

Hallé Concerts Society

(A Charitable Company Limited by Guarantee)

Annual Report and Accounts

For the year ended 31 March 2004

Company Number 62753

Charity Number 223882



Hallé Concerts Society

(A Charitable Company limited by guarantee)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

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Hallé Concerts Society

(A Charitable Company limited by guarantee)

Registered Office: The Bridgewater Hall, Manchester M1 5HA

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PATRON HRH The Countess of Wessex

MUSIC DIRECTOR Mark Elder CBE

MEMBERS OF THE BOARD

Elected

Edward Pysden *Chairman*

Martin McMillan *Deputy Chairman*

Richard Bailey

Marilyn Blank

Professor Edward Gregson

Colin Smith OBE

Jennifer Stephen (resigned 2 September 2004)

Nominated by Manchester City Council

Councillor Glynn Evans (resigned 1 May 2003)

Councillor Mark Hackett (appointed 15 July 2003)

Nominated by AGMA

Michael Greenwood (resigned 15 July 2003)

Bernard Knight (appointed 15 July 2003)

Councillor William Hinds (resigned 15 July 2003)

Councillor John Merry (appointed 2 September 2003)

Executive

John Summers *Chief Executive*

Valerie Hawkin *Finance Director*

Employee

Dale Culliford (resigned 23 March 2004)

Ronald Marlowe (appointed 23 March 2004)

CHIEF EXECUTIVE AND COMPANY SECRETARY

John Summers

PRESIDENT VICE PRESIDENT VICE PRESIDENT

Sebastian de Ferranti

John East

Rex Hillson

AUDITORS

KPMG LLP, 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

N M Rothschild & Sons Limited

82 King Street

MANCHESTER M2 4WQ

INVESTMENT ADVISERS

Brewin Dolphin Securities Limited

PO Box 512, National House

36 St Ann Street

MANCHESTER M60 2EP

COMPANY REGISTRATION NO CHARITY REGISTRATION NO

62753

223882

I am very pleased to report that this has been another good year for the Society. The Hallé has performed consistently at the highest level in concerts here in Manchester, elsewhere in the UK and abroad. Its artistic achievements have been recognised by you, its members, its audiences and more widely in the press and internationally.

The excellent relationship between the Orchestra and Mark Elder has been a key ingredient in the artistic success of the Hallé. I am, therefore, delighted to announce that Mark Elder has agreed to a second period of office as Music Director, taking his stewardship of the Orchestra towards the end of the decade. In Mark Elder we have the artistic leadership and vision that the Orchestra needs if it is to continue to build on its artistic achievements to date. Your Board is committed to supporting his artistic vision.

Following some years of very supportive funding from the Arts Council, through our revenue grant and Lottery Stabilisation, we now have to plan for a future without any Lottery Stabilisation subsidy. Stabilisation has had a beneficial impact on the Hallé, not only financially but in enabling it to develop its artistic ambition. As will be apparent from the Chief Executive's report, Stabilisation has provided the financial security for the Hallé to expand its activities and increase its role in the musical life of this region. The continuing cost that this commitment entails requires us to explore ways of providing replacement funding. This is a key task for your Board as it is determined to continue to build on what has been achieved.

My grateful thanks go to all those who work so hard on behalf of the Hallé - the Orchestra, Administration and also my fellow directors and members of the other supporting trusts who give their time so freely to further the work of the Orchestra.

I am delighted to see the developing relationship between the Orchestra and our new Patron, the Countess of Wessex. The Countess attended our BBC promenade concert in London last summer and we are planning to see her a number of times over the coming years.

People support the Hallé in many very different ways and we are enormously proud of the strength and depth of our support from a range of sources, from large corporations and trusts to individual donors and concert goers. The Association of Greater Manchester Authorities and Manchester City Council have continued to act as valuable supporters by their provision of core funding and also by their recognition of the importance of the Hallé Orchestra to the economic and cultural aspirations of Manchester and this region. I would like to thank all of those who have helped the Hallé achieve so much over the last year - your support is crucial to our success.

Edward Pysden
Chairman

Concerts

Artistically the year began on a very high note with Viktoria Mullova in Bartok's 2nd Violin Concerto with Mark Elder in a programme which was part of the season thread of Shakespeare entitled "Such Sweet Thunder" including Liszt's rarely played Hamlet. Richard Morrison wrote in the Times *"I cannot help feeling that the venerable Hallé is on something of a roll"*.

Also in April the legendary Czech pianist Ivan Moravec paid a first visit to the Hallé following his performance with the Orchestra in the Prague Spring Festival. At the end of the month, in a review for the Sunday Telegraph of the concerts given by Roberto Miniczuk and Janine Jansen, Michael Kennedy said *"The Hallé in its present form is back where it belongs among British orchestras – in the top rank"*.

Again using the Shakespeare thread as an inspiration Mark, the Orchestra and an outstanding cast of singers gave two performances of Verdi's effervescent "Falstaff". Tim Ashley wrote in the Guardian *"Mark Elder's music directorship of the Hallé has already evoked comparisons with the Orchestra's glory days under John Barbirolli. There were times.....when you almost felt his shadow hovering"*. This was, retrospectively, a very sad occasion since, together with her appearance in Mahler's 2nd Symphony conducted by Gilbert Kaplan later in the month, Falstaff proved to be one of the last performances of the outstanding British soprano, Susan Chilcott, who died so tragically very soon afterwards.

Mark Elder closed the Thursday Series with Alfred Brendel playing Schumann's Piano Concerto in a concert that contained a major work by the young British composer David Sawer. The work entitled "Byrnan Wood" was a fitting end to a concert series inspired by the works of Shakespeare.

After a very successful season of summer music the Orchestra finished its year in the Royal Albert Hall at a BBC Promenade concert.

The Hallé and Mark Elder were honoured to be invited to accompany the finalists in the Leeds Piano Competition, which took place in September. The Daily Telegraph said about the Orchestra's involvement that *"The event reflected enormous credit on Mark Elder and the Hallé for their attentive accompaniments"*. Following a short tour of Germany the new season entitled "Landscape, Myth and Memory" focused on pieces inspired by actual or remembered landscape. Mark Elder opened with a concert of Debussy's Marche écossaise, Gigue and Rondes de Printemps followed by Mahler's "Das Lied von der Erde" with Anna Larsson and Torsten Kerl. John Allison wrote in the Times *"The grass may always seem greener on the other side but London-based music lovers can only look with envy on the programming of the Hallé Orchestra in Manchester"*. The season developed with visits by outstanding artists such as Paavo Berglund, Heinrich Schiff, Isabelle van Keulen, Steven Isserlis, Branford Marsalis and John Tomlinson.

In January the Hallé was privileged to play a part in the Festival of British Orchestras at the Amsterdam Concertgebouw.

The Orchestra

It almost goes without saying that the players in the Orchestra are the Society's greatest asset, and it is easy to take for granted what they have achieved under Mark Elder's direction over the past year. Everywhere I travel in this country and abroad there is an acknowledgement of the fantastic standards the Orchestra is reaching, week in week out, in many different types of music.

There were a number of new additions to the Orchestra in the year. Stephane Rancourt joined us from the RSNO as First Oboe and with the addition of Rosa Campos-Fernandez as Second Clarinet and Katherine Baker as First Flute, the Hallé now has a completely full wind section for the first time for some considerable time. Sadly the season also saw the disappearance from the Bridgewater Hall stage of Alan Shimell, Dara de Cogan, Kathy Willder and Ruth Treloar, all loyal members of the Hallé with well over a century of service between them.

Artistic Associations

Mark Elder continued to build a truly remarkable relationship with the musicians in the Hallé and the public in Manchester, and we are delighted that he has renewed his contract as Music Director. His involvement with all aspects of the Hallé's life, well beyond the concert hall, is remarkable and he is making a massive contribution to Orchestra and Choir and the musical reputation of this great city.

Edward Gardner, the Orchestra's Assistant Conductor, has come to the end of his term of office and we are delighted to have played a part in the development of an important conductor of the future. His work, particularly as inaugural music director of the Hallé Youth Orchestra, has been outstanding and we shall be very sorry to see him go. André de Ridder, former Conducting Fellow at the RNCM, and already making a name for himself on the international conducting stage, will take over the role from the autumn.

The Hallé is extremely proud of its association with Colin Matthews and the year saw performances of a number of his pieces including his Horn Concerto (now recorded for future release on the Hallé's own label), two new sets of his orchestrations of Debussy Preludes and *Vivo* – written for the Hallé as a short concert opener – which opened the Hallé's concerts at the BBC Proms and in Amsterdam.

