

The Hallé Endowment Trust

Financial Statements

For the year ended 31 December 2020

Charity registration number: 286145

The Hallé Endowment Trust

FINANCIAL STATEMENTS 31 DECEMBER 2020

Contents	Page
Trustees and independent advisers	1
Trustees' report	2-6
Independent Auditor's report to the Trustees of the Hallé Endowment Trust	7-9
Statement of financial activities	10
Income and expenditure account	11
Balance sheet	12
Notes	12-22

Trustees and independent advisers

Board of Trustees

Mr J Finlay (resigned 8 January 2021)
Mr D McKeith
Mr E S Pysden
Mr J Schultz CBE
Mr J Eckersley

Nominated by Manchester City Council

Ms C Culley

Bankers

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

Solicitors

Mills & Reeve LLP
1 Circle Square
Symphony Park
Manchester
M1 7FS

Investment advisers

Cazenove Capital
Liverpool House
Lower Bridge Street
Chester
CH1 1RS

Part of:
Schroder & Co Limited
2 Moorgate
London
EC2R 6DA

Auditor

Crowe U.K. LLP
3rd Floor
The Lexicon
Mount Street
Manchester
M2 5NT

Principal office

The Bridgewater Hall
Manchester
M1 5HA

REPORT OF THE TRUSTEES

The Trustees present their annual report and the audited financial statements for the year ended 31 December 2020, in compliance with the Trust Deed.

Reference and administrative details

The Hallé Endowment Trust (the 'Trust') is a registered charity, number 286145, governed by a trust deed dated 30 December 1982. The details of the Trustees, their advisers and other relevant information given on page 1 forms part of this report.

Structure, Governance and Management

The governing body is the Board of Trustees whose members are non-executive and unpaid. The Trustees are appointed by the Board of the Hallé Concerts Society ('the Society'). The Trustees delegate the day to day management and administration of the Trust's affairs to the Executive of the Hallé Concerts Society.

Appropriate induction and training is given to all Trustees.

Objectives and activities of the Trust

The objective and principal activity of the Trust is to maintain a capital endowment fund and to apply the annual income of that fund in perpetuity towards the education of the general public in the study, appreciation and practice of music and the allied arts by furthering and supporting the objects and work of the Hallé Concerts Society.

Following the Society's successful application to the Arts Council's Catalyst Endowment programme, the Hallé Endowment Trust is the recipient of the Catalyst Endowment Fund and holds that fund as a separate endowment fund within its accounts, the income from which will be used to support the Society's educational activity at Hallé St Peter's and its undertaking of more ambitious large-scale artistic projects not funded by other funding agreements.

Public Benefit

The Trustees have considered the Charity Commission's guidance on public benefit and they believe that the support provided to the Hallé Concerts Society allows the objectives above to benefit a wide section of the public. The Society's HALLÉ CONNECT education, ensembles and outreach programmes would normally reach over 50,000 children and young people each year. Membership of the Society's youth and children's ensembles is free. A full review of the Society's outreach work is given in its own statutory accounts and further details are available on the Hallé website: www.halle.co.uk. The Society's facilities, Hallé St Peter's and St Michael's are enabling its education and community programme to extend to an even broader cross section of the community and the income of the Catalyst Endowment Fund referred to below, will facilitate this work.

Achievements and performance

An Investment sub-committee, established by the Hallé Concerts Society, reviews the investment strategy and performance of all its related entities.

With effect from 1 January 2017, for the Main fund, the Trustees have adopted the Total Return approach to investment under the powers granted in Section 4 of the Trusts (Capital and Income) Act 2013. This allows any increase in the value of an investment to be treated as income. Further information is provided in the Financial Review section below and in the Notes to the Accounts.

The investment portfolio's objective is to generate a reliable and sustainable income from the portfolio whilst maintaining the real capital value above inflation; the target return is CPI+4%. Overall, investment values reflect the rise in investment markets experienced in the calendar year 2020 with a significant recovery from the downturn at the end of March 2020. When investment income is taken into account the overall return is 8.8% for the Main Fund and -0.2% for the Catalyst. This compares to the target return of CPI+4% which is 4.6% for 2020. The Catalyst investment portfolio performed less well over the period due to the differing investment strategies currently adopted, with the Catalyst being more focused on income-producing assets which have performed badly in the past year. A move to a total return strategy for the Catalyst Fund is being considered by the trustees.

REPORT OF THE TRUSTEES (continued)

Financial Review

Main Fund overview - During the year the main fund received donations and legacies of £139,000 (2019: £10,000), investment income of £72,932 (2019: £130,413) and short term deposit interest of £1,255 (2019: £1,247). There was a gain on investments of £268,734 (2019: £344,891). A grant of £200,000 was made to the Society (2019: £200,000). The grant in 2020 to the Society reflects the power to distribute cumulative investment gain as well as investment income under the total return approach.

