (continued)

### 12 Tangible fixed assets (continued)

Under the historic cost convention accounting rules, the net book value of the instrument at 31 December 2017 would have been £25,200 in that trust's books.

All tangible fixed assets are used for direct charitable purposes.

### 13 Investments

	Group £'000	Company £'000
Fair value at 1 April 2017	6,308	110
Additions	142	-
Change in market value	217	(2)
<b>Fair value at 31 March 2018</b>	<b>6,667</b>	<b>108</b>

The following table shows the valuation and allocation of assets at 31 March 2018. The majority of holdings are in common investment funds.

	£'000	%	£'000	%
Quoted investments:				
UK equities	1,701	25.5	27	26.0
International equities	2,257	33.9	35	32.9
UK bonds	1,305	19.6	22	20.4
International bonds	174	2.5	3	2.7
Other	499	7.5	8	7.0
Property	731	11	12	11.0
	<b>6,667</b>	<b>100%</b>	<b>107</b>	<b>100%</b>

Investments at fair value representing in excess of 5% of the investment portfolio at 31 March 2018 were as follows:

	Group £'000	Group %	Company £'000	Company %
Equity Income Trust for Charities	673	10.1	11	10.4
Schroder Unit Trust Income Maximiser	463	6.9	8	7.3
Veritas Global Equity Income A	413	6.2	6	5.7
M&G Global Dividend Income	552	8.3	9	8.0
Schroder Strategic Credit Fund	686	10.3	11	10.6
JP Morgan US Equity Income Fund	347	5.2	5	5.0
Schroder European Alpha Income Fund	337	5.0	5	5.1
M&G Feeder of Optima Income	467	7.0	8	7.4
The Charities Property Fund	731	11.0	12	11.0

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
<b>Shares in Group companies</b>				
At cost	1	1	1	1
Provision for impairment	(1)	(1)	(1)	(1)
	-	-	-	-
<b>Quoted investments:</b>				
At fair value - UK	6,667	6,308	107	110
	<b>6,667</b>	<b>6,308</b>	<b>107</b>	<b>110</b>

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## Notes (continued)

### 13 Investments (continued)

All investments are held at fair value. Investments in UK equities (and bonds) are traded on quoted public markets primarily the London Stock Exchange. Holdings in common investment funds and Unit Trusts are at bid price. The basis of fair value for quoted investments is equivalent to market value, using the bid price. Asset sales and purchases are recognised at the date of trade at cost (that is their transaction value)

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

- 100 £1 ordinary shares in Hallé Promotions Limited, a company engaged in publicity and advertising which was dormant throughout the year.

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

As disclosed in note 2, the Hallé Endowment Trust's results are aggregated based on its financial statements at 31 December 2017 at which date the main endowment fund investments stood at £3,876,000 and the Catalyst endowment investments at £2,247,000.

Quoted investments include shares listed on the Alternative Investment Market with a market value of £100 (2017: £100).

### 14 Debtors

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade debtors	229	305	229	305
Amounts owed by connected charities	16	12	15	12
Amounts owed by group charities	-	-	497	100
Other debtors	340	381	319	371
Prepayments and accrued income	1,265	578	1,125	354
	<b>1,850</b>	<b>1,276</b>	<b>2,185</b>	<b>1,142</b>

All debtors fall due within one year.

### 15 Creditors: amounts falling due within one year

	Note	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade creditors		359	613	359	613
Amounts owed to group charities		-	-	3	99
Taxation and social security		86	96	86	96
Other creditors		74	204	66	204
Deferred income	16	279	312	279	297
Accruals		240	249	225	239
		<b>1,038</b>	<b>1,474</b>	<b>1,018</b>	<b>1,548</b>

Deferred income includes project-specific amounts in respect of education funds: £33,000 (2017: £54,000).  
Box office income is deferred until the appropriate concert has taken place

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## Notes (continued)