The Hallé Choir continued to develop under the direction of James Burton and gave a number of highly successful performances through the year culminating in Bach's St John Passion under Mark Elder. Writing in the Sunday Telegraph Michael Kennedy remarked *"The sensation of this performance was the singing of the Hallé Choir, transformed since James Burton took over as its director"*. We are very grateful indeed for all of the time and effort that members of the Choir, all with busy lives and jobs of their own, are able to give to their musical endeavours with the Choir.

Recording and Broadcasting

The year saw a very important new initiative in the launch of the Hallé's own CD label, to wide critical and public acclaim. To date nine recordings have been released and three more are due in the autumn. Seven of the recordings (five with Mark Elder) are brand new and we have also started to explore the very rich Hallé archive of recordings on the "Hallé Tradition" label - early releases being recordings of the 1920s and '30s with Hamilton Harty. The CDs are distributed internationally in an arrangement with Sanctuary Classics, and have been reviewed all over the globe and the UK. Sales to date are very encouraging. Reviewing the first tranche of releases the Observer noted *"Almost a century since it premiered Elgar's first symphony under its dedicatee, Hans Richter, a reborn Hallé Orchestra under the inspirational Mark Elder has launched its own mid-priced label with one of the finest performances available of this much-recorded piece"*.

Our contract with the BBC saw a step change in the Orchestra's exposure on national radio and television. In addition to nine Radio 3 relays, the Hallé's Prom and the finals of the Leeds Piano Competition were broadcast on BBC TV. I am delighted to report that the arrangement will be renewed for a further two years.

Education

The Hallé's education programme is expressly targeted at the sectors of the community that do not traditionally form part of the concert going audience, and support of our activities in the North West (particularly in the Association of Greater Manchester Authorities area) and where the Orchestra is resident (e.g. Nottingham). To that end a very wide range of events – many of them supported by commercial sponsorship, trusts and new funding schemes – take place each year. The work is expanding, not just through the setting up of the Youth Orchestra and Choir but with a range of projects with young people and other sectors of the community.

The **Hallé Youth Orchestra** – now in its second season - has proved to be an outstanding success with recruitment from a wide range of talented young people across the North West. The Orchestra has recently been on a tour of Germany following a summer course at Stonyhurst College.

Alongside the Orchestra we now have the **Hallé Youth Choir**, which has very quickly established itself in the Hallé's musical family. The Choir – some 65 strong – has taken part in a number of Hallé concerts, notably the St John Passion this spring, and has given its first joint concert with the HYO. James Burton has proved to be an inspiration to the young people, who have already achieved very high standards of performance. We look forward to the HYC developing further, and becoming a regular part of the Hallé landscape.

Four Hallé for Youth Schools' Concerts were performed to over 7,500 young people from AGMA and beyond. Accompanying the concerts was the annual Hallé/Manchester Music Service schools' project which this year involved a new relationship with the Manchester Art Gallery and the Northern Ballet School. There were also four **Family Concerts** and fun workshops through the year presented by Carl Davis, Alasdair Malloy, Bernard Cribbins and John Wilson.

A large number of **workshops** took place all over Greater Manchester. Highlights included: *"Bat'on"* based on healthy living and cricket with Trafford School Improvement Service and Lancashire County Cricket Club and a similar project with Tameside Primaries – *The Write Pitch* – in collaboration with Manchester City Football Club.

There were two projects targeted at early years learning – *Little, Middle and Large and Animal Opuses* – which involved Hallé musicians working in Bury, Oldham and Stockport and a performance based project in Sale involving a presentation to primary school assemblies based on Key Stage II of the music curriculum – *Start the Day the Hallé Way*.

Hallé musicians also visited schools in Whalley Range and Eccles and began a regular ongoing scheme with 14 Manchester and Salford Creative Partnership Primary Schools - *Adopt-a-Player*. All this was in addition to the Hallé's regular **Gamelan Programme** which provided residencies in Rochdale, Lancashire, Staffordshire, Sheffield,

Sefton, Gawthorpe Hall – National Trust, Tameside, Chester and Warrington.

The Hallé's work with **special needs** children and adults is supported by United Utilities and includes ongoing projects with Royal Schools for the Deaf and Galloway's Society for the Blind in Lancashire, the latter involving last year a musical cantata based on a journey down the Leeds/Liverpool canal which involved the Galloway's Chorale, a new choir that was started by the Hallé at Galloway's.

The Hallé now runs an annual **Professional Experience Scheme** – supported by the Musicians Benevolent Fund – for string students from the Royal Northern College of Music. Selected by audition the students were offered the chance to perform on three separate occasions with the Hallé at The Bridgewater Hall.

The Hallé's **Nottingham Residency** provided two education projects: "*Hallé-lujah*" – a performance project for Nottinghamshire County Council supported by the European Regeneration Fund, involving a weekend for local musicians in Workshop, and a *GCSE Composition Workshop for Nottingham City Teachers* – the Education Director presented a composition workshop for teachers.

Sponsorship

The Hallé again has enormous reason to be very grateful for the strong support it receives from companies in the North West. In addition to our Principal Sponsor Manchester Airport Group and Major Sponsors Brother and the Royal Bank of Scotland there are a large number of firms which sponsor the Hallé and they are acknowledged elsewhere in this report. Sponsorship is a vital component of the Hallé's annual income and without the support of sponsors much of our activity – particularly in developmental areas and education projects and schemes – would be impossible.

Support

The support of Trusts, Foundations and the very many individual donors through the year has been a vital component of our success – all of these donations, very gratefully received, are acknowledged elsewhere in this Report and Accounts. It is perhaps invidious to single out organisations but we are extremely grateful to the Musicians Benevolent Fund which generously supports both the Assistant Conductor post and the Professional Experience Scheme, and to the Clore Duffield Foundation which began a three-year programme of support of the Hallé Youth Orchestra's annual residential course.

Many people support the Hallé and we are constantly astonished by the loyalty and warmth of those who do so through membership and our fundraising schemes. In laying down the foundations for the Hallé's future all of you who give are helping safeguard the Orchestra for generations to come.

The Administration

An effective and active administration is one of the engines of any successful organisation and I am grateful for the skill and commitment of the outstanding management team who have worked very hard to make the Hallé a success.

The Board, Hallé Endowment Trust and Charles Hallé Foundation

The non executive trustees and directors of the Board and its two fundraising arms have put in a tremendous amount of effort and expertise over the past year, completely unpaid, to the Hallé's cause, and I would like to thank them for all their efforts. I would particularly like to thank Dale Culliford who has been a very effective Orchestral nominee for the past couple of years. Ronald Marlowe, her successor, has already contributed substantially to the Board's deliberations. The Orchestra and its administration are indebted for all of their efforts and most of all for the hard work, commitment and support of the Chairman, Edward Pysden.

The Bridgewater Hall

The Hallé is a partner in Hallogen, the company which operates the Bridgewater Hall, and we are delighted to play a role in the success of the Hall as an international concert venue. The staff of the Hall both in the public front of house areas and in other areas of technical support have been highly supportive of the Hallé and I would like to thank them for all their efforts over the past year.

Our Funders

Finally I am delighted to acknowledge the support of our funders, at national level the Arts Council who through their revenue grant and Stabilisation have been a major partner in putting the Hallé back where it belongs. As important are our regional funders, the Association of Greater Manchester Authorities (AGMA) whose increased support has been so important to our success as has Manchester City Council's, which helps fund the residency here in our home, The Bridgewater Hall.

John Summers
Chief Executive

Report of the Trustees of Hallé Concerts Society

(A Charitable Company limited by guarantee)

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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 2004, in compliance with current statutory requirements, the governing documents and the Statement of Recommended Practice - Accounting and Reporting by Charities issued in October 2000.

Legal and administrative details

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

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

Objects and activities of the Society

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

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

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

Organisation

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 |
| Executive: | The Chief Executive and the Finance Director |
| Employee: | A performing member of the Hallé Orchestra, nominated by the Orchestra and appointed by the Board |

Trustees

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

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

In accordance with the Articles of Association the following trustees retire by rotation and being eligible offer themselves for re-election:

Mr R Bailey

Professor E Gregson

Review of activities and future developments

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

During the year the Society also had two connected charities: the **Alderman Abraham Moss Hallé Concert Trust Fund**, which was wound up during the year and its assets transferred to the Society, and the **Terence Judd Trust Fund**, which was set up to hold a biennial competition and recital in memory of Mr Terence Judd. These connected charities are not consolidated or aggregated, in accordance with SORP (2000).