At 31 December 2020 the endowment fund of the Main fund stood at £4,526,245 (2019: £4,277,276) and the restricted funds of the Main fund stood at £nil (2019: £nil).

Catalyst Fund overview - the Catalyst Endowment fund received donations and legacies of £43,908 (2019: £47,371). Investment income for the Catalyst fund amounted to £74,385 (2019: £93,398) and short term deposit interest of £705 (2019: £451). A grant was made to the Society of £64,000 (2019: £83,000). At 31 December 2020 the endowment fund of the Catalyst Fund stood at £2,615,293 (2019: £2,658,977) and the restricted funds of the Catalyst Fund stood at £891 (2019: £106).

Total fund balances at the year-end were £7,142,429 (2019: £6,936,359).

The Catalyst Fund remains as a permanent endowment under the separate terms of an Arts Council agreement and therefore capital gain cannot be distributed.

Total return approach to investment

A resolution to adopt the total return approach for the Main fund was made by the Trustees on 8 February 2018 effective from 1 January 2017. The Catalyst fund currently remains under current rules as it is an Arts Council based fund and subject to different arrangements from the Main fund. The Trustees are exploring the total return option for the Catalyst Fund.

The Trustees' decision to move to total return was taken in order to enable increased flexibility in the financial support provided by the Endowment to the Hallé Concert Society. Under the standard rules, there can be significant variation of the income available to distribute, depending on whether investment returns are within income or capital gains, even though the overall return may be the same. The total return approach enables the focus to be on overall best return for the investment portfolio rather than focussing on investments to produce investment income. It also facilitates a more planned approach to grant making because the impact of year- to- year variation in investment income can be smoothed through the Unapplied Total Return fund (UTR). It is important to note that although the total return approach provides more flexibility, the Trustees are mindful of their legal responsibility to be even-handed in the way that they allocate investment returns between current and future needs. The Trustees will therefore retain resources in the UTR fund for supporting the future needs of the Society and furthering the objectives of the Hallé Endowment Trust.

Further detail is provided in note 13 to the financial statements.

Investment Policy

There are no restrictions on the Trust's power to invest.

In March 2017 the Trustees agreed a move to a total return approach for the investment strategy. This was a separate but related decision to the total return approach to investment accounting described above. With a total return investment strategy, the focus is on maximising the total investment return rather than maximising investment income (the previous strategy). This is consistent with the Main Fund approach to total return investment accounting described above but it also allows for the income objective of the Catalyst Fund to be accommodated.

The target return of the investment strategy is CPI +4% for both funds. For the Main Fund the objective is to maintain the real capital value of the investment portfolio above inflation whilst generating a sustainable and reliable distribution from an overall return of +4% per annum. For the Catalyst Fund the target is to provide income at +4% per annum and maintain the real value of the portfolio above inflation.

REPORT OF THE TRUSTEES (continued)

Investment Policy (continued)

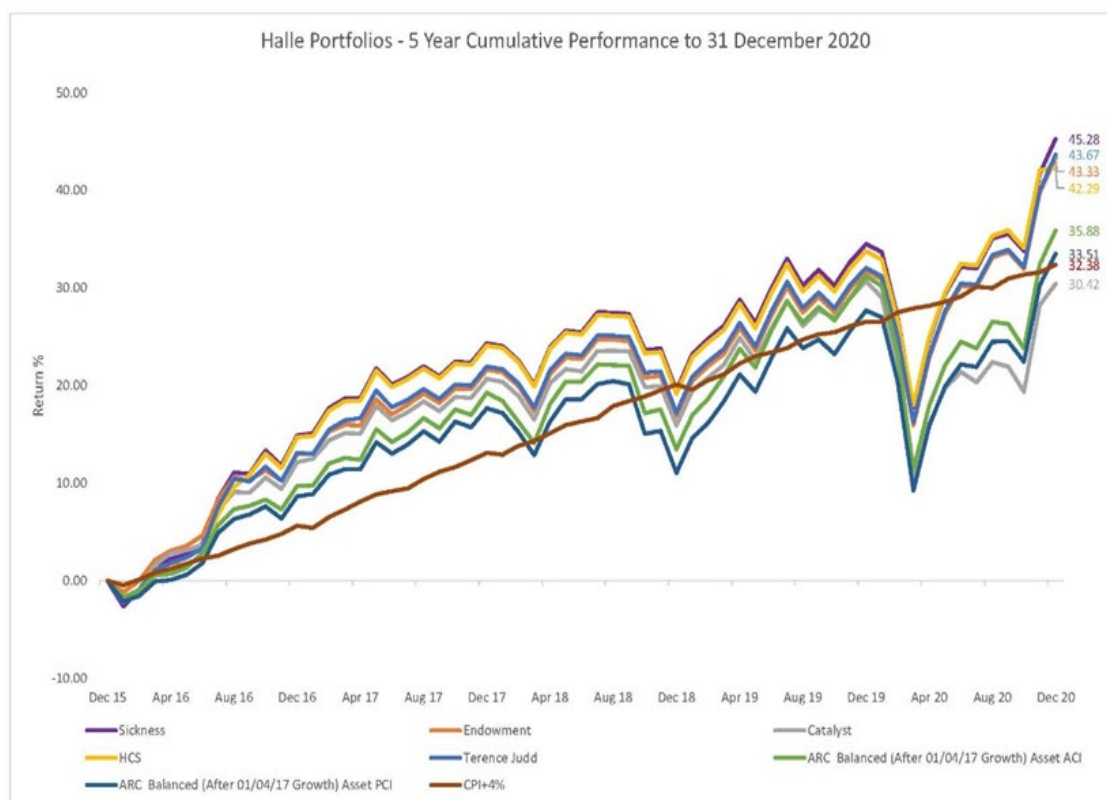
The long term strategic asset allocation parameters and benchmarks for the portfolio during the year were as follows.

