

Hallé Concerts Society

(A Company Limited by Guarantee)

Annual Report and Accounts

31 March 1998

Company Number 62753



Hallé Concerts Society

(A Company limited by guarantee)

Registered Office: The Bridgewater Hall, Manchester M2 3WS

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PATRON

HRH The Princess Margaret Countess of Snowdon

MUSIC DIRECTOR AND PRINCIPAL CONDUCTOR

Kent Nagano

PRESIDENT

Sebastian de Ferranti

MEMBERS OF THE BOARD

Elected

John East *Chairman**

Martin McMillan *Deputy Chairman**

Sir John Manduell CBE *Deputy Chairman**

David Wilson OBE DL *Deputy Chairman** (resigned 29 June 1997)

Michael Evans *Treasurer**

Howard Bernstein*

Marilyn Blank*

Terry Fountain*

Paul Lee (resigned 31 March 1998)

Dr Michael Peagram (resigned 29 October 1997)

Ivor Rowe* (appointed 28 October 1997)

Warren Smith JP DL*

David Teale*

Nominated by Manchester City Council

Councillor Kathleen Robinson*

Councillor Graham Stringer (resigned 6 June 1997)

Nominated by AGMA

Councillor Alfred Bates

Councillor Wilfred Brogan BEM

Councillor Judith Heyes

Councillor David Lancaster*

Co-opted

William Golightly*

Ivor Rowe* (resigned 30 April 1997)

Employees

Alan Dean* (resigned 31 July 1997)

Michael Hall*

Stuart Kempster (appointed 17 July 1997)

Patrick Williams

Peter Worrell (resigned 17 July 1997)

CHIEF EXECUTIVE

Alan Dean (resigned 31 July 1997)

Leslie Robinson* (appointed 9 February 1998)

SECRETARY

Sylvia Cowling (appointed 11 March 1998)

Jack Whittaker* (resigned 10 March 1998)

ASSESSOR FOR THE ARTS COUNCIL OF ENGLAND

Kathryn McDowell

PAST CHAIRMAN OF THE BOARD AUDITORS

Rex Hillson

KPMG, Chartered Accountants, St James' Square,
MANCHESTER M2 6DS

SOLICITORS

George Davies and Co, 68 Fountain Street,
MANCHESTER M2 2FB

BANKERS

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

INVESTMENT ADVISERS

Charlton Seal, A Division of Wise Speke Ltd, 8 King Street,
MANCHESTER M60 2PE

COMPANY REGISTRATION NO CHARITY REGISTRATION NO

62753
223882

* Denotes membership of one or more sub-committees of the Board.

Report of the Trustees of Hallé Concerts Society

(A Company limited by guarantee)

page 3

The Trustees present their annual report and the audited financial statements for the year ended 31 March 1998.

Legal and administrative details

Details of the registered office, Trustees, principal officers and other relevant information are given on page 2.

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

Object and activities of the Society

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

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. Sub-committees of the Board consider detailed issues and those Trustees who are members of one or more of these sub-committees are indicated on page 2.

During the year there were no material changes in the policies pursued by the Society.

The Trustees constitute directors of the company for Companies Act purposes.

The Board is appointed as follows:

Elected:	Member of the Society, nominated by two Members of the Society
Nominated:	Nominated by Manchester City Council/AGMA, appointed by the Board
Employee:	Nominated by members of the Orchestra/administration staff, appointed by the Board
Co-opted:	Appointed by the Board

Proposed amendments to the procedures for appointing Board members are discussed on page 6.

The Trustees have considered the potential risks and uncertainties associated with the year 2000 problem and are satisfied that these do not represent a significant issue for the Society.

An overview of the Society's artistic achievements and significant events affecting the Group during the year are discussed in the Society's Year Book.

Trustees' responsibilities

The Trustees are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society and the Group as at the end of the financial year and of the excess of expenditure over income of the Group for that period.

The Trustees confirm that applicable accounting standards have been followed, that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 1998.

The Trustees confirm that the financial statements have been prepared on a going concern basis, as explained on page 6, as the Trustees believe this to be appropriate.

The Trustees are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Companies Act 1985, and for taking reasonable steps to safeguard the assets of the Society and the Group and to prevent and detect fraud and other irregularities. However, during the year ended 31 March 1998 a breakdown in forecasting procedures and budgetary controls was identified. This breakdown had resulted in inaccurate forecasts being presented to management which resulted in strategic decisions not being taken on a timely basis. The Trustees took immediate action, in June 1997, once they were aware of the situation, ensuring robust budgetary controls were in place by the time these financial statements were finalised.

Financial review

The accounts have been drawn up in accordance with the Statement of Recommended Practice for Accounting by Charities, ("SORP"). As a result of developments in best practice with the application of the SORP, in the opinion of the Trustees it is now appropriate to prepare consolidated accounts incorporating three related Trusts as well as the Society's statutory subsidiaries. Accordingly the comparative figures for the year ended 31 March 1997 have been restated.

The Hallé Concerts Society Group now consists of two subsidiary companies: Hallé Promotions Limited and Free Trade Hall Management Limited, and three related trusts: the Hallé Endowment Trust; the Charles Hallé Foundation and the Hallé Concerts Society Sickness and Benevolent Fund, which are consolidated on the basis that they represent branches of the Society.

The accounts show the consolidated income and expenditure of the Group and the state of affairs of both the Group and the Society.

Hallé Promotions Limited continues to perform certain activities for the Society such as advertising and covenants any taxable profits to the Society. During the current year turnover from advertising income reduced due to changes in procedure following the relocation to the Bridgewater Hall.

Free Trade Hall Management Limited did not trade during the year, although certain transactions in connection with the cessation of the company's business were recorded in the company's accounts.