The Statement of Financial Activities for the Group and the Society are set out on pages 13 and 14 and the consolidated summary income and expenditure of the Group is given on page 11. A full review of the Society's activities is set out in the Review of the Year on pages 3 to 5. A brief summary of the financial results and future plans for the Group is set out below.

The Society again achieved an excellent result based on strong artistic and financial management. The Society itself had a net outgoing movement on unrestricted funds of £24,000, almost exactly in line with budget. In addition there

were net outgoing funds of £38,000 on restricted funds as the Appeal financed certain activities (detailed below) from funds raised in previous years.

The group achieved a total net incoming movement in funds of £78,000 (2003: £162,000).

At the year end Unrestricted Funds of the Group and Society stood at £210,000 and £88,000 respectively (2003: £139,000 and £112,000). Total fund balances of the Group carried forward at 31 March 2004 amounted to £4,803,000. The reserves policy is set out below.

In the coming year the Society plans to consolidate on its recent success and to continue to work towards long-term artistic and financial stability as it emerges from Stabilisation in 2005/06.

The Society's wholly owned subsidiary, **Hallé Promotions Limited**, carries out non-charitable trading activities for the Society including programme advertising. Total profits of £9,000 (2003: £6,000) have been gifted to the Society.

The **Hallé Concerts Society Sickness and Benevolent Fund**, which is a charity linked by a Charity Commission Uniting Direction holds investments, which, at the discretion of the Society, may be applied to assist employees of the Society who are in temporary distress through poverty or sickness. The income from this fund has traditionally been used to meet the costs of physiotherapy treatment and similar expenses. In the year this Fund realised a loss of £9,000 (2003: loss £12,000) on the disposal of investments, received investment income of £11,000 (2003: £13,000) and paid beneficiaries £13,000 (2003: £11,000). Funds from the Sickness and Benevolent Fund are treated as restricted funds for the purposes of the Statement of Financial Activities.

The **Appeal** was launched in April 1998 to raise funds in the short term to support the Society's Rescue Plan at a time of financial crisis, and in the longer term to support the artistic development and educational activities of the Orchestra. These funds are administered by a Committee of Appeal Custodians and are treated as restricted funds for the purposes of the Statement of Financial Activities. The Appeal continues to fund artistic development and educational activities for the Society. During the year the Appeal received funds from donations and events totalling £126,000 (2002: £182,000). The Appeal gave support of £15,000 to Hallé education projects, £29,000 to recording, £74,000 in support of foreign touring and £58,000 to support the costs of fundraising.

Fundraising

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

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

During the year the Hallé Endowment Trust received restricted fund income of £184,000 (2003: £181,000), of which £175,000 was transferred to the Society. The Trust realised a profit on disposal of investments of £9,000 (2003: loss of £6,000). In addition the Trust received donations and legacies of £16,000 (2003: £3,000), which were added to the capital of the Endowment.

The **Charles Hallé Foundation** holds funds raised from public donation and fundraising events. These funds are applied, at the discretion of the Foundation trustees, to fund projects by the Society which would not otherwise be funded from core grant income. In the year the Charles Hallé Foundation received £215,000 in donations and legacies (2003: £145,000), raised £46,000 (2003: £26,000) net through fundraising events and received £5,000 (2003: £6,000) bank interest. Funds of £223,000 (2003: £153,000) were transferred to the Society to support educational and other projects.

Significant changes in fixed assets

Significant changes in fixed assets are detailed in note 15 of the financial statements.

All fixed assets are held for direct charitable purposes.

Forward funding

The Society has been informed of the level of its Arts Council revenue grant for the next two years to 2005/06. This will be £1,841,000 for 2004/05 and £1,955,000 for 2005/06.

Investment Policy

The trustees of the individual trusts have determined investment policy for those trusts. Broadly these policies are to maximise income for the Hallé Endowment Trust and to maintain a balance of income and capital growth for the other trusts. These policies are regularly reviewed.

Reserves

The trustees have reviewed the reserves of the Group and of the Society. The trustees' policy in relation to reserves is to ensure that the Society holds sufficient funds to maintain liquidity, to cover unforeseen short-term emergency cash requirements. Unrestricted balances at 31 March 2004 were £210,000 (2003: £139,000). The fundraising strategy is being implemented with a view to increasing free reserves above the current level.

The Group and the Society have a number of other restricted funds the purpose of which is detailed in note 21 in the financial statements.

Risk management and internal control

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

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

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

- A comprehensive budgeting system with a strategic plan and an annual budget which is reviewed and agreed by the trustees;
- Regular reviews by the trustees of periodic and annual financial reports which indicate financial performance against approved budget and forecast;
- Clearly defined capital expenditure control guidelines;
- A review by the Audit and Remuneration Committee (being a sub-committee of trustees which operates under specific terms of reference which delegate certain functions from the trustee board) of the comments made by the external auditors in their management letter and other reports;
- A review by the Audit and Remuneration Committee, and recommendation to the trustee board, of salaries for all senior employees; and
- Procedures for monitoring progress against the strategic plan and in particular expenditure of the Arts Council's Stabilisation award.

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

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

Principal risks identified are in relation to the emergence from Stabilisation and the Society is currently preparing a detailed business plan covering the years 2004 to 2008.

Trustees' responsibilities in relation to the financial statements

Company law requires the trustees 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 the excess of income over expenditure for the year.

In preparing those financial statements the trustees are required to confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made and applicable accounting standards have been followed in the preparation of the financial statements for the year ended 31 March 2004.

The trustees confirm that the financial statements have been prepared on a going concern basis.

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

Auditors

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

A handwritten signature in black ink, appearing to read 'J Summers', with a stylized, cursive script.

By Order of the Board

J Summers

Secretary

2 September 2004

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

We have audited the financial statements on pages 11 to 34.

This report is made solely to the charity's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees, who are also the directors of the Hallé Concerts Society for the purposes of company law, are responsible for preparing the trustees' report and, as described on page 9, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 disclosure 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company and the group as at 31 March 2004 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 LLP

KPMG LLP
Chartered Accountants
Registered Auditor

St James' Square
Manchester M2 6DS

29 September 2004

Consolidated and Aggregated Summary Income and Expenditure Account
for the year ended 31 March 2004

| | Note | 2004 £'000 | 2003 £'000 |
|---|------|---------------|---------------|
| Gross income of charitable operations | | 6,136 | 5,937 |
| Stabilisation grants receivable | | 487 | 706 |
| Non-charitable trading activities: net surplus | 4 | 9 | 6 |
| Total income of continuing operations | | 6,632 | 6,649 |
| Total expenditure of continuing operations | | (6,659) | (6,492) |
| Net (expenditure)/income for the year before transfers and asset disposals | | (27) | 157 |
| Gain on disposal of fixed assets | | - | 3 |
| Transfer from revaluation reserve | | 2 | 3 |
| Net (expenditure)/income before investment assets disposals | | (25) | 163 |
| Loss on disposal of investments | | - | (18) |
| Transfer to endowment funds | | (9) | 6 |
| Net (expenditure)/income for the year | | (34) | 151 |
| Dealt with by: | | | |
| Parent company | | (60) | 137 |
| Subsidiary company and related trusts | | 26 | 14 |
| | | (34) | 151 |

➤ Total income comprises £6,135,000 for unrestricted funds and £497,000 for restricted funds. A detailed analysis of income and expenditure is provided in the Statement of Financial Activities.

➤ Income and expenditure totals are shown after eliminating inter-group trading.

Consolidated and Aggregated Summary Income and Expenditure Account (continued)

- Turnover of non-charitable trading activities amounted to £23,000. A detailed analysis of the trading results is shown in note 4.
- A detailed analysis of expenditure is provided in the Statement of Financial Activities and notes 9 and 10.
- The net deficit before gains on investment assets for the year of £25,000 comprises £22,000 net deficit on unrestricted funds plus £3,000 net deficit on restricted funds.
- The Group had no recognised gains or losses other than the surplus/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 surplus/deficit calculated on an historical cost basis is not materially different from the reported surplus as above.
- The Summary Income and Expenditure Account is derived from the Statement of Financial Activities on page 13 which, together with the notes to the accounts on pages 18 to 34, provides full information on the movements during the year on all funds of the Group.
- During the year, the Group has neither discontinued any of its operations nor acquired any new ones.

The notes on pages 18 to 34 form part of these accounts.