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

There are currently no restrictions on the Trustees' power to invest. The Trustees require the Investment Manager to integrate analysis of relevant Environmental, Social and Governance (ESG) issues into their investment processes and will monitor how the Investment Manager takes ESG issues into account in practice on a regular basis. The Trustees are currently giving consideration to a policy more focussed on ESG factors, recognising that a policy that takes account of these issues is likely to be beneficial in the longer term both in respect of investment returns and alignment with wider objectives.

Investment Performance

The graph below illustrates investment performance compared to benchmark and target over the last 5 years.



REPORT OF THE TRUSTEES (continued)

Reserves policy

Main Fund: the Trustees have considered their reserves policy in respect of the Unallocated Total Return Fund within the Main Endowment Fund with regard to their responsibility to adopt an even-handed approach between the current and future needs of the Society.

The Trustees consider that reserves should be maintained as protection for the Endowment Trust against a fall in the value of investments which would impact the ability of the Endowment Trust to support the Society and fulfil its objectives in future periods. On the basis of advice from Cazenove, the Endowment Trust investment managers, the Trustees have set the level of this "Buffer reserve" at 30% of the market value of investments and this will be reviewed at least annually. The Unallocated Total Return (UTR) Fund provides this "Buffer reserve"; at 31 December 2020 the UTR stands at £1,807K which is 47% of investment value and therefore achieves the reserve target. The reserve is held to ensure that the Trust will be able to carry out its aims effectively in the future, even if there is a fall in the value of the Trust's investment assets.

In addition, the current level of reserves is considered reasonable to enable the Trustees to smooth the pattern of grant making to the Society in years when investment returns may be low. The indicative annual grant level to the Society from the Main Endowment is £200,000 and the UTR at this level enables the Trustees to provide assurance to the Society that the annual grant can be relied upon for planning purposes.

Catalyst Fund: The trustees do not consider that reserves are required for the Catalyst Fund because the amount distributable is limited to the investment income generated. At the year-end £891 was held which will be offset against investment manager costs in 2021.

Fundraising Practices

The Endowment Trust's fundraising is delegated by the Trustees to the Hallé Concerts Society Development Team which also fundraises on behalf of the Hallé Concerts Society. Fundraising is targeted at individuals who already have a relationship with the Orchestra, such as regular audience members. There is very little fundraising from the wider general public. The Endowment Trust's fundraising strategy is overseen by its Board of Trustees and all its fundraising activity is conducted in compliance with the Fundraising Regulator Code of Fundraising Practice and all relevant regulations. The implementation of the fundraising strategy is mainly delivered by the in-house fundraising team with support from a professional fundraiser on bids to charitable trusts and foundations. This person does not carry out fundraising with the general public.

Plans for future periods

The changes to the total return approach to accounting and to total return in respect of the investment strategy have been introduced by the Trustees in order to provide more secure and sustainable financial support to achieve the Trust's objectives, in particular the financial support provided to the Hallé Concerts Society. The principal objective for the next year is to continue to use these changes effectively to further the aims of the Trust both now and in the future.

Risk management

A risk management strategy has been implemented for the Hallé Concerts Society group, of which the Hallé Endowment Trust is a part. A review of overall financial controls is undertaken annually by the Society's Audit Committee. The last risk review was completed in May 2021. A more detailed explanation is contained in the accounts of the Hallé Concerts Society.