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. The Hallé Endowment Trust is represented by a separate Board of Trustees as detailed in the Trust accounts. During the year the Hallé Endowment Trust received investment income of approximately £254,000 which was transferred to the Society.

The terms of the Hallé Endowment Trust deed allow the Trust to hold assets for the benefit of the Society and in March 1998 the Society transferred instruments, for a consideration of £120,000, to the Trust to alleviate the severe cash flow position of the Society.

Also in March, the Hallé Endowment Trust received permission from the Charities Commission to make available to the Society a loan of up to £1million. This loan will be interest free and is to be repaid out of the income generated by the Trust over 47 years, thereby reducing the annual income from the Endowment Trust available to the Society. As at 31 March 1998 the Endowment Trust had provided the Society with loans amounting to £380,000. The Hallé Endowment Trustees have also authorised a loan of £94,500 to fund the set up costs of the Hallé Orchestra Public Appeal, which will form part of the £1million loan facility.

The Charles Hallé Foundation holds funds raised from public donation and fundraising events. These funds are applied at the discretion of the Foundation Trustees to fund projects which would not be funded from core grant income. In the year the Charles Hallé Foundation received £80,000 in donations and raised £26,500 through fundraising events. These funds were transferred to the Society.

The Hallé Concerts Society Sickness and Benevolent Fund holds investments, which, at the discretion of the Society, may be applied to assist members of the Orchestra who are in temporary distress. The income from this fund has traditionally been used to meet the costs of physiotherapy treatment and similar expenses. In the year this Fund realised £13,500 on the disposal of investments, received investment income of £14,000 and paid beneficiaries £4,000.

The Society has two connected charities: the Alderman Abraham Moss Hallé Concert Trust Fund, which contributes to a concert in memory of Alderman Moss each year, and the Terence Judd Trust Fund, which holds a biennial competition and recital in memory of Mr Terence Judd. These connected charities are not consolidated, in accordance with the SORP.

A brief overview of the Group's financial affairs for the year ended 31 March 1998 is included below:

- ☐ Grant income increased in the year by £379,000, principally due to the receipt of a Lottery grant for capital expenditure.
- ☐ Income from trading activities fell in comparison with the previous year by approximately £200,000, principally due to a reduction in the level of sponsorship income secured in the year. This reduction reflects the exceptional level of sponsorship secured in the opening year of the Bridgewater Hall. This decline in income was accompanied by an increase in the direct costs of production, of £434,000, principally due to:
 - increased orchestra and staff costs of £262,000 due to poor controls over the use of replacements, special projects undertaken in the year requiring additional musicians and an increase in the number of administrative staff;
 - increased costs of conductors and soloists of £89,000 due to a more ambitious season requiring additional soloists and higher profile conductors. The increased costs of soloists and conductors were particularly marked with respect to the June 1997 "Proms" season; and
 - increased costs of £150,000 reflecting the Society's first full season in the Bridgewater Hall.

These increased costs were partially offset by savings in respect of broadcast fees and foreign tours.

- ☐ The net income of non-charitable subsidiaries was £19,000 below that of the previous year due to the cessation of the trade of Free Trade Hall Management Limited and a reduction in the trading activity within Hallé Promotions Limited, as discussed below.
- ☐ Management and administration costs increased in comparison to the prior year by £173,000, before allowing for reorganisation expenses, of £302,000, partially due to increased sundry costs, such as bank interest and staff advertising, and the write off of sundry balances.
- ☐ The current year's accounts include reorganisation costs of approximately £302,000. The proposed restructuring of the Society is discussed below.

The combined effect of the above was to produce a deficit for the year within the Group's accounts of £452,000 before the charge of £302,000 for reorganisation expenses, resulting in a total deficit for the year of approximately £754,000 and cumulative net funds for the Group of £1.55million as at 31 March 1998.

This deficit was principally funded by an increase in the Society's overdraft, and an increase in trade creditors.

The Board approved a Rescue Plan for the Society in April 1998 with a target of break even by 31 March 2000, on condition that additional core funding of at least £250,000 per annum was secured. This Rescue Plan addressed the need for tighter financial controls and proposed a fundamental restructuring of the Society, including reductions in the playing strength of the Orchestra and the number of administrative staff. To date, the first phase of the Rescue Plan has been implemented and work continues on developing and implementing the required strategy to achieve the target.

The Society had a deficit of funds at the balance sheet date and the Rescue Plan addresses this deficit. The Society has secured a loan from the Hallé Endowment Trust of up to £1million and has received confirmation of a continuing bank facility to October 1999, at the level of £750,000, to allow the implementation of the Rescue Plan.

Since the balance sheet date the Society has launched the Hallé Orchestra Public Appeal, which has received pledges of approximately £870,000 over a four-year period, as at 24 August 1998. The target for the Appeal is to raise £3million over a four-year period.

The Rescue Plan takes into account that the Society's future viability is fundamentally dependent upon the following:

- ☐ Continued support from the Arts Council of England, Manchester City Council, the Association of Greater Manchester Authorities and all major sponsors;
- ☐ The Royal Bank of Scotland plc, the Society's bankers, continuing to provide the current overdraft facility;
- ☐ Provision of additional core funding of at least £250,000 per annum;
- ☐ The success of the Public Appeal yielding £3million over the next four years.

The Trustees, having made appropriate enquiries and completed detailed forecasts, have satisfied themselves that there are reasonable prospects, for the foreseeable future, of achieving these requirements and accordingly consider it appropriate to draw up these accounts on a going concern basis.

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.

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.

Trustees

The Board of Trustees is currently considering amendments to the composition of the Board and these proposals will be presented to members at the Annual General Meeting.