### 16 Deferred income

	Group £'000	Company £'000
As at 1 April 2017	312	297
Amount released to incoming resources	(312)	(297)
Amount deferred in the year	279	279
As at 31 March 2018	<u>279</u>	<u>279</u>

### 17 Analysis of Total Funds

Group	At 31 March 2017 £'000	Income £'000	Expenditure £'000	Actuarial & Investment Gains/ (losses) £'000	Transfers £'000	At 31 March 2018 £'000
<b>Unrestricted reserves</b>						
General funds	(1,155)	9,434	(8,877)	(2)	276	(324)
Pension reserve	(11,273)	-	7	347	-	(10,919)
<b>Total unrestricted funds</b>	<b>(12,428)</b>	<b>9,434</b>	<b>(8,870)</b>	<b>345</b>	<b>276</b>	<b>(11,243)</b>
<b>Restricted funds</b>						
Fixed asset reserves	34	-	(8)	-	-	26
St Peter's capital fund	1,147	-	(77)	-	-	1,070
St Peter's capital fund - Phase 2	-	1,050	(31)	-	-	1,019
Phase 2 consultancy fund	5	-	-	-	-	5
Archive	5	-	-	-	-	5
Monument artistic	170	2,200	(138)	-	-	2,232
Monument St Peter's revenue	375	750	-	-	-	1,125
Oglesby St Peter's revenue	125	125	-	-	-	250
Oglesby revenue challenge	188	46	-	-	-	234
Education and outreach	6	120	(76)	-	-	50
Hallé 2058 Foundation	761	60	-	-	-	821
Sickness & Benevolent fund	438	18	(14)	(11)	-	431
Charles Hallé Restricted Funds	50	-	(19)	-	-	31
Hallé Endowment Trust	7	90	(17)	-	(80)	-
<b>Total restricted funds</b>	<b>3,311</b>	<b>4,459</b>	<b>(380)</b>	<b>(11)</b>	<b>(80)</b>	<b>7,299</b>
<b>Endowment Funds</b>						
HET Endowment fund	4,183	197	(28)	224	(196)	4,380
HET Catalyst Endowment fund	2,337	27	-	87	-	2,451
HCS Endowment fund	42	-	-	-	-	42
<b>Total endowment funds</b>	<b>6,562</b>	<b>224</b>	<b>(28)</b>	<b>311</b>	<b>(196)</b>	<b>6,873</b>
<b>Total funds</b>	<b>(2,555)</b>	<b>14,117</b>	<b>(9,278)</b>	<b>645</b>	<b>-</b>	<b>2,929</b>



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## Notes (continued)

### 17 Analysis of Total Funds (continued)

Company	At 31 March 2017	Income	Expenditure	Actuarial & Investment Gains/(losses)	Transfers	At 31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Unrestricted reserves</b>						
General funds	(1,170)	9,705	(8,859)	(2)	-	(326)
Pension reserve	(11,273)		7	347	-	(10,919)
<b>Total unrestricted funds</b>	<b>(12,443)</b>	<b>9,705</b>	<b>(8,852)</b>	<b>345</b>	<b>-</b>	<b>(11,245)</b>
<b>Restricted funds</b>						
Fixed asset reserves	31	-	(7)	-	-	26
St Peter's capital fund	1,147	-	(77)	-	-	1,070
St Peter's capital fund – Phase 2	-	1,050	(31)	-	-	1,019
Phase 2 consultancy fund	5	-	(1)	-	-	5
Archive fund	5	-	-	-	-	5
Monument artistic	170	2,200	(138)	-	-	2,232
Monument St Peter's revenue	375	750	-	-	-	1,125
Oglesby St Peter's revenue	125	125	-	-	-	250
Oglesby revenue challenge	188	46	-	-	-	234
Education & outreach	6	120	(75)	-	-	51
Other restricted funds	-	19	(19)	-	-	-
Hallé 2058 Foundation	761	62	(1)	-	-	821
	<b>2,813</b>	<b>4,372</b>	<b>(349)</b>	<b>-</b>	<b>-</b>	<b>6,836</b>
<b>Endowment Funds</b>						
HCS Endowment fund	42	-	-	-	-	42
<b>Total endowment funds</b>	<b>42</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42</b>
<b>Total funds</b>	<b>(9,588)</b>	<b>14,077</b>	<b>(9,201)</b>	<b>345</b>	<b>-</b>	<b>(4,367)</b>