Statement of Trustees' responsibilities in respect of the Trustees' annual report and the financial statements

Under the trust deed of the charity and charity law, the Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The Trustees have elected to prepare the financial statements in accordance with FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the Trustees:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with the trust deed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are required to act in accordance with the trust deed of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the Trustees to ensure that, where any statements of accounts are prepared by them under section 132(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under that provision. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

Disclosure of information to independent auditor

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

Auditor

Crowe U.K. LLP is the appointed auditor and has indicated its willingness to continue in office.

Approved on behalf of the Trustees on 5th October 2021:



J Schultz

Independent Auditor's report to the Trustees of The Hallé Endowment Trust

Opinion

We have audited the financial statements of The Halle Endowment Trust ('the charity') for the year ended 31 December 2020 which comprise the Statement of Financial Activities, the Income and Expenditure Account, the Balance Sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2020 and of its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's report to the Trustees of The Hallé Endowment Trust (cont'd)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient and proper accounting records have not been kept by the charity; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 5, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 151 of the Charities Act 2011, and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charity operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Charities Act 2011 together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charity for fraud. The laws and regulations we considered in this context for the UK operations were those contained within the Charities Act.

Independent Auditor's report to the Trustees of The Hallé Endowment Trust (cont'd)

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's trustees 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 trustees as a body, for our audit work, for this report, or for the opinions we have formed.

**Crowe U.K. LLP**

Statutory Auditor

The Lexicon

Mount Street

Manchester

M2 5NT

Date: 14th October 2021

The Hallé Endowment Trust
Statement of financial activities
for the year ended 31 December 2020

page 10

	Note	Restricted Funds £	Endowment Funds £	Catalyst Restricted Funds £	Catalyst Endowment Funds £	2020 Total £	2019 Total Funds £
Income and endowments from:							
Donations and legacies							
Donations and legacies	3	-	139,000	-	43,908	182,908	57,371
Investments							
Investment income		-	72,932	74,385	-	147,317	223,811
Short-term deposit income		1,255	-	705	-	1,960	1,698
Total income		1,255	211,932	75,090	43,908	332,185	282,880
Expenditure on:							
Raising Funds							
Investment management costs	4	-	(15,888)	(9,278)	-	(25,166)	(25,745)
Governance and support costs	4	(1,064)	-	(1,027)	-	(2,091)	(2,590)
Depreciation		-	(16,000)	-	-	(16,000)	(16,000)
Grant to Hallé Concerts Society	5	(200,000)	-	(64,000)	-	(264,000)	(283,000)
Total expenditure		(201,064)	(31,888)	(74,305)	-	(307,257)	(327,335)
Net income/ (expenditure) and net movement in funds before gains and losses on investments		(199,809)	180,044	785	43,908	24,928	(44,455)
Other recognised gains and losses							
Net (losses)/gains on investments		-	268,734	-	(87,592)	181,142	553,160
Net (expenditure)/income before transfers		(199,809)	448,778	785	(43,684)	206,070	508,705
Transfers between funds	11	199,809	(199,809)	-	-	-	-
Net movement in funds		-	248,969	785	(43,684)	206,070	508,705
Fund balances brought forward at 1 January 2019		-	4,277,276	106	2,658,977	6,936,359	6,427,654
Fund balances carried forward at 31 December 2020		-	4,526,245	891	2,615,293	7,142,429	6,936,359

All of the above results are derived from continuing activities.

There are no gains or losses other than those recognised in this statement of financial activities.

Income and expenditure account
for the year ended 31 December 2020

	Note	2020	2019
		£	£
Income			
Investment income receivable		74,385	93,398
Bank interest		1,960	1,698
		<u>76,345</u>	<u>95,096</u>
Expenditure			
Audit fees	4	(1,580)	(2,075)
Bank charges	4	(476)	(481)
Investment management	4	(9,278)	(9,866)
Sundry expenses	4	(35)	(35)
Catalyst grant to Hallé Concerts Society	5	(64,000)	(83,000)
Main Endowment grant to Hallé Concerts Society	5	<u>(200,000)</u>	<u>(200,000)</u>
		<u>(275,369)</u>	<u>(295,457)</u>
Net expenditure for the period before transfers and investment disposals		(199,024)	(200,361)
Transfers from endowment funds	11	199,809	200,065
Net Income/(expenditure)/income for the year		<u>785</u>	<u>(296)</u>
Excess of income over expenditure brought forward at 1 January 2020		106	402
Excess of income over expenditure carried forward at 31 December		<u>891</u>	<u>106</u>

The notes on pages 12 to 21 form part of the financial statements.