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

All the Trustees at the year end were members, with the exception of Councillor Brogan, Councillor Heyes and Councillor Lancaster.

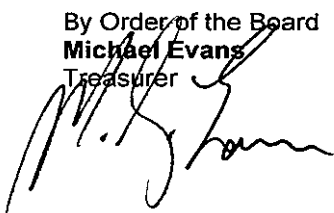
Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG as auditors of the 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

Michael Evans

Treasurer



19 October 1998

Auditors' Report to the Members of Hallé Concerts Society

We have audited the financial statements on pages 8 to 27.

Respective responsibilities of trustees and auditors

As described on page 3 the Company's Trustees, who are also the Directors of Hallé Concerts Society, are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Charitable Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the report of the Trustees on page 6 and in note 2 of the financial statements concerning the uncertainty as to the ability of the Charitable Company to continue in operational existence for the foreseeable future. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Charitable Company and the Group as at 31 March 1998 and of the Group's incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG
Chartered Accountants
Registered Auditors

St James' Square
Manchester M2 6DS

19 October 1998

Hallé Concerts Society

(A Company limited by guarantee)

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Consolidated Income and Expenditure Account

for the year ended 31 March 1998

	Note	£	1998 £	£	1997 £
Gross income of continuing operations			5,412,202		5,231,689
Non-charitable trading activities: net income	5				
- continuing activities		551		43,726	
- discontinued activities		913		(23,309)	
			1,464		20,417
Total income of continuing and discontinued operations			5,413,666		5,252,106
Total expenditure of continuing operations	6		(6,423,772)		(5,514,395)
Net expenditure for the year before transfers and asset disposals			(1,010,106)		(262,289)
(Loss)/Profit on disposal of fixed assets			(12,585)		29,363
Transfer from revaluation reserve			50,815		9,873
Net expenditure before investment assets disposals			(971,876)		(223,053)
Gain/(Loss) on disposal of fixed asset investments			13,587		(1,394)
Net expenditure for the year			(958,289)		(224,447)
Dealt with by:					
Parent company			(1,041,491)		(249,298)
Subsidiary companies			83,202		24,851
			(958,289)		(224,447)

□ Total income comprises £4,732,746 for unrestricted funds and £704,983 for restricted funds, less £24,063 net gain on disposal of fixed assets after a transfer of £36,648 from the revaluation reserve. A detailed analysis of income and expenditure is provided in the Statement of Financial Activities.

□ Income and expenditure totals are shown after eliminating inter-company trading.

- ☐ Turnover of non-charitable trading activities amounted to £3,377. A detailed analysis of the trading results is shown in Note 5.
- ☐ A detailed analysis of expenditure is provided in the Statement of Financial Activities and Note 6.
- ☐ Net expenditure before gains on investment assets for the year of £971,876 comprises £1,362,930 net expenditure of unrestricted funds plus £391,054 net income of restricted funds as shown in the Statement of Financial Activities.
- ☐ The Group had no recognised gains or losses other than the deficit in both the current and preceding years and the movements in the revaluation reserve as shown in the Statement of Financial Activities.
- ☐ In both the current and preceding years the deficit calculated on an historical cost basis is not materially different from the reported deficit as above.
- ☐ The Summary Income and Expenditure Account is derived from the Statement of Financial Activities on page 10 which, together with the notes to the accounts on pages 15 to 27 provides full information on the movements during the year on all funds of the Group.

The notes on pages 15 to 27 form part of these accounts.

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Consolidated Statement of Financial Activities

for the year ended 31 March 1998

	Note	Un- restricted Funds 1998 £	Restricted Funds 1998 £	Endow- ment Funds 1998 £	Total 1998 £	Total 1997 £
Incoming resources						
Grants receivable	8	1,824,179	427,629	-	2,251,808	1,872,612
Trusts and other donations	9	78,261	-	7,380	85,641	139,881
Legacies		-	-	1,000	1,000	43,037
Trading activities within charities objectives		2,578,022	-	-	2,578,022	2,917,265
Add: incoming resource from deferred income		338,957	-	-	338,957	265,887
Less: deferred income		(272,304)	-	-	(272,304)	(338,957)
Fundraising activities (net of direct costs)		26,583	-	-	26,583	1,224
Other income		125,326	-	-	125,326	135,069
Investment income		-	267,923	-	267,923	247,304
Interest		8,195	9,431	-	17,626	21,824
Net gain on disposal of tangible fixed assets		24,063	-	-	24,063	29,363
Net income of non-charitable subsidiaries	5	1,464	-	-	1,464	20,417
Total incoming resources		4,732,746	704,983	8,380	5,446,109	5,354,926
Resources expended						
<i>Direct charitable expenditure:</i>						
Costs of productions and performances		(5,032,234)	-	-	(5,032,234)	(4,598,056)
Depreciation		(11,169)	(66,220)	-	(77,389)	(63,268)
Payments to beneficiaries		-	(3,973)	-	(3,973)	(5,169)
<i>Other expenditure:</i>						
Fundraising and publicity		(346,920)	-	-	(346,920)	(388,313)
Management and administration		(947,853)	(1,236)	-	(949,089)	(473,927)
Total resources expended	6	(6,338,176)	(71,429)	-	(6,409,605)	(5,528,733)
(Deficit)/Surplus per I & E Account before transfers		(1,605,430)	633,554	8,380	(963,496)	(173,807)
Transfers between funds		242,500	(242,500)	-	-	-
Net (outgoing)/incoming resources		(1,362,930)	391,054	8,380	(963,496)	(173,807)
Other recognised gains and losses						
Gains/(Losses) on investment assets:						
Unrealised		-	64,026	279,298	343,324	3,359
Realised		-	13,587	(96,313)	(82,726)	(1,394)
Reduction in revaluation reserve		(50,815)	-	-	(50,815)	(9,873)
Net movement in funds		(1,413,745)	468,667	191,365	(753,713)	(181,715)
Fund balances at 1 April 1997		(572,709)	288,660	2,590,442	2,306,393	2,488,108
Fund balances at 31 March 1998		(1,986,454)	757,327	2,781,807	1,552,680	2,306,393