### Restricted funds

All restricted funds are used in line with the original restrictions imposed by the donors.

- The fixed asset reserves represent monies provided for capital expenditure which in accordance with applicable accounting standards will be reduced over the useful lives of the assets in line with their depreciation.
- The St Peter's Capital Fund represent monies received to support the conversion of St Peter's, Ancoats into a rehearsal centre and home for the Hallé ensembles and in accordance with applicable accounting standards will be reduced over the useful lives of the assets in line with their depreciation.
- The Phase 2 consultancy fund is for consultancy work to support the operational plans for Hallé St Peter's.
- The Archive Fund is in support of the Hallé's archive
- The Monument funds represent funding received for revenue support for for Hallé St Peter's Phase Two and to support the artistic programme.
- The Oglesby funds represents challenge funding from the Oglesby Trust pledged to match other funding raised, together with funding raised from supporters to match the Trust's gift to support activity at Hallé St Peter's.
- The Other restricted funds relate to funding received from the Homes and Communities Agency in support of the Hallé's residency in St Michael's and other project specific funding

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### Notes (continued)

#### 17 Analysis of Total Funds (continued)

##### Restricted funds (continued)

- The Hallé 2058 Foundation Funds represents monies received in support of the fundraising effort for the Hallé's 150<sup>th</sup> birthday combined with the funds raised by the earlier Hallé Public Appeal. The funds are administered by an independent panel of Custodians and support was given to a number of education and outreach initiatives during the year.
- The Sickness and Benevolent Fund and Hallé Endowment Trust funds represents donations and investments held for the restricted distributable purposes of those trusts
- The Education and outreach funds represent funds received 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 including monies given by the Homes and Communities Agency to support activity in St Michael's for five years. Funds include gifts of shares in companies listed on the Alternative Investment Market. Those funds are disclosed in the accounts of the Charles Hallé Foundation

##### Endowment funds

Endowments amounting to £42,000 (2017: £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. The Catalyst Endowment Fund was originally an Arts Council initiative matching £ for £ donations raised up to a maximum of £1m, achieved in May 2015. All funds raised for the Catalyst Fund are invested in a separately designated fund within the Hallé Endowment Trust.*

#### 18 Transfers between funds

Group	Unrestricted Funds 2018 £'000	Restricted Funds 2018 £'000	Endowment Funds 2018 £'000	Total 2018 £'000
<b>Transfers between funds</b>				
HET donation to Society funds	200	(200)	-	-
HET Catalyst donation to Society funds	76	(76)	-	-
HET Endowment to Restricted	-	196	(196)	-
<b>Total transfers between funds</b>	<b>276</b>	<b>(80)</b>	<b>(196)</b>	<b>-</b>

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## Notes (continued)

### 19 Analysis of group net assets between funds

	Unrestricted Funds 2018 £'000	Restricted Funds 2018 £'000	Endowment Funds 2018 £'000	Total 2018 £'000
Balances at 31 March 2018 are represented by:				
Tangible assets	20	1,706	384	2,110
Investments	108	435	6,124	6,667
Current assets	478	5,170	461	6,109
Current liabilities	(930)	(12)	(96)	(1,038)
Pension liability	(10,919)	-	-	(10,919)
<b>Total net assets</b>	<b>(11,243)</b>	<b>7,299</b>	<b>6,873</b>	<b>2,929</b>

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, HLF and other funds as disclosed in note 17

Current assets in endowment funds include £330,000 held in cash (2017: £370,000). Current liabilities in endowment funds represent amounts due to Hallé Concerts Society in respect of donations approved, not paid over at the year end.