In 2020 the investment income receivable for the Main Fund of £72,932 (2019: £130,413) is accounted for within the permanent endowment of the Main Fund, in accordance with total return accounting requirements. The permanent endowment funds are not reported within the income and expenditure account.

Balance sheet
at 31 December 2020

	Note	£	2020 £	2019 £
Fixed assets				
Instruments	6		336,000	352,000
Investments at market value	7		6,316,414	6,164,704
Current assets				
Short-term bank deposits		690,840	639,341	
Debtors and Accrued income	8	72,858	76,709	
		<hr/>	<hr/>	
		763,698	716,050	
		<hr/>	<hr/>	
Current Liabilities				
Due to Hallé Concerts Society		(265,489)	(287,787)	
Other creditors and accruals	9	(8,194)	(8,608)	
		<hr/>	<hr/>	
		(273,683)	(296,395)	
		<hr/>	<hr/>	
Net current assets			490,015	419,655
			<hr/>	<hr/>
Net assets	10		<u>7,142,429</u>	<u>6,936,359</u>
The funds of the charity:				
Endowment fund	12		4,526,245	4,277,276
Catalyst endowment fund	12		2,615,293	2,658,977
Income funds				
Restricted income funds	12		-	-
Catalyst Restricted income funds	12		891	106
			<hr/>	<hr/>
			<u>7,142,429</u>	<u>6,936,359</u>

The notes on pages 12 to 21 form part of the financial statements.

The accounts on pages 9 to 21 were approved by the Trustees on 5th October 2021.



J Schultz



D McKeith

NOTES

(forming part of the financial statements)

1 Trust activities

The Hallé Endowment Trust was established to further the education of the general public in the study, appreciation and practice of music and the allied arts by endowing, furthering and supporting the work of the Hallé Concerts Society and the Hallé Orchestra.

The Trust is a subsidiary of the Hallé Concert Society which includes the Trust in its consolidated and aggregated financial statements. The consolidated and aggregated financial statements of the Hallé Concert Society are prepared in accordance with FRS 102 and are available to the public and may be obtained from Hallé Concerts Society, The Bridgewater Hall, Manchester M1 5HA. The Hallé Endowment Trust is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosure:

- Cash Flow Statement and related notes;
The Trust proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Trust's accounts.

Basis of preparation

The accounts (financial statements) have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011 and the Trust Deed. The Trust constitutes a public benefit entity as defined by FRS 102.

Cash flow statement

The charity is exempt from the requirement to prepare a cash flow statement as it is a qualifying entity under FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Income

Donations are recognised when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. For legacies, entitlement is the earlier of the charity being notified of an impending distribution, the grant of probate where known or the legacy being received. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution.

Investment income is accounted for in the period in which the Trust is entitled to receipt.

Expenditure

Expenditure is accounted for on an accruals basis.

Tangible fixed assets and depreciation

All assets costing more than £500 are capitalised and valued at historic cost. The revaluation model is applied for musical instruments. Depreciation is provided so as to write off tangible fixed assets over their expected useful lives in equal instalments as follows: Musical instruments – 25 years.

Investments

There are no restrictions on the Trust's powers to invest. Investments are included at fair value at the balance sheet date. The SOFA includes the net gains and losses arising on revaluations and disposals throughout the year.

NOTES (continued)

2 Accounting policies (continued)**Funds structure –**

The charity has two permanent endowment funds. The principal activity of the Trust is to maintain a capital endowment fund and to apply the annual income of that fund in perpetuity towards the education of the general public in the study, appreciation and practice of music and the allied arts by furthering and supporting the objects and work of the Hallé Concerts Society. The Trustees have adopted the total return approach to investment accounting for the Main Endowment Fund, under the powers granted in Section 4 of the Trusts (Capital and Income) Act 2013. This allows any increase in the value of an investment to be treated as income.

Following the Society's successful application to the Arts Council's Catalyst Endowment programme, the Hallé Endowment Trust is the recipient of the Catalyst Endowment Fund and holds that fund as a separate endowment fund within its accounts, the income from which will be used to support the Society's educational activity at Hallé St Peter's and its undertaking of more ambitious large-scale artistic projects not funded by other funding agreements.

The Catalyst Endowment Fund is held as a segregated fund within the fund of the Hallé Endowment Trust under the terms of a Trust deed dated 29 October 2012 between the Hallé Concerts Society and the Arts Council of England. The income of that fund will be used to support educational activity at Hallé St Peter's and to undertake more ambitious large-scale projects not funded by other funding agreements. The Catalyst Fund remains as a permanent endowment under the separate terms of an Arts Council agreement and therefore capital gain cannot be distributed.