Hallé Concerts Society

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Company Statement of Financial Activities

for the year ended 31 March 1998

	Note	Un- restricted Funds 1998 £	Restricted Funds 1998 £	Endow- ment Funds 1998 £	Total 1998 £	Total 1997 £
Incoming resources						
Grants receivable	8	1,824,179	427,629	-	2,251,808	1,872,612
Trusts and other donations	9	339,348	-	-	339,348	360,692
Trading activities within charities objectives		2,578,022	-	-	2,578,022	2,917,265
Add: incoming resource from deferred income		338,957	-	-	338,957	265,887
Less: deferred income		(272,304)	-	-	(272,304)	(338,957)
Other income		125,282	-	-	125,282	166,069
Investment income		-	-	-	-	34,000
Interest		4,033	-	-	4,033	13,144
Net gain on disposal of tangible fixed assets		112,303	-	-	112,303	29,363
Total incoming resources		5,049,820	427,629	-	5,477,449	5,320,075
Resources expended						
<i>Direct charitable expenditure:</i>						
Costs of productions and performances		(5,032,234)	-	-	(5,032,234)	(4,541,716)
Depreciation		(11,169)	(66,220)	-	(77,389)	(63,268)
<i>Other expenditure:</i>						
Fundraising and publicity		(334,566)	-	-	(334,566)	(396,327)
Management and administration		(986,508)	-	-	(986,508)	(568,062)
Total resources expended	6	(6,364,477)	(66,220)	-	(6,430,697)	(5,569,373)
Net (outgoing)/incoming resources		(1,314,657)	361,409	-	(953,248)	(249,298)
Other recognised gains and losses						
Reduction in revaluation reserve		(50,815)	-	-	(50,815)	(9,873)
Net movement in funds		(1,365,472)	361,409	-	(1,004,063)	(259,171)
Fund balances at 1 April 1997		(582,764)	73,711	42,419	(466,634)	(207,463)
Fund balances at 31 March 1998		(1,948,236)	435,120	42,419	(1,470,697)	(466,634)

Hallé Concerts Society

(A Company limited by guarantee)

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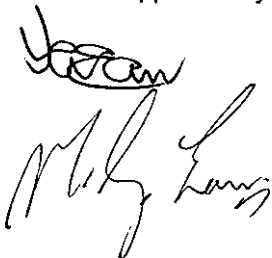
Consolidated Balance Sheet at 31 March 1998

	Note	1998		1997	
		£	£	£	£
Fixed assets					
Tangible assets	12		503,907		183,663
Investments	14		2,314,077		2,518,951
			<hr/>		<hr/>
			2,817,984		2,702,614
Current assets					
Stocks			3,133		17,029
Debtors	15		531,578		491,034
Cash at bank and in hand			402,323		407,572
			<hr/>		<hr/>
			937,034		915,635
Creditors: amounts falling due within one year	16	(1,699,602)		(822,189)	
		<hr/>		<hr/>	
Net current (liabilities)/assets			(762,568)		93,446
			<hr/>		<hr/>
Total assets less current liabilities			2,055,416		2,796,060
Accruals and deferred income	18		(502,736)		(489,667)
			<hr/>		<hr/>
Net assets			1,552,680		2,306,393
			<hr/>		<hr/>
Capital funds					
Endowments	21		2,781,807		2,590,442
Income funds					
Restricted funds	19		757,327		288,660
Unrestricted funds:	20				
Non-charitable funds		11,623		(28,296)	
Other charitable funds		(1,998,077)		(544,413)	
		<hr/>	(1,986,454)	<hr/>	(572,709)
			<hr/>		<hr/>
			1,552,680		2,306,393
			<hr/>		<hr/>

These financial statements were approved by the Board of Trustees on 19 October 1998 and signed on its behalf by

John A East
Chairman

Michael N G Evans
Treasurer



Hallé Concerts Society
(A Company limited by guarantee)

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Company Balance Sheet
at 31 March 1998

	Note	1998		1997	
		£	£	£	£
Fixed assets					
Tangible assets	12		472,147		183,663
Investments	14		500		500
			<u>472,647</u>		<u>184,163</u>
Current assets					
Stocks for resale		3,133		6,133	
Debtors	15	567,423		621,423	
Cash at bank and in hand		35,321		20,158	
		<u>605,877</u>		<u>647,714</u>	
Creditors: amounts falling due within one year	16	(1,697,766)		(810,744)	
Net current liabilities			(1,091,889)		(163,030)
Total assets less current liabilities			(619,242)		21,133
Creditors: amounts falling due after one year	17		(371,915)		-
Accruals and deferred income	18		(479,540)		(487,767)
Net liabilities			<u>(1,470,697)</u>		<u>(466,634)</u>
Capital funds					
Endowments	21		42,419		42,419
Income funds					
Restricted funds	19		435,120		73,711
Unrestricted funds	20		(1,948,236)		(582,764)
			<u>(1,470,697)</u>		<u>(466,634)</u>

These financial statements were approved by the Board of Trustees on 19 October 1998 and signed on its behalf by

John A East
Chairman

Michael N G Evans
Treasurer



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Consolidated Cash Flow Statement
for the year ended 31 March 1998