Consolidated and Aggregated Statement of Financial Activities
for the year ended 31 March 2004

| | Note | Un- restricted Funds 2004 £'000 | Restricted Funds 2004 £'000 | Endow- ment Funds 2004 £'000 | Total 2004 £'000 | Total 2003 £'000 |
|---|--------------|---|--------------------------------------|--|------------------------|------------------------|
| Incoming resources | | | | | | |
| Donations, legacies and other incoming resources: | | | | | | |
| Revenue grants receivable | 5 | 2,601 | 76 | - | 2,677 | 2,505 |
| Stabilisation grants receivable | 5 | 487 | - | - | 487 | 706 |
| Donations and similar income | 6 | 243 | 206 | 16 | 465 | 392 |
| Activities in furtherance of charity's objectives: | | | | | | |
| Performance of orchestra concerts | 7 | 2,182 | - | - | 2,182 | 2,275 |
| Education and outreach | | 217 | - | - | 217 | 188 |
| Activities for generating funds: | | | | | | |
| Commercial trading operations | 4 | 23 | - | - | 23 | 10 |
| Other income | 8 | 360 | - | - | 360 | 313 |
| Investment income | | - | 190 | - | 190 | 177 |
| Interest | | 36 | 25 | - | 61 | 91 |
| Net gain on disposal of tangible fixed assets | | - | - | - | - | 3 |
| Total incoming resources | | 6,149 | 497 | 16 | 6,662 | 6,660 |
| Resources expended | | | | | | |
| Cost of generating funds: | | | | | | |
| Fundraising costs | | (107) | (58) | - | (165) | (147) |
| Commercial trading operations | 4 | (14) | - | - | (14) | (4) |
| Charitable expenditure | | | | | | |
| Costs of activities in furtherance of charity's objectives: | | | | | | |
| Costs of performances and related activity | 9 | (5,564) | (176) | - | (5,740) | (5,501) |
| Education and outreach | | (224) | (15) | - | (239) | (231) |
| Depreciation | 11 | (27) | (43) | - | (70) | (70) |
| Payments to beneficiaries | | - | (14) | - | (14) | (11) |
| Support costs | 10 | (372) | - | - | (372) | (468) |
| Management and administration | 10 | (53) | (4) | - | (57) | (62) |
| Total resources expended | | (6,361) | (310) | - | (6,671) | (6,494) |
| (Deficit)/Surplus before transfers | | (212) | 187 | 16 | (9) | 166 |
| Gross transfers between funds | | 190 | (199) | 9 | - | - |
| Net incoming resources | | (22) | (12) | 25 | (9) | 166 |
| Other recognised gains and losses | | | | | | |
| (Losses)/Gains on investment assets: | | | | | | |
| Unrealised | | 95 | 28 | (34) | 89 | 17 |
| Realised | | - | - | - | - | (18) |
| Movement in revaluation reserve | 11 | (2) | - | - | (2) | (3) |
| Net movement in funds | | 71 | 16 | (9) | 78 | 162 |
| Fund balances at 1 April 2003 | 20-22 | 139 | 1,523 | 3,063 | 4,725 | 4,563 |
| Fund balances at 31 March 2004 | 20-22 | 210 | 1,539 | 3,054 | 4,803 | 4,725 |

Charitable Company Statement of Financial Activities
for the year ended 31 March 2004

| | Note | Un- restricted Funds 2004 £'000 | Restricted Funds 2004 £'000 | Endow- ment Funds 2004 £'000 | Total 2004 £'000 | Total 2003 £'000 |
|---|-------|---|--------------------------------------|--|------------------------|------------------------|
| Incoming resources | | | | | | |
| Donations, legacies and other incoming resources: | | | | | | |
| Revenue grants receivable | 5 | 2,601 | 76 | - | 2,677 | 2,505 |
| Stabilisation grants receivable | 5 | 487 | - | - | 487 | 706 |
| Donations and similar income | 6 | 487 | 155 | - | 642 | 564 |
| Activities in furtherance of charity's objectives: | | | | | | |
| Performance of orchestral concerts | 7 | 2,182 | - | - | 2,182 | 2,275 |
| Education and outreach | | 217 | - | - | 217 | 188 |
| Activities for generating funds: | | | | | | |
| Other income | 8 | 314 | - | - | 314 | 287 |
| Interest | | 31 | 18 | - | 49 | 67 |
| Net gain on disposal of tangible fixed assets | | - | - | - | - | 3 |
| Total incoming resources | | 6,319 | 249 | - | 6,568 | 6,595 |
| Resources expended | | | | | | |
| Cost of generating funds: | | | | | | |
| Fundraising costs | | (104) | (58) | - | (162) | (143) |
| <i>Charitable expenditure</i> | | | | | | |
| Costs of activities in furtherance of charity's objectives: | | | | | | |
| Costs of performances and related activity | 9 | (5,564) | (176) | - | (5,740) | (5,501) |
| Education and outreach | | (224) | (15) | - | (239) | (226) |
| Depreciation | 11 | (27) | (38) | - | (65) | (65) |
| Support costs | 10 | (370) | - | - | (370) | (466) |
| Management and administration | 10 | (52) | - | - | (52) | (57) |
| Total resources expended | | (6,341) | (287) | - | (6,628) | (6,458) |
| Net incoming resources | | (22) | (38) | - | (60) | 137 |
| Other recognised gains and losses | | | | | | |
| Reduction in revaluation reserve | 11 | (2) | - | - | (2) | (3) |
| Net movement in funds | | (24) | (38) | - | (62) | 134 |
| Fund balances at 1 April 2003 | 20-22 | 112 | 1,228 | 42 | 1,382 | 1,248 |
| Fund balances at 31 March 2004 | 20-22 | 88 | 1,190 | 42 | 1,320 | 1,382 |

Hallé Concerts Society

(A Charitable Company limited by guarantee)

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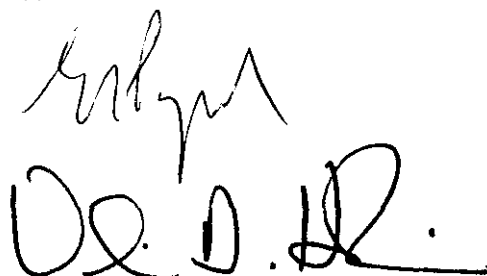
Consolidated and Aggregated Balance Sheet at 31 March 2004

| | Note | £'000 | 2004 £'000 | £'000 | 2003 £'000 |
|--|------|-------|---------------|-------|---------------|
| Fixed assets | | | | | |
| Tangible assets | 15 | | 220 | | 271 |
| Investments | 16 | | 3,214 | | 3,086 |
| | | | <hr/> | | <hr/> |
| | | | 3,434 | | 3,357 |
| Current assets | | | | | |
| Stocks for resale | | - | | 3 | |
| Debtors | 17 | 293 | | 508 | |
| Cash at bank and in hand | | 2,329 | | 2,583 | |
| | | <hr/> | | <hr/> | |
| | | 2,622 | | 3,094 | |
| Creditors: amounts falling due within one year | 18 | (344) | | (465) | |
| | | <hr/> | | <hr/> | |
| Net current assets | | | 2,278 | | 2,629 |
| | | | <hr/> | | <hr/> |
| Total assets less current liabilities | | | 5,712 | | 5,986 |
| Accruals and deferred income | 19 | | (909) | | (1,261) |
| | | | <hr/> | | <hr/> |
| Net assets | | | 4,803 | | 4,725 |
| | | | <hr/> | | <hr/> |
| Capital funds | | | | | |
| Endowments | 20 | | 3,054 | | 3,063 |
| Income funds | | | | | |
| Restricted funds | 21 | | 1,539 | | 1,523 |
| Unrestricted funds: | | | | | |
| Non-charitable funds | | 9 | | 9 | |
| Other charitable funds | | 201 | | 130 | |
| | | <hr/> | | <hr/> | |
| | 22 | | 210 | | 139 |
| | | | <hr/> | | <hr/> |
| | | | 4,803 | | 4,725 |
| | | | <hr/> | | <hr/> |

These financial statements were approved by the Board of Trustees on 2 September 2004 and signed on its behalf by

Edward S Pysden
Chairman

Valerie A Hawkin
Finance Director



Hallé Concerts Society

(A Charitable Company limited by guarantee)

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Charitable Company Balance Sheet at 31 March 2004