In accordance with the terms of the trust deed transfers of income can be made to the endowment fund at the discretion of the Trustees.

Preparation of accounts on a going concern basis

Taking into account the position on reserves (as explained in the Trustees' report on page 5), the current cash balances and forecast income and expenditure flows, the Trustees have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. The Trustees have considered the impact of Covid-19 in particular. The trustees consider the level of capital and reserves sufficient to manage the temporary fluctuations experienced as a result of Covid. They therefore consider the going concern basis to be appropriate for the preparation of these financial statements.

Accounting estimates and judgements

In the application of the Trust's accounting policies, which are described above, the Trustees are required to make judgements, estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Trustees consider that there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Taxation

The Hallé Endowment Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 10 Income Tax Act 2007 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

NOTES (continued)

3 Donations and Legacies

	2020 Endowment Funds £	2020 Catalyst Funds £	2020 Total Funds £	2019 Total Funds £
Donations	-	16,291	16,291	14,236
Legacies	139,000	27,617	166,617	43,135
	<u>139,000</u>	<u>43,908</u>	<u>182,908</u>	<u>57,371</u>

In 2019 total donations and legacies amounted to £57,371, which comprised legacies of £10,000 for the Endowment Fund and £14,235 donations, legacies of £33,135 for the Catalyst Funds.

4 Investment management & governance/support costs

	2020 Endowment Funds £	2020 Endowment Restricted Funds £	2020 Catalyst Restricted Funds £	2020 Total Funds £	2019 Total Funds £
Investment management	15,888	-	9,278	25,166	25,745
Governance/support costs	-	1,064	1,027	2,091	2,590
	<u>15,888</u>	<u>1,064</u>	<u>10,305</u>	<u>27,257</u>	<u>28,335</u>

In 2019 investment management costs were allocated as follows: £15,879 was attributable to the Endowment funds and £9,866 to the Catalyst funds, totalling £25,745.

In 2019 governance and support costs were allocated as follows: £1,313 was attributable to the Endowment funds and £1,277 to the Catalyst funds.

Allocation of governance and support costs

Directly attributable costs are allocated to the restricted charitable activities of the Endowment or Catalyst endowment as incurred. Other costs are apportioned equally between the two funds.

	2020 Endowment Funds £	2020 Catalyst Funds £	2020 Total Funds £	2019 Total Funds £
Audit fees	790	790	1,580	2,074
Bank charges	239	237	476	480
Sundry expenses	35	-	35	37
	<u>1,064</u>	<u>1,027</u>	<u>2,091</u>	<u>2,591</u>

5 Expenditure on charitable activities

	2020 Endowment Restricted Funds £	2020 Catalyst Restricted Funds £	2020 Total Funds £	2019 Total Funds £
Grants to the Hallé Concerts Society	200,000	64,000	264,000	283,000

NOTES (continued)

6 Fixed assets

	Musical Instruments £
Cost	
At 1 January 2020	<u>400,000</u>
At 31 December 2020	<u>400,000</u>
Depreciation	
At 1 January 2020	48,000
Charge for period	<u>16,000</u>
At 31 December 2020	<u>64,000</u>
Net Book Value	
At 31 December 2020	<u>336,000</u>
At 31 December 2019	<u>352,000</u>

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

All tangible assets are used for direct charitable purposes.

Depreciation amounted to £16,000 (2019: £16,000) and is allocated to the Endowment Fund.

7 Investments

	Main Fund Market Value £	Catalyst Market Value £	Combined Market Value £
Balance at 1 January 2020	3,786,260	2,378,244	6,164,704
Net disposals	(18,381)	(11,051)	(29,432)
Change in market value	268,734	(87,592)	181,142
Balance at 31 December 2020	<u>4,036,813</u>	<u>2,279,601</u>	<u>6,316,414</u>

NOTES (continued)

7 Investments (continued)

The following table shows the valuation and asset allocation of assets at 31 December 2020. The majority of holdings are in common investment funds.