	Note	1998 £	1997 £
Cash flow from operating activities	22	(677,653)	(207,003)
Return on investments and servicing of finance	23	273,081	269,128
Capital expenditure and financial investment	23	41,160	76,718
		<hr/>	<hr/>
Cash (outflow)/inflow before management of liquid resources and financing		(363,412)	138,843
		<hr/>	<hr/>
(Decrease)/Increase in cash in the period		(363,412)	138,843
		<hr/>	<hr/>

Reconciliation of net cash flows to movement in net debt
for the year ended 31 March 1998

	Note	1998 £	1997 £
(Decrease)/Increase in cash in the period and change in net debt resulting from cash flows	24	(363,412)	138,843
		<hr/>	<hr/>
Movement in net debt in the period		(363,412)	138,843
Net debt at 1 April 1997	24	407,572	268,729
		<hr/>	<hr/>
Net debt at 31 March 1998	24	44,160	407,572
		<hr/>	<hr/>

Notes to the Accounts (forming part of the financial statements)**1 Status of company and liability of members**

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

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements:

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, in accordance with the Statement of Recommended Practice for Accounting by Charities (SORP) dated October 1995, and under the historical cost accounting rules, except for the revaluation of certain tangible fixed assets and listed investments.

Notwithstanding the deficit on page 8 the financial statements have been prepared on a going concern basis on the assumption that, as explained in the Report of the Trustees on pages 3 to 6, the Trustees believe that, as a result of the actions currently being taken, there will be adequate cash facilities to meet all liabilities as they fall due.

The accounts have been restated to incorporate best practice as it develops and in this light the Group accounts have been extended to include consolidated results for the Hallé Endowment Trust, the Charles Hallé Foundation and the Sickness and Benevolent Fund. The provisions contained in the SORP have been applied insofar as they are appropriate to the particular circumstances of the Group.

Basis of consolidation

The consolidated income and expenditure account and balance sheet include the financial statements of the parent company, its subsidiaries and branches made up to the end of the financial year, with the exception that movements in endowment funds are not included in the consolidated income and expenditure account in accordance with the SORP.

All subsidiaries are consolidated based on financial statements as at 31 March except the Hallé Endowment Trust, which has a year end of 31 December. This Trust has been consolidated based on the financial statements as at 31 December 1997, with adjustments for significant transactions in the period to 31 March 1998.

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

Turnover

Turnover represents amounts receivable in respect of the provision of goods and services to customers (excluding VAT) for the year.

Grants

Revenue grants are credited to income upon meeting any specific criteria of their receipt.

Notes (*continued*)

Classification of income - restricted and unrestricted funds

In accordance with the SORP, where income received is subject to externally imposed restrictions as to its use (either for capital or revenue expenditure), this has been credited in full to income and accounted for as restricted funds.

Restricted funds are detailed in note 19 to the financial statements.

All other income is expendable at the discretion of the Trustees and is accounted for within unrestricted funds.

Taxation

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

Direct charitable expenditure

Direct charitable expenditure comprises all expenditure relating to the objects of the charity and includes the direct cost of supporting charitable activities.

Expenditure

Expenditure is split between charitable expenditure, fundraising and publicity and management and administration costs on a line-by-line basis.

Donations

Donations are accounted for on a cash receipts basis.

Investment income

Investment income is accounted for on a cash receipts basis.

Tangible fixed assets

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

Music Library - five years
Musical Instruments - ten to twenty-five years
Fixtures and Fittings - three to ten years
Motor Vehicles - five years
Expenditure on Leasehold Premises - three years

Investments

Investments are included at market value. The movements in market value are shown in the Consolidated Statement of Financial Activities as an unrealised gain or loss on investment assets.

Stocks

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

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Notes (continued)

Pension scheme

The company operates a defined benefit pension scheme. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the Company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

3 Net movement in funds

The net movement in funds is stated after charging/(crediting)

	1998	1997
	£	£
Auditors remuneration - audit	10,257	10,481
Depreciation	77,389	39,056
Loss/(Profit) on sale of tangible fixed assets	12,585	(29,363)
Exceptional reorganisation expenses	302,125	-

Exceptional reorganisation expenses relate principally to redundancy costs and costs incurred in connection with the development of the Rescue Plan. These expenses include £80,000 due to the auditors in respect of consultancy services and staff secondments.

4 Income (Group)

The number of events from which income was derived is as follows:

	1998	1997
	Number	Number
Manchester concert performances	83	81
Performances outside Manchester	59	53
Hallé recordings	5	1
Overseas	-	12
	<u>147</u>	<u>147</u>
Broadcast relay and repeat fees	<u>6</u>	<u>5</u>

5 Net income from trading activities of subsidiaries

	Free Trade Hall Management Ltd	Hallé Productions Ltd	Total 1998	Total 1997
	£	£	£	£
Turnover	-	3,377	3,377	166,896
Grants	-	-	-	54,401
Interest	218	-	218	-
	<u>218</u>	<u>3,377</u>	<u>3,595</u>	<u>221,297</u>
Expenditure (excluding covenanted payments)	-	(2,826)	(2,826)	(152,129)
Sundry income	695	-	695	-
	<u>913</u>	<u>551</u>	<u>1,464</u>	<u>69,168</u>
Net profit	913	551	1,464	69,168
Inter-company trading	-	-	-	(48,751)
	<u>913</u>	<u>551</u>	<u>1,464</u>	<u>20,417</u>
As per statement of financial activities	913	551	1,464	20,417

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Notes (continued)

The write off of balances owed by Free Trade Hall Management Limited to Hallé Concerts Society amounting to £38,655 has not been included in the above results.