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

	Unrestricted Funds 2018 £'000	Restricted Funds 2018 £'000	Endowment Funds 2018 £'000	Total 2018 £'000	Total 2017 £'000
Net movement in funds for the year	1,185	3,988	311	5,484	(2,944)
Net decrease/(increase) in tangible fixed assets for direct charitable purposes	1	(352)	(65)	(416)	(71)
<b>Net movement in funds available for future activities</b>	<b>1,186</b>	<b>3,636</b>	<b>246</b>	<b>5,068</b>	<b>(3,015)</b>

### 21 Pensions

#### Defined contribution pension scheme

Since 1 April 2014 the Hallé Concerts Society auto enrolls all eligible employees into a contributory Group Personal Pension Plan (GPPP) with Royal London. Prior to this, a contributory Stakeholder Scheme was offered to all permanent employees with Standard Life. Employees joining the GPPP contract directly with Royal London. All contributions are charged to the income and expenditure account as they arise. Contributions are made under a salary sacrifice arrangement. The pension cost charge for the current year was £397,000 (2017: £385,000).

#### Defined benefit pension scheme

The Society's defined benefit pension scheme (the Hallé Concerts Society Retirement Benefits Scheme) which provided benefits based on final pensionable salary, was closed to future accrual of benefits from 1 July 2006. The assets of the Scheme are held separately from those of the Society in a trustee-administered fund. The full actuarial valuation at 31 March 2014 showed a deficit of £6.4m on the Trustees' funding basis.

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## Notes (continued)

### 21 Pensions (continued)

#### Defined benefit pension scheme (continued)

To make good the deficit the Trustees agreed a plan with the Society to pay off the shortfall, requiring the Society to make payments over 19 years ending 31 March 2033 of £275,000 increasing annually by RPI + 3.25%. Following the latest triennial valuation as at 31 March 2017 a revised plan, finalised on 30 June 2018, has been agreed to pay off the deficit by 30 April 2040. This requires the Society to make payments of £450,000 per annum over 22 years and 1 month from 1 April 2018 increasing at 3% per annum plus administration costs of £100,000 per annum.

The Society contributed £446,000 to the Scheme in the 2017/18 financial year including administration expenses paid.

The 2014 actuarial valuation is updated each year on an approximate basis by a qualified independent actuary as shown overleaf. The following information relates to the Group and the Company.

Change in benefit obligation	2018 £'000	2017 £'000
Benefit obligation at start of year	26,500	22,300
Current service cost company only, including administration expenses	134	125
Interest cost	707	784
Actuarial (gains)/losses	(396)	4,468
Benefits paid	(611)	(1,052)
Administration expenses paid	(134)	(125)
<b>Benefit obligation at end of year *</b>	<b>26,200</b>	<b>26,500</b>
<b>Change in scheme assets</b>		
Fair value of scheme assets at start of year	15,226	14,207
Expected return on scheme assets	407	498
Actuarial (losses)/gains	(49)	1,284
Employer contributions	442	415
Administration expenses paid	(611)	(125)
Benefits paid	(134)	(1,052)
<b>Fair value of scheme assets at end of year</b>	<b>15,281</b>	<b>15,227</b>
<b>Funded status</b>	<b>(10,919)</b>	<b>(11,273)</b>

\*The above benefit obligation arises from a scheme that is wholly or partly funded.

Components of pension cost	2018 £'000	2017 £'000
<b>Amounts recognised in resources expended</b>		
Administration expenses paid	140	125
Net interest cost (on defined benefit liability)	300	286
<b>Total pension cost recognised within other expenditure</b>	<b>440</b>	<b>411</b>
<b>Re-measurements recognised in other gains/(losses)</b>		
Actuarial (losses)/gains on the assets	(49)	1,284
Actuarial gains/(losses) on the liabilities	396	(4,468)
<b>Total gain/(loss) recognised in other recognised gains and losses</b>	<b>347</b>	<b>(3,184)</b>

All pension costs for the current and preceding year are recognised in unrestricted funds.