Asset class	Main Fund		Catalyst Fund		Total
	£	%	£	%	£
UK Equities	431,971	10.7	423,882	18.6	855,853
International Equities	2,376,395	58.9	1,084,388	47.6	3,460,783
Bond Funds:					
UK Bonds	225,906	5.6	319,906	14.0	545,812
International Bonds	200,254	5.0	90,377	4.0	290,631
Multi-Asset Funds	152,994	3.8	-	0.0	152,994
Property and alternatives	649,293	16.0	361,048	15.8	1,010,341
Balance at 31 December 2020	4,036,813	100	2,279,601	100	6,316,414

Investments comprising more than 5% of the total investment portfolio are:

	Main Fund	%	Catalyst Fund	%
	£		£	
Trojan Income Fund	206,322	5.0	127,526	5.5
JPMorgan US Equity Income Fund	-	-	133,887	5.8
Vanguard S&P 500 UCITS ETF	255,516	6.1	197,468	8.5
Vanguard FTSE All-World UCITS ETF	247,943	6.0	-	-
Veritas Global Equity Income Fund	-	-	138,250	5.9
Fidelity Global Dividend Fund	-	-	123,537	5.3
M&G Global Dividend Fund	-	-	138,021	5.9
Schroder Sterling Corporate	-	-	170,556	7.3
Charities Property Fund	314,217	7.5	194,270	8.3

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

NOTES (continued)

8 Other debtors and accrued income

	Endowment Funds 2020	Catalyst Funds 2020	Total Funds 2020	Total Funds 2019
	£	£		£
Investment income	1,169	6,952	8,121	21,585
Legacies	33,000	29,617	62,617	55,124
Income tax receivable	2,120	-	2,120	-
	<u>36,289</u>	<u>36,569</u>	<u>72,858</u>	<u>76,709</u>

9 Other Creditors and Accruals

	2020	2019
	£	£
Accruals	<u>8,194</u>	<u>8,608</u>
	<u>8,194</u>	<u>8,608</u>

10 Analysis of net assets between funds

	Restricted Funds	Endowment Funds	Catalyst Restricted Funds	Catalyst Funds	Total Funds
	£	£	£	£	£
Balances at 31 December 2020 represented by:					
Tangible assets	-	336,000	-	-	336,000
Investments	-	4,036,813	-	2,279,601	6,316,414
Current assets	206,456	153,432	-	403,810	763,698
Current liabilities	(206,456)	-	-	(67,227)	(273,683)
	<u>-</u>	<u>4,526,245</u>	<u>-</u>	<u>2,616,184</u>	<u>7,142,429</u>

Analysis of net assets between funds

	Restricted Funds	Endowment Funds	Catalyst Restricted Funds	Catalyst Funds	Total Funds
	£	£	£	£	£
Balances at 31 December 2019 represented by:					
Tangible assets	-	352,000	-	-	352,000
Investments	-	3,786,460	-	2,378,244	6,164,704
Current assets	209,858	138,816	-	367,376	716,050
Current liabilities	(209,858)	-	-	(86,537)	(296,395)
	<u>-</u>	<u>4,277,276</u>	<u>-</u>	<u>2,659,083</u>	<u>6,936,359</u>

NOTES (continued)

11 Transfers from Endowment Funds

The transfer from endowment funds to restricted funds during the year represents the transfer of unapplied total return required to fund the provisional grant award to HCS less restricted funds already available. This transfer includes investment income received into the Main Endowment Fund in 2020.

Endowment Fund	Catalyst Fund	Total
£	£	£
(199,809)	-	(199,809)

12 Statement of Funds

	At 1 January 2020 £	Income £	Expenditure £	Transfers, Gains and Losses £	At 31 December 2020 £
Main endowment					
Restricted funds	-	1,255	(201,064)	199,809	-
Endowment funds	4,277,276	211,932	(31,899)	68,935	4,526,245
Total main endowment funds	4,277,276	213,187	(232,963)	268,744	4,526,245
Catalyst endowment					
Catalyst restricted funds	106	75,090	(74,305)	-	891
Catalyst endowment funds	2,658,977	43,908	-	(87,592)	2,615,293
Total Catalyst endowment funds	2,659,083	118,998	(74,305)	(87,592)	2,616,184
Total funds	6,936,359	332,185	(307,268)	181,152	7,142,429

The purpose of the Main Endowment is to maintain a capital endowment fund and to apply the annual income of that fund in perpetuity towards the education of the general public in the study, appreciation and practice of music and the allied arts by furthering and supporting the objects and work of the Hallé Concerts Society. This fund is accounted for on a total return basis.

The purpose of the Catalyst Endowment Fund is to apply the income from the endowment to support the Society's educational activity at Hallé St Peter's and its undertaking of more ambitious large-scale artistic projects not funded by other funding agreements. The income and related expenditure, including grants to the Society are accounted for as restricted funds.

NOTES (continued)

13 Total return investment – Main Endowment

The purpose of the Main endowment is to maintain a capital endowment fund and to apply the annual income of that fund in perpetuity towards the education of the general public in the study, appreciation and practice of music and the allied arts by furthering and supporting the objects and work of the Hallé Concerts Society. This fund is accounted for on a total return basis.