Free Trade Hall Management Limited did not trade during the year, although certain transactions in connection with the cessation of the company's business were recorded in the company's accounts.

Hallé Promotions Limited continued to perform certain activities for the Society such as advertising and to covenant any taxable profits to the Society.

6 Analysis of total resources expended.

	Unrestricted Funds 1998	Restricted Funds 1998	Endow- ment Funds 1998	Total Funds 1998	Total Funds 1997
	£	£	£	£	£
Direct charitable expenditure					
<i>Cost of productions and performances:</i>					
Orchestra and staff costs	3,452,654	-	-	3,452,654	3,190,344
Conductors and soloists	889,582	-	-	889,582	800,298
Overseas tours	-	-	-	-	36,339
Travel and subsistence	125,648	-	-	125,648	127,719
Hall hire	467,482	-	-	467,482	316,838
Sundry costs	55,124	-	-	55,124	93,720
Music and instruments	41,744	-	-	41,744	32,798
	5,032,234	-	-	5,032,234	4,598,056
<i>Payments to beneficiaries:</i>					
Musicians	-	3,973	-	3,973	5,169
Depreciation	25,336	66,220	-	91,556	73,140
Transfer from revaluation reserve	(14,167)	-	-	(14,167)	(9,872)
	5,043,403	70,193	-	5,113,596	4,666,493
Fundraising and publicity					
Fundraising and publicity	346,920	-	-	346,920	388,313
Management and administration					
Administration costs	473,132	1,236	-	474,368	331,234
Bank interest	12,539	-	-	12,539	-
Programme costs	50,424	-	-	50,424	55,635
Education expenditure	109,633	-	-	109,633	87,058
Reorganisation expenses	302,125	-	-	302,125	-
	947,853	1,236	-	949,089	473,927
Total	6,338,176	71,429	-	6,409,605	5,528,733

Total expenditure is in respect of the Company and the Group, with the exception of fundraising costs of £12,354 in respect of the Charles Hallé Foundation, and administrative costs of £38,655 written off in the Group accounts, principally in respect of Free Trade Hall Management Limited, £1,236 in respect of endowment funds and £3,973 in respect of the Sickness and Benevolent Fund.

Total expenditure as shown in the Consolidate Income and Expenditure account is that in respect of unrestricted funds, pre transfers from revaluation reserves, and in 1997 the unrealised movement on the FSA reserve of £24,210.

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Notes (continued)

7	Changes in resources available for charity use	Unrestricted Funds 1998	Restricted Funds 1998	Endowment Funds 1998	Total Funds 1998	Total Funds 1997
		£	£	£	£	£
	Net movement in funds for the year	(1,413,745)	468,667	191,365	(753,713)	(181,715)
	Net decrease/(increase) in tangible fixed assets for direct charitable purposes	35,818	(356,062)	-	(320,244)	101,616
	Net movement in funds available for future activities	(1,377,927)	112,605	191,365	(1,073,957)	(80,099)

8 Grants and guarantees

Group and company:

	1998	1997
	£	£
Manchester City Council	220,960	140,375
Arts Council of England	1,251,000	1,251,000
Composer-in-Association	8,000	8,000
Association of Greater Manchester Authorities	330,998	430,300
Lancashire County Council	13,221	13,221
Cheshire County Council	-	5,505
	1,824,179	1,848,401
Lottery grant	427,629	-
FSA grant	-	24,211
	2,251,808	1,872,612

9 Trusts and other donations

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Hallé Endowment Trust	7,380	6,210	242,500	243,000
Charles Hallé Foundation	71,336	60,460	92,348	69,481
Alderman Abraham Moss	2,500	2,500	2,500	2,500
Terence Judd Trust Fund	2,000	2,000	2,000	2,000
Friends of the Hallé	-	5,300	-	5,300
Legacies and donations	-	17,874	-	17,874
Fundraising donations	2,425	-	-	-
General and special endowments	-	45,537	-	20,537
	85,641	139,881	339,348	360,692

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Notes (continued)

10 Remuneration of trustees and employees

The trustees, other than employee trustees, receive no remuneration and derive no financial benefit from their services to the Society. Employee trustees receive remuneration only for their services as employees of the Society.

	1998 £	1997 £
The aggregate amount of employee trustees' remuneration was	94,192	136,636

11 Staff numbers and costs

The average number of persons employed by the group (including employee trustees) during the year, analysed by category, was as follows:

	Number of employees	
	1998	1997
Orchestral musicians	96	95
Administrative, and other non-playing personnel	32	31
	128	126

The aggregate payroll costs of these persons were as follows:

	1998 £	1997 £
Salaries and fees	2,666,889	2,501,286
Social Security costs	214,063	209,312
Other pension costs	163,763	162,226
	3,044,715	2,872,824

The number of employees earning £40,000 or over per annum is shown below:

£60,000 - £69,000	2	2
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Notes (continued)