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## Notes (continued)

### 21 Pensions (continued)

#### Defined benefit pension scheme (continued)

	2018	2017
<b>Scheme assets</b>		
The major categories of Scheme assets, measured at fair value are	<b>£000</b>	<b>£000</b>
<b>Asset category</b>		
Equities	10,064	9,998
Corporate bonds and property	3,766	3,722
Government bonds	1,560	1,554
Cash and net current assets	(110)	(48)
	<b>15,280</b>	<b>15,226</b>
	<b>2018</b>	<b>2017</b>
The expected return on assets	2.80%	2.70%
Actual return on scheme assets (£'000)	358	1,782
<b>The major weighted average assumptions used by the Actuary to determine benefit obligations were:</b>		
Discount rate	2.80%	2.70%
Rate of increase in salaries	N/A	N/A
Rate of increase of pensions in payment for members retiring on or after 1/8/1993 inflation linked up to 5%	3.10%	3.10%
Rate of increase of pensions in payment for members retiring before 1/8/1993 3% fixed	3.00%	3.00%
Rate of inflation (RPI)	3.20%	3.20%
Rate of inflation (CPI)	2.30%	2.30%

#### Weighted average life expectancy for mortality tables used to determine benefit obligations at 31 March

	2018	2017
Mortality table pre- and post-retirement	S2PA Y0B – 1year	S2PA Y0B – 1year
	CMI 2014 1.25%	CMI 2014 1.25%
<b>Pre-retirement</b>		
Life expectancy at 65 of male member currently aged 45	26	26
Life expectancy at 65 of a female member currently aged 45	28	28
<b>Post-retirement</b>		
Life expectancy of male member currently aged 65	23	23
Life expectancy of a female member currently aged 65	26	26
Allowance for early retirements	No	No
Allowance for members to commute pension for tax free cash	Maximum allowed at 80% of value commuted	Maximum allowed at 80% of value commuted

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### Notes (continued)

#### 22 Related party transactions

The Charitable Company has relied on the exemption in FRS 102 (s33.1A), 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 of £2,500 for administration costs during the current and previous years and at the year end owed £16,000 (2017: £12,000) to the Society at the year end.

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

*None of the Trustees receive remuneration or other benefit from their work with the Hallé.*

Brandon Leigh and Heejae Chae are both senior employees of major sponsors of the Hallé and those sponsors have had active sponsorship relationships with the Hallé during the year.

*During the year and post the year end, Maria Balshaw, Cllr Mike Connolly, Theresa Grant, Jane Hampson and Cllr Azra Ali were either employees or elected representatives of local authorities which are major funders of the Hallé and with which the Hallé has worked in partnership on Education and Participation projects.*

#### 23 Total return investment – Main Endowment

With effect from 1 January 2017, the Trustees have adopted the total return approach to investment for the Main Endowment Fund, under the powers granted in Section 4 of the Trusts (Capital and Income) Act 2013. A resolution to adopt the total return approach for the Main fund was made by the Trustees on 8 February 2018 effective from 1 January 2017. The Catalyst Endowment Fund will remain under current rules as it is an Arts Council based fund and subject to different arrangements from the Main fund.

The Trustees identified the value of the gifts of permanent endowment received since 1983 up until 1 January 2017. This set the baseline value of the gift component of the endowment to which any subsequent gifts of endowment are added. The difference between the total of endowment funds as at 1 January 2017 and the value of the gift component represents the opening balance of unapplied total return. The value of the original endowment was agreed at £2,157,792. This is the value of all donations and legacies given to the Main endowment fund since it was established in 1983 and is based on the accounting records maintained for the Endowment Fund. This is now referred to as the "original endowment" and forms the initial "Investment Fund". (The original endowment value of £2,157,792 includes £120,000 in respect of the Amati violin acquired with Endowment funds in 1998).