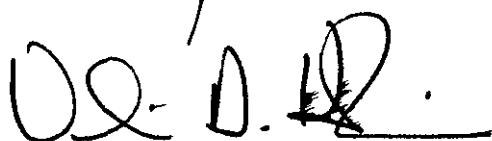
| | Note | £'000 | 2004 £'000 | £'000 | 2003 £'000 |
|--|------|-------|---------------|-------|---------------|
| Fixed assets | | | | | |
| Tangible assets | 15 | | 217 | | 263 |
| Investments | 16 | | 42 | | 1 |
| | | | <hr/> | | <hr/> |
| | | | 259 | | 264 |
| Current assets | | | | | |
| Stocks for resale | | - | | 3 | |
| Debtors | 17 | 736 | | 823 | |
| Cash at bank and in hand | | 1,563 | | 1,996 | |
| | | <hr/> | | <hr/> | |
| | | 2,299 | | 2,822 | |
| Creditors: amounts falling due within one year | 18 | (344) | | (465) | |
| | | <hr/> | | <hr/> | |
| Net current assets | | | 1,955 | | 2,357 |
| | | | <hr/> | | <hr/> |
| Total assets less current liabilities | | | 2,214 | | 2,621 |
| Accruals and deferred income | 19 | | (894) | | (1,239) |
| | | | <hr/> | | <hr/> |
| Net assets | | | 1,320 | | 1,382 |
| | | | <hr/> | | <hr/> |
| Capital funds | | | | | |
| Endowments | 20 | | 42 | | 42 |
| Income funds | | | | | |
| Restricted funds | 21 | | 1,190 | | 1,228 |
| Unrestricted funds | 22 | | 88 | | 112 |
| | | | <hr/> | | <hr/> |
| | | | 1,320 | | 1,382 |
| | | | <hr/> | | <hr/> |

These financial statements were approved by the Board of Trustees on 2 September 2004 and signed on its behalf by

Edward S Pysden
Chairman



Valerie A Hawkin
Finance Director



Consolidated and Aggregated Cash Flow Statement
for the year ended 31 March 2004

| | Note | 2004 £'000 | 2003 £'000 |
|--|------|---------------|---------------|
| Cash flow from operating activities | 24 | (445) | 57 |
| Return on investments and servicing of finance | 25 | 251 | 268 |
| Capital expenditure and financial investment | 25 | (60) | (448) |
| Decrease in cash in the period | | (254) | (123) |

Statement of changes in resources available for Charitable Group's use
for the year ended 31 March 2004

| | Unrestricted Funds | Restricted Funds | Endow-ment Funds | Total Funds | Total Funds |
|--|--------------------|------------------|------------------|---------------|---------------|
| | 2004 £'000 | 2004 £'000 | 2004 £'000 | 2004 £'000 | 2003 £'000 |
| Net movement in funds for the year | 71 | 16 | (9) | 78 | 162 |
| Net decrease in tangible fixed assets for direct charitable purposes | 13 | 33 | 5 | 51 | 4 |
| Net movement in funds available for future activities | 84 | 49 | (4) | 129 | 166 |

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

1 Status of charitable company and liability of members

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

2 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, in accordance with the Statement of Recommended Practice for Accounting and Reporting by Charities (SORP) dated October 2000, and under the historical cost accounting rules, except for the revaluation of certain tangible fixed assets and for listed investments which are included at market value. The financial statements also comply with the Companies Act 1985.

Basis of consolidation

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

All subsidiaries and branches are consolidated and aggregated based on financial statements as at 31 March except the Hallé Endowment Trust, which has a year end of 31 December. This Trust has been aggregated based on its financial statements as at 31 December 2003.

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

Incoming resources

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

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

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

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

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.

Notes (continued)

Resources expended

All expenditure is accounted for on an accruals basis. Costs for future performances are deferred until the period in which the relevant performance takes place. Certain expenditure is directly attributable to specific activities and has been included in those cost categories. Certain other costs are apportioned across cost categories on the basis of an estimate of the proportion of time spent by staff on those activities.

Support costs comprise operational expenditure, including staff costs, directly attributable to charitable activities. Management and administration costs are those incurred in connection with the administration of the charity and compliance with constitutional and statutory requirements.

Fundraising costs are those incurred in raising funds for the charity.

Funds

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

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The purpose of each restricted fund is set out in note 21.

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

Tangible fixed assets

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

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

Music Library - five years

Musical Instruments - ten to twenty-five years

Fixtures and Fittings - three to ten years

Motor Vehicles - five years

Expenditure on Leasehold Premises - three years

Investments

Investments are included at market value. The SOFA includes the net gains and losses arising on revaluations and disposals throughout the year.

Investments in subsidiary undertakings are valued at cost.

Stocks

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

Pension costs

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

Pension costs for the defined benefit scheme are assessed in accordance with actuarial advice and are accounted for on the basis of charging the cost of providing pensions over the working lives of the employees. Costs of the defined contribution scheme are charged to the SOFA as incurred.

Notes (continued)

3 Net movement in funds

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

| | 2004 £'000 | 2003 £'000 |
|--|---------------|---------------|
| Auditors remuneration - audit: - group | 14 | 14 |
| - parent | 9 | 9 |
| Depreciation | 70 | 70 |
| Gain on sale of tangible fixed assets | - | 3 |

4 Subsidiary company

The Hallé Concerts Society owns the whole of the issued ordinary share capital of Hallé Promotions Limited, a company registered in England. The subsidiary is used for non-primary purpose trading activities such as advertising. All activities have been consolidated on a line-by-line basis in the Statement of Financial Activities. The total net profit is gifted to Hallé Concerts Society. A summary of the results of Hallé Promotions Limited is shown below:

| | Total 2004 £'000 | Total 2003 £'000 |
|--|------------------------|------------------------|
| Turnover | 23 | 10 |
| Interest | - | 1 |
| | <hr/> 23 | <hr/> 11 |
| Expenditure | (14) | (5) |
| | <hr/> 9 | <hr/> 6 |
| Net profit | (9) | (6) |
| Contributions to Society under gift aid | - | - |
| Net profit after contributions to Society | <hr/> - | <hr/> - |

5 Grants receivable

Group and company

| | 2004 £'000 | 2003 £'000 |
|---|---------------|---------------|
| Revenue grants receivable | | |
| Arts Council North West | 1,718 | 1,621 |
| Manchester City Council | 303 | 298 |
| Association of Greater Manchester Authorities | 580 | 564 |
| | <hr/> 2,601 | <hr/> 2,483 |
| Project grants receivable | | |
| National Heritage Lottery Fund | 76 | 22 |
| | <hr/> 2,677 | <hr/> 2,505 |
| Stabilisation grants receivable | | |
| Arts Council of England: | | |
| Stabilisation award | 487 | 706 |
| | <hr/> 487 | <hr/> 706 |

Notes (continued)

6 Donations and similar income

| | 2004 | Group | 2004 | Company |
|---|-------|-------|-------|---------|
| | £'000 | 2003 | £'000 | 2003 |
| | | £'000 | | £'000 |
| Hallé Endowment Trust | 16 | 3 | 175 | 175 |
| Charles Hallé Foundation | 215 | 145 | 224 | 149 |
| Alderman Abraham Moss Hallé Concert Trust Fund | 45 | 3 | 45 | 3 |
| Terence Judd Trust Fund | 2 | 2 | 2 | 2 |
| Fundraising donations and legacies | 25 | 20 | 25 | 10 |
| Appeal | 107 | 163 | 107 | 163 |
| Membership subscriptions | 55 | 56 | 55 | 56 |
| Hallé Promotions | - | - | 9 | 6 |
| | 465 | 392 | 642 | 564 |

7 (a) Incoming resources from performance of orchestral concerts

Group and company

| | 2004 | 2003 |
|---|-------|-------|
| | £'000 | £'000 |
| Box office income (Manchester concerts) | 1,347 | 1,356 |
| Engagement income | 517 | 810 |
| Income from overseas touring | 144 | - |
| Other income | 174 | 109 |
| | 2,182 | 2,275 |

7 (b) Income (Group)

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

| | 2004 | 2003 |
|---------------------------------|--------|--------|
| | Number | Number |
| Manchester own promotions | 73 | 74 |
| Engagements and co-promotions | 33 | 53 |
| Hallé recordings | 5 | - |
| Overseas events | 5 | - |
| | 116 | 127 |
| Broadcast relay and repeat fees | 8 | 8 |

Notes (continued)
8 Activities for generating funds
Other income

| | Group | | Company | |
|---|--------------|--------------|----------------|--------------|
| | 2004 | 2003 | 2004 | 2003 |
| | £'000 | £'000 | £'000 | £'000 |
| Corporate sponsorship | 265 | 276 | 265 | 276 |
| Fundraising events (including concerts) | 46 | 26 | - | - |
| Other income | 49 | 11 | 49 | 11 |
| | 360 | 313 | 314 | 287 |