12 Tangible fixed assets

	Music library	Musical instru- ments	Fixtures & fittings	Motor vehicles	Total
	£	£	£	£	£
Group:					
<i>Cost or valuation:</i>					
At 1 April 1997	57,297	250,839	103,303	32,653	444,092
Additions	-	77,013	259,576	94,375	430,964
Disposals	-	(11,000)	(64,110)	(32,653)	(107,763)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1998	57,297	316,852	298,769	94,375	767,293
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation:</i>					
At 1 April 1997	52,376	111,420	68,571	28,062	260,429
Charge for year	2,423	24,902	45,465	18,765	91,555
Disposals	-	(6,112)	(51,363)	(31,123)	(88,598)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1998	54,799	130,210	62,673	15,704	263,386
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value:</i>					
At 31 March 1998	<u>2,498</u>	<u>186,642</u>	<u>236,096</u>	<u>78,671</u>	<u>503,907</u>
At 31 March 1997	<u>4,921</u>	<u>139,419</u>	<u>34,732</u>	<u>4,591</u>	<u>183,663</u>
Company:					
<i>Cost or valuation:</i>					
At 1 April 1997	57,297	250,839	103,303	32,653	444,092
Addition	-	77,013	259,576	94,375	430,964
Disposals	-	(51,000)	(64,110)	(32,653)	(147,763)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1998	57,297	276,852	298,769	94,375	727,293
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation:</i>					
At 1 April 1997	52,376	111,420	68,571	28,062	260,429
Charge for year	2,423	24,902	45,465	18,765	91,555
Disposals	-	(14,352)	(51,363)	(31,123)	(96,838)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1998	54,799	121,970	62,673	15,704	255,146
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value:</i>					
At 31 March 1998	<u>2,498</u>	<u>154,882</u>	<u>236,096</u>	<u>78,671</u>	<u>472,147</u>
At 31 March 1997	<u>4,921</u>	<u>139,419</u>	<u>34,732</u>	<u>4,591</u>	<u>183,663</u>

Notes (continued)

12 Tangible fixed assets (continued)

The Music Library and Musical Instruments were revalued on an open market basis at 31 March 1989 at £30,000 and £179,155 respectively.

Under the historical cost convention accounting rules the net book value of the Music Library and Musical Instruments at 31 March 1998 would have been £2,498 and £69,080 respectively. Further information regarding the revaluation of fixed assets is not available.

All tangible fixed assets are used for direct charitable purposes.

The note in respect of Group fixed assets represents the net book value of assets included in the year end accounts for all Group charities. The Hallé Endowment Trust's year end was 31 December 1997 and in March 1998 the Endowment Trust acquired musical instruments, from the Society, at a consideration equal to their market value of £120,000. This acquisition created a profit on disposal within the Society's accounts of £88,240 which has been adjusted in stating the Group expenditure for the year and for the Consolidated Balance Sheet.

13 Analysis of group net (liabilities)/assets between funds

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds £
Balances at 31 March 1998 are represented by:				
Tangible assets	37,027	435,120	31,760	503,907
Investments	500	284,261	2,029,316	2,314,077
Current assets	666,453	42,747	227,834	937,034
Current liabilities	(2,057,039)	(4,801)	362,238	(1,699,602)
Accruals and deferred income	(502,736)	-	-	(502,736)
Profit on disposals	(88,240)	-	88,240	-
Society endowments	(42,419)	-	42,419	-
Total net (liabilities)/assets	(1,986,454)	757,327	2,781,807	1,552,680
Unrealised gains included above				
On tangible fixed assets	23,217	-	-	23,217
On investment assets	-	64,026	279,298	343,324
Total unrealised gains at 31 March 1998	23,217	64,026	279,298	366,541
Reconciliation of movements in unrealised gains on tangible and investment assets:				
Unrealised gains/(losses) at 31 March 1997	74,032	(30,779)	(16,606)	26,647
(Disposals)/Additions in year	(36,648)	(13,587)	96,313	46,078
	37,384	(44,366)	79,707	72,725
Add net gains arising on revaluations in year	-	108,392	199,591	307,983
Other movements	(14,167)	-	-	(14,167)
Unrealised gains at 31 March 1998	23,217	64,026	279,298	366,541

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.

Current liabilities in Endowment Funds include £363,558 due from Hallé Concerts Society.

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Notes (continued)

14	Investments	Group		Company	
		1998 £	1997 £	1998 £	1997 £
	Shares in group companies:				
	At cost	200	200	200	200
	Provision for diminution in value	(200)	(200)	(200)	(200)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Shares in undertaking with participating interest:				
	At cost	500	500	500	500
	Quoted investments:				
	At market value	2,313,577	2,518,451	-	-
		<u>2,314,077</u>	<u>2,518,951</u>	<u>500</u>	<u>500</u>

The Society holds the following investments in group companies registered in England.

The investments represent 100% of the issued ordinary share capital of the companies:

- 100 £1 ordinary shares in Hallé Promotions Limited, a company engaged in publicity and advertising.
- 100 £1 ordinary shares in Free Trade Hall Management Limited, a company engaged in hall management, now dormant.

Under a joint venture agreement the Society holds 50% of the shares in Hallogen Limited, a company engaged in the operational management of the Bridgewater Hall. In accordance with the agreement any losses are indemnified and profits in excess of £50,000 are distributed. For the current period no profit accrues to the Society.

In addition to the aforementioned subsidiaries, the following trusts are consolidated on the basis that they are considered to be branches of the Society:

Hallé Endowment Trust
Charles Hallé Foundation
Hallé Concerts Society Sickness and Benevolent Fund

15 Debtors

	Group		Company	
	1998 £	1997 £	1998 £	1997 £
Trade debtors	93,175	208,679	82,994	208,679
Other debtors	133,252	10,523	78,664	99,235
Prepayments and accrued income	294,563	269,520	294,563	269,522
Amounts owed by connected charities	10,588	2,312	10,588	2,312
Amounts owed by group companies	-	-	100,614	41,675
	<u>531,578</u>	<u>491,034</u>	<u>567,423</u>	<u>621,423</u>

All debtors fall due within one year.