This establishes the opening Unallocated Total Return (UTR) at £1,825,743 as the difference between the overall value of the Main Endowment fund at 1 January 2017 and the value of the "original endowment" at 1 January 2017 and less the revaluation reserve relating to the Amati violin (£4,182,202-£2,157,792-£198,667). The UTR is classed as part of the Endowment fund until it is allocated to income.

The power of total return permits the Trustees to invest permanently endowed funds to maximise total return and to apply an appropriate portion of the unapplied total return to income each year. Until the power is exercised to transfer a portion of unapplied total return to income, the unapplied total return remains invested as part of the permanent endowment.

The power allows the Trustees to decide in each year how much of the unapplied total return is transferred to income funds and so available for expenditure. Having considered their obligations under the duty of even-handedness, the Trustees made a transfer of £196,033 unapplied total return to unrestricted income funds. In making this decision the Trustees have taken account of the return on investment for the year, the sustainability of the investment fund after considering various levels of transfer to income and the income needs of the charity.

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## Notes (continued)

### 23 Total return investment – Main Endowment (continued)

Under the regulations (Section 4 of the Trusts (Capital and Income) Act 2013) charities have the power to add part of the Unapplied Total Return (UTR) to the Investment Fund. The amount that can be added annually is capped and is calculated by reference to the increase in inflation and the value of the Investment Fund. The purpose of such a transfer is to maintain the real value of the Investment Fund. The Trustees have agreed that they will consider on an annual basis whether to make such a transfer and that the appropriate inflation index to use is CPI. For the 2017 financial year the trustees have agreed that the maximum transfer to the Investment Fund should be made and this results in a transfer of £59,995 from the UTR to the Investment Fund.

With in-year donations to the Endowment of £38,472 the balance of the Endowment Fund at 31 December 2017 is £2,520,259, of which £384,000 is the net book value of the Amati violin at 31 December 2017 (£120,000 original gift value and £264,000 balance on revaluation reserve). The violin is accounted for and revalued separately and shown in the following table to reconcile the overall value of the Endowment Fund

	Trust for investment	Unapplied total return	Total Endowment
	£'000	£'000	£'000
Opening value of endowment.			
Gift component of permanent endowment (incl £120k instrument)	2,158	-	2,158
Unapplied total return	-	1,826	1,826
<b>Total</b>	<b>2,158</b>	<b>1,826</b>	<b>3,984</b>
Revaluation reserve - Instrument	198	-	198
<b>Total Endowment 1/1/2017</b>	<b>2,356</b>	<b>1,826</b>	<b>4,182</b>
Movement in unapplied total return and endowment in the year:			
Gifts received	38	-	38
Investment return: dividends and interest	-	158	158
Investment return: recognised and unrecognised gain/(losses)	-	144	144
Investment management costs	-	(12)	(12)
Allocations of Unallocated Total Return (UTR) in the year			
Unapplied total return allocated to income	-	(196)	(196)
Unapplied total return allocated to Investment Fund	60	(60)	-
<b>Net movement in the reporting period</b>	<b>98</b>	<b>34</b>	<b>132</b>
Revaluation reserve - Instrument	66	-	66
<b>Total Endowment movement</b>	<b>164</b>	<b>34</b>	<b>198</b>
Gift component of permanent endowment	2,196	-	2,196
Investment Fund	60	-	60
Unapplied total return	-	1,860	1,859
<b>Total</b>	<b>2,256</b>	<b>1,860</b>	<b>4,116</b>
Revaluation reserve - Instrument	264	-	264
<b>Total Endowment 31/12/2017</b>	<b>2,520</b>	<b>1,860</b>	<b>4,380</b>