9 Charitable expenditure (Group and Company)
Costs of performances and related activity

| | Unrestricted funds | Restricted funds | Endowment funds | Total 2004 | 2003 |
|-------------------------------------|---------------------------|-------------------------|------------------------|-------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Orchestra and related staff costs | 3,398 | 73 | - | 3,471 | 3,146 |
| Conductors and soloists | 627 | - | - | 627 | 776 |
| Overseas tours | 145 | 74 | - | 219 | - |
| Travel and subsistence | 56 | - | - | 56 | 102 |
| Hall hire | 489 | - | - | 489 | 486 |
| Sundry concert costs | 82 | - | - | 82 | 100 |
| Music and instrument hire | 28 | - | - | 28 | 49 |
| Recording costs | 43 | 29 | - | 72 | 79 |
| Marketing | 376 | - | - | 376 | 441 |
| Box office charges | 140 | - | - | 140 | 144 |
| Programme costs | 55 | - | - | 55 | 59 |
| Choir, Youth Orchestra, Youth Choir | 125 | - | - | 125 | 119 |
| | 5,564 | 176 | - | 5,740 | 5,501 |

10 Support costs and management and administration
Group

| | Support costs | Management and administration | Total 2004 | 2003 |
|-------------------------------------|----------------------|--------------------------------------|-------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Staff costs | 242 | 27 | 269 | 252 |
| Office and sundry operational costs | 130 | 14 | 144 | 242 |
| Professional and consultancy fees | - | 16 | 16 | 36 |
| | 372 | 57 | 429 | 530 |

Company

| | Support costs | Management and administration | Total 2004 | 2003 |
|-------------------------------------|----------------------|--------------------------------------|-------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Staff costs | 242 | 27 | 269 | 251 |
| Office and sundry operational costs | 126 | 14 | 140 | 238 |
| Professional and consultancy fees | 2 | 11 | 13 | 34 |
| | 370 | 52 | 422 | 523 |

Notes (continued)

| 11 | Depreciation Group | Unrestricted Funds £'000 | Restricted Funds £'000 | Endowment Funds £'000 | Total 2004 £'000 | 2003 £'000 |
|----|-----------------------------------|-------------------------------------|-----------------------------------|----------------------------------|---------------------------------|-----------------------|
| | Depreciation | 27 | 43 | - | 70 | 73 |
| | Transfer from revaluation reserve | (2) | - | - | (2) | (3) |
| | | 25 | 43 | - | 68 | 70 |

| | Company | Unrestricted Funds £'000 | Restricted Funds £'000 | Endowment Funds £'000 | Total 2004 £'000 | 2003 £'000 |
|--|-----------------------------------|-------------------------------------|-----------------------------------|----------------------------------|---------------------------------|-----------------------|
| | Depreciation | 27 | 38 | - | 65 | 68 |
| | Transfer from revaluation reserve | (2) | - | - | (2) | (3) |
| | | 25 | 38 | - | 63 | 65 |

12 Staff numbers and costs

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

| | Number of employees | |
|--|----------------------------|-------------|
| | 2004 | 2003 |
| Orchestral musicians | 80 | 80 |
| Administrative and other non-playing personnel | 33 | 33 |
| | 113 | 113 |

The aggregate payroll costs of these persons were as follows:

| | 2004 £'000 | 2003 £'000 |
|-----------------------------------|-----------------------|-----------------------|
| Salaries and fees | 2,822 | 2,744 |
| Social Security costs | 218 | 189 |
| Other pension costs (see note 27) | 295 | 242 |
| | 3,335 | 3,175 |

13 Remuneration of trustees and employees

The Trustees, other than employee trustees, receive no remuneration nor reimbursement of expenses and derive no financial benefit from their services to the Society. Employee trustees receive remuneration only for their services as employees of the Society as permitted by the Memorandum and Articles of Association.

| | 2004 £'000 | 2003 £'000 |
|---|-----------------------|-----------------------|
| The aggregate amount of employee trustees' (including executive directors) remuneration excluding pension costs was | 151 | 150 |
| Pension costs | 17 | 14 |
| | 168 | 164 |

No employees' emoluments exceeded £50,000 in either this or the preceding year. This does not include executive directors whose emoluments are listed in note 14 below.

Notes (continued)

14 Executive directors' remuneration

Remuneration of the Executive Directors for their services as employees were as follows:

| | Salary £'000 | Pension cost £'000 | Benefits in kind £'000 | Total remuneration 2004 £'000 | Total remuneration 2003 £'000 |
|---------------------|-----------------|--------------------------|------------------------------|--|--|
| John Summers (CEO) | 78 | 9 | 2 | 89 | 84 |
| Valerie Hawkin (FD) | 46 | 5 | 1 | 52 | 50 |
| | 124 | 14 | 3 | 141 | 134 |

Both the above are members of the Hallé Concerts Society Retirement Benefits Scheme.

15 Tangible fixed assets

| | Music library £'000 | Musical instru- ments £'000 | Fixtures & fittings £'000 | Motor vehicles £'000 | Total £'000 |
|---------------------------|---------------------------|--------------------------------------|---------------------------------|----------------------------|----------------|
| Group: | | | | | |
| <i>Cost or valuation:</i> | | | | | |
| At 1 April 2003 | 73 | 349 | 333 | 91 | 846 |
| Additions | 9 | 3 | 11 | - | 23 |
| At 31 March 2004 | 82 | 352 | 344 | 91 | 869 |
| <i>Depreciation:</i> | | | | | |
| At 1 April 2003 | (60) | (241) | (191) | (83) | (575) |
| Charge for year | (2) | (22) | (47) | (3) | (74) |
| At 31 March 2004 | (62) | (263) | (238) | (86) | (649) |
| <i>Net book value:</i> | | | | | |
| At 31 March 2004 | 20 | 89 | 106 | 5 | 220 |
| At 31 March 2003 | 13 | 108 | 142 | 8 | 271 |

Notes (continued)

15 Tangible fixed assets (continued)

| | Music library | Musical instru- ments | Fixtures & fittings | Motor vehicles | Total |
|---------------------------|--------------------------|--------------------------------------|------------------------------------|---------------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Company: | | | | | |
| <i>Cost or valuation:</i> | | | | | |
| At 1 April 2003 | 73 | 309 | 333 | 91 | 806 |
| Addition | 9 | 3 | 11 | - | 23 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 March 2004 | 82 | 312 | 344 | 91 | 829 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Depreciation:</i> | | | | | |
| At 1 April 2003 | (60) | (209) | (191) | (83) | (543) |
| Charge for year | (2) | (17) | (47) | (3) | (69) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 March 2004 | (62) | (226) | (238) | (86) | (612) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Net book value:</i> | | | | | |
| At 31 March 2004 | 20 | 86 | 106 | 5 | 217 |
| At 31 March 2003 | 13 | 100 | 142 | 8 | 263 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

The Music Library and Musical Instruments were revalued on an open market basis at 31 March 1998 at £30,000 and £179,000 respectively. In accordance with SORP and with the transitional provisions of FRS 15, these valuations have not been updated. The trustees are not aware of any significant changes to the valuation since that date.

Under the historical cost convention accounting rules the net book value of the Music Library and Musical Instruments at 31 March 2004 would have been £1,000 and £100,000 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.

16 (a) Investments

| | Group £'000 | Company £'000 |
|-------------------------------|------------------------|--------------------------|
| Market value at 1 April 2003 | 3,086 | - |
| Additions | 443 | 41 |
| Disposals | (404) | - |
| Change in market value | 89 | 1 |
| | <hr/> | <hr/> |
| Market value at 31 March 2004 | 3,214 | 42 |
| | <hr/> | <hr/> |

Notes (continued)

16 (b) Investments

| | 2004 £'000 | Group 2003 £'000 | 2004 £'000 | Company 2003 £'000 |
|--|---------------|------------------------|---------------|--------------------------|
| Shares in group companies: | | | | |
| At cost | 1 | 1 | 1 | 1 |
| Provision for diminution in value | (1) | (1) | (1) | (1) |
| | - | - | - | - |
| Shares in undertaking with participating interest: | | | | |
| At cost | 1 | 1 | 1 | 1 |
| Quoted investments:- | | | | |
| At market value - UK | 3,036 | 2,851 | 41 | - |
| - other | 177 | 234 | - | - |
| | 3,214 | 3,086 | 42 | 1 |

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

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

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

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

Quoted investments include shares listed on the Alternative Investment Market with a market value of £94,869 at the year end. The shares must be held for a minimum of two years.

17 Debtors

| | 2004 £'000 | Group 2003 £'000 | 2004 £'000 | Company 2003 £'000 |
|-------------------------------------|---------------|------------------------|---------------|--------------------------|
| Trade debtors | 155 | 177 | 150 | 173 |
| Amounts owed by connected charities | 6 | 14 | 6 | 14 |
| Amounts owed by group charities | - | - | 473 | 359 |
| Other debtors | 89 | 148 | 64 | 109 |
| Prepayments and accrued income | 43 | 169 | 43 | 168 |
| | 293 | 508 | 736 | 823 |

All debtors fall due within one year.