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Notes (continued)

16 Creditors: amounts falling due within one year

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Bank overdraft	358,164	-	358,164	-
Trade creditors	802,038	404,220	801,526	403,354
Taxation and Social Security	116,348	75,729	116,348	68,289
Other creditors	423,052	337,836	421,728	334,697
Amounts owed to connected charities	-	4,404	-	4,404
	<u>1,699,602</u>	<u>822,189</u>	<u>1,697,766</u>	<u>810,744</u>

17 Creditors: amounts falling due after more than one year

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Amounts owed to group companies	-	-	371,915	-
	<u>-</u>	<u>-</u>	<u>371,915</u>	<u>-</u>

18 Accruals and deferred income

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Deferred income	272,304	338,957	272,304	338,957
Accruals	230,432	150,710	207,236	148,810
	<u>502,736</u>	<u>489,667</u>	<u>479,540</u>	<u>487,767</u>

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Notes (continued)

19 Analysis of restricted funds

	FSA Fund	Lottery Fund	Sickness and Benevolent Fund	Endowment Fund income	Total
	£	£	£	£	£
As at 1 April 1997	73,711	-	214,949	-	288,660
Incoming resources	-	427,629	14,804	262,550	704,983
Expenditure, gains and transfers	(12,787)	(53,433)	73,640	(243,736)	(236,316)
	<u>60,924</u>	<u>374,196</u>	<u>303,393</u>	<u>18,814</u>	<u>757,327</u>

The Foundation for Sport and the Arts (FSA) Fund and the Lottery Fund represent monies provided for capital expenditure which are transferred to the income and expenditure account over the useful life of the assets purchased. The Sickness and Benevolent Fund represents investments held for the benefit of musicians in temporary distress.

Restricted funds for the company are as above excluding the Sickness and Benevolent Fund and the Endowment Fund, which are separate trusts.

20 Analysis of unrestricted funds

	Revalu- ation reserve	General reserve	Accumu- lated deficit	Total
	£	£	£	£
Group				
At 1 April 1997	74,032	63,549	(710,290)	(572,709)
Deficit for year	-	-	(1,362,930)	(1,362,930)
Transfer from revaluation reserve to Income & Expenditure	(50,815)	-	-	(50,815)
At 31 March 1998	<u>23,217</u>	<u>63,549</u>	<u>(2,073,220)</u>	<u>(1,986,454)</u>
Company				
At 1 April 1997	74,032	25,000	(681,796)	(582,764)
Deficit for year	-	-	(1,314,657)	(1,314,657)
Transfer from revaluation reserve to Income & Expenditure	(50,815)	-	-	(50,815)
At 31 March 1998	<u>23,217</u>	<u>25,000</u>	<u>(1,996,453)</u>	<u>(1,948,236)</u>

The transfer from Revaluation Reserve represents additional depreciation resulting from the revaluation of the Music Library and Musical Instruments of £14,167 and £36,648, relating to the difference between the net book value of assets sold during the year on an historic and revalued basis.

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Notes (continued)

21 Analysis of Endowment Funds

	Group £	Company £
As at 1 April 1997	2,590,442	42,419
Incoming resources	8,380	-
Gains and transfers	182,985	-
	<hr/>	<hr/>
As at 31 March 1998	2,781,807	42,419
	<hr/>	<hr/>

Endowments amounting to £42,419 (1997: £42,419) represent the amounts received from members under Article 10 of the Articles of Association.

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

22 Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 March 1998 £	Year ended 31 March 1997 £
Operating (loss)	(963,496)	(173,807)
Depreciation charge	77,389	63,268
Gain on sale of tangible fixed assets	(24,063)	(29,363)
Decrease/(Increase) in stocks	13,896	(14,058)
(Increase)/Decrease in debtors	(40,544)	51,824
Increase in creditors	532,246	164,261
Interest received	(17,626)	(21,824)
Investment income	(267,994)	(247,304)
Interest paid	12,539	-
	<hr/>	<hr/>
Net cash outflow from operating activities	(677,653)	(207,003)
	<hr/>	<hr/>

23 Analysis of items netted in the cash flow statement

Return on investments and servicing of finance

Interest received	17,626	21,824
Dividends received	267,994	247,304
Interest paid	(12,539)	-

Net cash inflow from returns on investments and servicing of finance

273,081	269,128
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Capital expenditure and financial investment

Payments to acquire tangible fixed assets	(430,964)	(8,529)
Receipts from sales of tangible fixed assets	6,580	90,579
Payments to acquire fixed asset investments	(56,958)	(9,994)
Receipts from sales of fixed asset investments	522,502	4,662

Net cash inflow from capital expenditure and financial investment

41,160	76,718
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24 Analysis of net debt

	At 1 April 1997 £	Cash Flow £	At 31 March 1998 £
Cash in hand and at bank	407,572	(5,249)	402,323
Overdraft	-	(358,163)	(358,163)
	<hr/>	<hr/>	<hr/>
	407,572	(363,412)	44,160
	<hr/>	<hr/>	<hr/>

25 Pensions

The Society operates a pension scheme providing defined benefits based on final pensionable earnings. The assets of the Scheme are held separately from those of the Society, the greater part being invested in a managed fund. Contributions to the Scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Society. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was undertaken with an effective date of 31 March 1996. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries. For the purpose of calculating the pension costs it was assumed that investment returns will, on average, equal 9% per annum compound and members' pensionable earnings would increase at the rate of 7.5% per annum compound.

The actuarial valuation showed that the market value of the Scheme's assets was £6,249,657 at 31 March 1996 and that the actuarial value of those assets represented 103% of the benefits that had accrued to members after allowing for expected future increases in earnings.

Outstanding contributions at the year end amounted to £12,918.

26 Related party transactions

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

The Society has two connected charities, the Alderman Abraham Moss and the Terence Judd Trusts. These Trusts made contributions to the Society for specific concerts during the current and previous years as set out in note 9.

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

Balances with related parties are not material and are summarised in notes 15 and 16.