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

The Trustees identified the value of the gifts of permanent endowment received since 1983 up until 1 January 2017. This set the baseline value of the gift component of the endowment to which any subsequent gifts of endowment are added. This is now referred to as the “original endowment” and forms the initial “Investment Fund”. The difference between the total of endowment funds as at 1 January 2017 and the value of the gift component represents the opening balance of unapplied total return UTR). The UTR is classed as part of the Endowment fund until it is allocated to income.

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

The power allows the Trustees to decide in each year how much of the unapplied total return is transferred to income funds and so available for expenditure as grants to the Society. In 2020 having considered their obligations under the duty of even-handedness, the Trustees made a transfer of £199,809 unapplied total return to unrestricted income funds. In making this decision the Trustees have taken account of the return on investment for the year, the sustainability of the investment fund after considering various levels of transfer to income and the income needs of the charity.

Under the regulations (Section 4 of the Trusts (Capital and Income) Act 2013) charities have the power to add part of the Unapplied Total Return (UTR) to the Investment Fund. The amount that can be added annually is capped and is calculated by reference to the increase in inflation and the value of the Investment Fund. The purpose of such a transfer is to maintain the real value of the Investment Fund. The Trustees have agreed that they will consider on an annual basis whether to make such a transfer and that the appropriate inflation index to use is CPI. For 2020 the trustees have agreed the maximum transfer allowed which was calculated using CPI for 2020. The transfer to the Investment Fund is £13,386.

With in-year donations to the Endowment of £139,000 the balance of the Investment Fund at 31 December 2020 is £2,719,168, of which £336,000 is the net book value of the Amati violin at 31 December 2020 (£120,000 original gift value and £216,000 balance on revaluation reserve). The violin is accounted for and revalued separately and shown in the following table to reconcile the overall value of the Endowment Fund.

NOTES (continued)

13 Total return investment – Main Endowment (continued)

The investment fund and application of total return to permanent endowment funds	Trust for investment £	Unapplied Total Return £	Total Endowment £
Opening value of endowment:			
Gift component of permanent endowment (incl. £120k instrument)	2,350,783	-	2,350,783
Unapplied total return	-	1,694,493	1,694,493
Total	2,350,783	1,694,493	4,045,276
Revaluation reserve – Instrument	232,000	-	232,000
Total Endowment 1/1/2020	2,582,783	1,694,493	4,277,276
Movement in unapplied total return and endowment in the year:			
Gifts received	139,000	-	139,000
Investment return: dividends and interest	-	72,932	72,932
Investment return: recognised and unrecognised gain	-	268,734	268,734
Investment management costs	-	(15,888)	(15,888)
Allocations of Unallocated Total Return (UTR) in the year:-			
Unapplied total return allocated to income	-	(199,809)	(199,809)
Unapplied total return allocated to Investment Fund	13,386	(13,385)	-
Net movement in the reporting period	152,386	112,583	264,969
Revaluation reserve – Instrument	(16,000)	-	(16,000)
Total Endowment movement in year	136,386	112,583	248,969
Gift component of permanent endowment Investment Fund	2,503,169	-	2,503,169
Unapplied total return	-	1,807,076	1,807,076
Total	2,503,169	1,807,076	4,310,245
Revaluation reserve – Instrument	216,000	-	216,000
Total Endowment 31/12/2020	2,719,169	1,807,076	4,526,245

14 Financial instruments

	2020	2019
Financial assets measured at amortised cost	763,698	716,050
Financial assets measured at fair value	6,316,414	6,164,704
Financial liabilities measured at amortised cost	(273,683)	(296,396)

Financial assets measured at amortised cost are cash, trade and fee debtors, staff loans and other debtors. Impairment losses charged to financial assets measured at amortised cost in the year amounted to £nil (2019: £nil).

Financial assets measured at fair value are the investments. Financial liabilities measured at amortised cost are trade creditors, other creditors and accruals.

NOTES (continued)

15 **Remuneration of the Trustees and employees**

The Trustees received no remuneration nor reimbursement of expenses and derived no financial benefit from their services to the Trust.

No staff were employed by the Trust during the year (2019: none).

16 **Related Parties**

The Hallé Endowment Trust is a subsidiary of the Hallé Concerts Society and is aggregated in the group accounts of the Society. The Society is a registered charity (number 223882) and a company limited by guarantee (number 62753), incorporated in the UK.

The Hallé Concerts Society's registered office is: The Bridgewater Hall, Manchester M1 5HA and consolidated accounts can be obtained from this address.

The Trustees have taken advantage of the exemption in FRS 102 and have not disclosed related party transactions with fellow group undertakings.

A number of the Trustees have made individual donations to the Hallé Endowment Trust during the year.