Notes (*continued*)

18 Creditors: amounts falling due within one year

| | 2004 £'000 | Group 2003 £'000 | 2004 £'000 | Company 2003 £'000 |
|------------------------------|---------------|------------------------|---------------|--------------------------|
| Trade creditors | 243 | 370 | 243 | 370 |
| Taxation and Social Security | 72 | 60 | 72 | 60 |
| Other creditors | 29 | 35 | 29 | 35 |
| | 344 | 465 | 344 | 465 |

19 (a) Accruals and deferred income

| | 2004 £'000 | Group 2003 £'000 | 2004 £'000 | Company 2003 £'000 |
|-----------------|---------------|------------------------|---------------|--------------------------|
| Deferred income | 430 | 482 | 420 | 482 |
| Accruals | 479 | 779 | 474 | 757 |
| | 909 | 1,261 | 894 | 1,239 |

Deferred income includes project-specific amounts in respect of education funds, £50,000 (2003: £63,000). Box office income is deferred until the appropriate concert has taken place.

19 (b) Deferred income

| | Group £'000 | Company £'000 |
|---------------------------------------|----------------|------------------|
| Balance at 1 April 2003 | 482 | 482 |
| Amount released to incoming resources | (482) | (482) |
| Amount deferred in the year | 430 | 420 |
| Balance at 31 March 2004 | 430 | 420 |

20 Analysis of Endowment Funds

| | Group £'000 | Company £'000 |
|-------------------------|----------------|------------------|
| As at 1 April 2003 | 3,063 | 42 |
| Incoming resources | 16 | - |
| Net gains and transfers | (25) | - |
| As at 31 March 2004 | 3,054 | 42 |

Endowments amounting to £42,000 (2003: £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.

Notes (*continued*)

21 Analysis of restricted funds

| | At 1 April 2003 £'000 | Income £'000 | Expenditure £'000 | Investment gains £'000 | Transfers £'000 | At 31 March 2004 £'000 |
|---------------------------------|-----------------------------|-----------------|----------------------|------------------------------|--------------------|------------------------------|
| Harp Fund | 12 | - | (2) | - | - | 10 |
| Stabilisation Equipment Fund | 16 | - | (8) | - | - | 8 |
| Education Instruments Fund | - | 2 | - | - | - | 2 |
| FSA Fund | 27 | - | (2) | - | - | 25 |
| Lottery Fund | 108 | - | (25) | - | - | 83 |
| Heritage Lottery Fund | 11 | 76 | (74) | - | - | 13 |
| Appeal Fund | 749 | 126 | (73) | - | - | 802 |
| Appeal Fund – touring | 200 | - | (74) | - | - | 126 |
| Appeal Fund – recording | 105 | - | (29) | - | - | 76 |
| Abraham Moss Fund | - | 45 | - | - | - | 45 |
| Company | 1,228 | 249 | (287) | - | - | 1,190 |
| Sickness & Benevolent Fund | 252 | 12 | (15) | 19 | - | 268 |
| Charles Hallé Award | 9 | - | - | - | (6) | 3 |
| Charles Hallé Education Funds | 13 | 51 | - | - | (9) | 55 |
| Hallé Endowment Trust | 21 | 185 | (8) | 9 | (184) | 23 |
| Group | 1,523 | 497 | (310) | 28 | (199) | 1,539 |

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

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

The Sickness and Benevolent Fund represents investments held for the benefit of musicians in temporary distress.

The Endowment Fund represents investment monies generated from the Endowment Trust.

The Appeal Fund represents donations received for the Hallé Orchestra Public Appeal launched in April 1998 with the objective of supporting the Orchestra's Rescue Plan in the short term and in the longer term supporting its Educational and Development objectives. To that end the Appeal Custodians designated part of the Appeal Fund for touring and recording.

The Alderman Abraham Moss Fund represents funds transferred to the Society on the winding up of the Alderman Abraham Moss Hallé Concert Trust Fund in accordance with the terms of its trust deed. An annual concert will continue to be held in honour of Alderman Moss.

The Charles Hallé Award represents donations received from the Oglesby Trust for the support of the Hallé Concerts Society Professional Experience Scheme including a bursary award.

The Charles Hallé Education funds represent funds received from a variety of donors for specific educational projects. Full details of those funds are disclosed in the accounts of the Charles Hallé Foundation.

Notes (continued)

22 Analysis of unrestricted funds

| | Revaluation reserve | General reserve | Accumu- lated surplus | Total |
|--|------------------------|--------------------|-----------------------------|-------|
| | £'000 | £'000 | £'000 | £'000 |
| <i>Group</i> | | | | |
| At 1 April 2003 | 7 | 29 | 103 | 139 |
| Deficit for year | - | - | (212) | (212) |
| Movement on revaluation reserve | 93 | - | - | 93 |
| Transfer from restricted funds - Endowment Fund | - | - | 175 | 175 |
| Charles Hallé Foundation | - | - | 15 | 15 |
| At 31 March 2004 | 100 | 29 | 81 | 210 |
| <i>Company</i> | | | | |
| At 1 April 2003 | 7 | 29 | 76 | 112 |
| Deficit for year | - | - | (22) | (22) |
| Movement on revaluation reserve | (2) | - | - | (2) |
| At 31 March 2004 | 5 | 29 | 54 | 88 |

The transfer from the Revaluation Reserve represents additional depreciation of £2,000 resulting from the revaluation of the Music Library and Musical Instruments. The transfer from the Endowment Fund represents investment income earned in the year.

Appeal Funds have been used in accordance with the objects of the Appeal to support Education, touring, recording and the costs of fundraising, the costs of which have been analysed as restricted funds.

Notes (continued)

23 Analysis of group net assets between funds

| | Unrestricted Funds £'000 | Restricted Funds £'000 | Endowment Funds £'000 | Total Funds £'000 |
|---|--------------------------------|------------------------------|-----------------------------|-------------------------|
| Balances at 31 March 2004 are represented by: | | | | |
| Tangible assets | 77 | 140 | 3 | 220 |
| Investments | 95 | 308 | 2,811 | 3,214 |
| Current assets | 1,015 | 1,307 | 300 | 2,622 |
| Current liabilities | (107) | (49) | (188) | (344) |
| Accruals and deferred income | (740) | (167) | (2) | (909) |
| Profit on inter-group disposals | (88) | - | 88 | - |
| Society endowments | (42) | - | 42 | - |
| Total net assets | 210 | 1,539 | 3,054 | 4,803 |
| Unrealised gains included above: | | | | |
| On tangible fixed assets | 5 | - | - | 5 |
| On investment assets | 95 | (21) | 130 | 204 |
| Total unrealised gains at 31 March 2004 | 100 | (21) | 130 | 209 |
| Reconciliation of movements in unrealised gains on tangible and investment assets: | | | | |
| Unrealised gains at 1 April 2003 | 7 | (48) | 163 | 122 |
| Disposals in year | - | 9 | (9) | - |
| | 7 | (39) | 154 | 122 |
| Add net gains/(losses) arising on revaluations in year | 95 | 18 | (24) | 89 |
| Other movements | (2) | - | - | (2) |
| Unrealised gains at 31 March 2004 | 100 | (21) | 130 | 209 |

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

Also included within other restricted funds are reserves in respect of fixed assets acquired by Lottery and FSA, Harp, Stabilisation Equipment and HLF funds as disclosed in note 21.

Current assets in endowment funds include £300,000 held in cash (2003: £nil). Current liabilities in endowment funds represent amounts due to Hallé Concerts Society in respect of donations approved, not paid over at the year end.

Notes (continued)
24 Cash flow information for the group
Reconciliation of net incoming resources to net cash inflow from operating activities

| | Year ended 31 March 2004 £'000 | Year ended 31 March 2003 £'000 |
|--|--------------------------------------|--------------------------------------|
| Net incoming resources | (9) | 166 |
| Depreciation charge | 70 | 70 |
| Gain on sale of tangible fixed assets | - | (3) |
| Increase in debtors | 215 | 165 |
| Decrease in stocks | 3 | - |
| Decrease in creditors | (473) | (73) |
| Interest received | (61) | (91) |
| Investment income | (190) | (177) |
| Net cash inflow from operating activities | (445) | 57 |

25 Analysis of items netted in the cash flow statement

| | Year ended 31 March 2004 £'000 | Year ended 31 March 2003 £'000 |
|--|--------------------------------------|--------------------------------------|
| Return on investments and servicing finance | | |
| Interest received | 61 | 91 |
| Dividends received | 190 | 177 |
| Net cash inflow from returns on investments | 251 | 268 |
| Capital expenditure and financial investment | | |
| Payments to acquire tangible fixed assets | (23) | (72) |
| Receipts from sales of tangible fixed assets | - | 2 |
| Payments to acquire fixed asset investments | (442) | (713) |
| Receipts from sales of fixed asset investments | 405 | 335 |
| Net outflow from capital expenditure and financial investment | (60) | (448) |

26 (a) Reconciliation of net cash flows to movement in net debt for the year ended 31 March 2004

| | Note | 2004 £'000 | 2003 £'000 |
|--------------------------------|---------------|---------------|---------------|
| Decrease in cash in the period | | (254) | (123) |
| Net debt at 1 April | 26 (b) | 2,583 | 2,706 |
| Net debt at 31 March | 26 (b) | 2,329 | 2,583 |

Notes (continued)

26 (b) Analysis of net debt

| | At 1 April 2003 £'000 | Cash Flow £'000 | At 31 March 2004 £'000 |
|--------------------------|-----------------------------|-----------------------|------------------------------|
| Cash in hand and at bank | 2,583 | (254) | 2,329 |

27 Pensions

The Society operates both a funded defined benefit pension scheme (the Hallé Concerts Society Retirement Benefits Scheme) and contributes to a defined contribution (Stakeholder) scheme for its employees.

The Hallé Concerts Society Retirement Benefits Scheme was closed to new entrants with effect from 1 September 2002.

27 (a) Defined benefit pension scheme

The scheme is financed by payments by the Hallé Concerts Society and employees into a trustee-administered fund. The assets of the Scheme are held separately from those of the Society. The latest formal actuarial valuation of the Scheme was carried out by qualified independent actuaries as at 31 March 2002, using the projected unit method. The principal assumptions used to value the Scheme's liabilities at that date were as follows:

| | |
|--|------|
| Discount rate | 6.0% |
| Rate of increase in salaries | 3.7% |
| Pension increases (on excess over GMP) | 2.7% |

At the valuation date the market value of the assets was £8.926m and the market value of the assets was 95% of the value of accrued benefits after allowing for expected future increases in salaries.

Following the completion of the 2002 valuation, and on the advice of the actuary, the employers' contribution was increased. Company contributions were paid at a rate of 9.4% of pensionable salaries up to 31 December 2002, and at 12% thereafter. Member contributions increased to 6% from 1 April 2003.

The total pension cost charge for the current year was £290,000 (2003: £242,000). There are no amounts provided in respect of the amortisation of experience surpluses or deficits as the scheme was 95% funded at the last actuarial valuation as stated above.

At the year end, the Society had a net balance of contributions owed to the scheme of £17,000, paid over by 19th April (2003: pre-paid contributions of £51,000).

Whilst the company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension Costs', under FRS 17 'Retirement Benefits' the following transitional disclosures are required.

27 (b) FRS 17 disclosures

The disclosures required under the transitional arrangements of FRS 17 (Accounting for Retirement Benefits) have been calculated by a qualified independent actuary. A full actuarial valuation was carried out at 31 March 2002 and updated to 31 March 2004 on an approximate basis by the actuary. The service cost has been calculated using the Projected Unit method. As a result of the scheme being closed to new entrants the service cost will increase as the members of the scheme approach retirement. The major assumptions used by the actuary were (in nominal terms):

| | At year end 31 Mar 2004 | At year end 31 Mar 2003 | At year end 31 Mar 2002 |
|--|----------------------------|----------------------------|----------------------------|
| Rate of increase in salaries | 3.80% | 3.50% | 4.20% |
| Rate of increase of pensions in payment and deferment | 2.80% | 2.50% | 2.70% |
| Discount rate | 5.50% | 5.40% | 6.00% |
| Inflation assumption | 2.80% | 2.50% | 2.70% |

Notes (continued)

27 (b) The assets in the scheme and the expected rate of return were:
ctd

| | At year end 31 Mar 2004 | At year end 31 Mar 2004 £'000 | At year end 31 Mar 2003 | At year end 31 Mar 2003 £'000 | At year end 31 Mar 2002 | At year end 31 Mar 2002 £'000 |
|---|-------------------------------|--|-------------------------------|--|-------------------------------|--|
| Equities | 6.70% | - | 6.50% | 5,070 | 7.00% | 6,822 |
| Bonds | 4.70% | 2,922 | 4.50% | 1,834 | 5.00% | 2,037 |
| Cash | 6.70% | 5,544 | 3.80% | 3 | 4.00% | 67 |
| Total market value of assets | | 8,466 | | 6,907 | | 8,926 |
| Actuarial value of liability | | (11,786) | | (10,834) | | (9,702) |
| Recoverable (deficit) in the scheme | | (3,320) | | (3,927) | | (776) |
| Related deferred tax asset/(liability) | | - | | - | | - |
| Net pension (liability) | | (3,320) | | (3,927) | | (776) |

The amount of this net pension liability would have a consequential effect on reserves.

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

| | | |
|---|--|--|
| (i) Pension cost | Year to 31 Mar 2004 £'000 | Year to 31 Mar 2003 £'000 |
| Service cost | 337 | 342 |
| Past service cost | - | - |
| Total operating charge | 337 | 342 |
| (ii) Analysis of net return on scheme | Year to 31 Mar 2004 £'000 | Year to 31 Mar 2003 £'000 |
| Expected return on scheme assets | 416 | 586 |
| Interest on pension liabilities | (590) | (589) |
| Net return | (174) | (3) |
| (iii) Analysis of amount recognised in SOFA | Year to 31 Mar 2004 £'000 | Year to 31 Mar 2003 £'000 |
| Actual return less expected return on assets | 987 | (2,727) |
| Experience gains and losses on liabilities | 282 | 68 |
| Changes in assumptions | (444) | (386) |
| Actuarial (loss) recognised in Statement of Financial Activities | 825 | (3,045) |

Notes (continued)

27 (b) (iii) ctd

Movement in scheme deficit during the year

| | Year to 31 Mar 2004 £'000 | Year to 31 Mar 2003 £'000 |
|--|---------------------------------|---------------------------------|
| Deficit in scheme at beginning of year | (3,927) | (776) |
| Movement in year: | | |
| Current service cost | (337) | (342) |
| Contributions | 293 | 239 |
| Net return on assets/(interest cost) | (174) | (3) |
| Actuarial gain/(loss) | 825 | (3,045) |
| Deficit in scheme at end of year | (3,320) | (3,927) |

The actuary has not recommended any change in contributions following those implemented as a result of the 2002 valuation. Any shortfall in the Scheme will be addressed at the next valuation in 2005.

History of experience gains and losses

| | 2004 | Financial year ending in 2003 |
|---|------|----------------------------------|
| Difference between expected and actual return on scheme assets: | | |
| amount (£'000) | 987 | (2,727) |
| percentage of scheme assets | 12% | -39% |
| Experience gains and losses on scheme liabilities: | | |
| amount (£'000) | 282 | 68 |
| percentage of scheme liabilities | -2% | 1% |
| Total amount recognised in SOFA: | | |
| amount (£'000) | 825 | (3,045) |
| percentage of scheme liabilities | -7% | -28% |

27 (c) Standard Life

Since 1 September 2002 the Hallé Concerts Society has offered a contributory stakeholder pension scheme to its employees. All contributions are charged to the income and expenditure account as they arise. The pension cost charge for the current year was £4,000.

28 Related party transactions

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

The Society has 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 6. In accordance with the terms of the trust deed the trustees of the Alderman Abraham Moss Hallé Concert Trust Fund resolved to wind up the trust and transfer its assets of £43,930 to the Society.

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

During the year payments of £758,954 (2003: £565,245) were made to Hallogen Limited for use of the Bridgewater Hall and related services. At the end of the year, amounts owed to Hallogen Limited included in trade creditors amounted to £135,324 (2003: £64,286). The balance due from Hallogen for box office and other income was £52,205 (2003: £49,539). Two of the directors of Hallogen Limited (Edward Pysden and John Summers) are also trustees of the Society.

Payments of £3,305 (2003: £12,233) for various legal advice were made to Eversheds LLP of which Edward Pysden (Chairman) is a partner. No balances were outstanding at the year end.

Cash was placed on deposit with N M Rothschild & Sons of which Richard Bailey (trustee) is a director. The balance on deposit at 31 March 2004 was £100,000 (2003: £650,000).