

The Hallé Endowment Trust

Financial Statements

For the year ended 31 December 2021

Charity registration number: 286145

The Hallé Endowment Trust

FINANCIAL STATEMENTS 31 DECEMBER 2021

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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
Elizabeth Shepherd (appointed 10 May 2022)

Nominated by Manchester City Council:
Ms C Culley

Bankers

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

Solicitors

CMS LLP
1 The Avenue, Spinningfields
Manchester M3 3AP

Investment advisers

Cazenove Capital
Liverpool House
Lower Bridge Street
Chester
CH1 1RS

Part of:
Schroder & Co Limited
2 Moorgate
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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 2021, 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, as amended in a deed of consolidation and amendment dated 19 August 2021. The details of the Trustees, their advisers and other relevant information given on page 1, form 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 at 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 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% which was 9.5% for the year ending 31 December 2021. Overall, investment values reflect the rise in investment markets experienced in the calendar year 2021 building on the recovery from the low valuations at the end of March 2020.

The Main Fund has seen an increase of £446k in 2021 in investment values (2020: gain of £269k) whilst the Catalyst has seen a gain in 2021 of £240k (2020: loss of £88k). When investment income is taken into account the overall return is 11.9% (2020:8.8%) for the Main Fund and 12.6% (2020: -0.2%) for the Catalyst. The small difference in performance over the year is due to the differing investment strategies currently adopted, with the Catalyst being more focused on income-producing assets which have performed better than growth assets in the past year.

REPORT OF THE TRUSTEES (continued)

Financial Review

Main Fund overview - During the year the main fund received donations and legacies of £209 (2020: £139,000), investment income of £63,155 (2020: £72,932) and short term deposit interest of £30 (2020: £1,255). The reduction in income is not a cause for concern as regular donations are normally received into the Catalyst Fund and legacy income (of which there was a large legacy in 2020) is by its nature irregular. There was a gain on investments in 2021 of £445,766 (2020: £268,734). A grant of £233,000 was made to the Society (2020: £200,000). The grant in 2021 to the Society reflects the power to distribute cumulative investment gain as well as investment income under the total return approach.

At 31 December 2021 the endowment fund of the Main fund stood at £4,766,641 (2020: £4,526,245) and the restricted funds of the Main fund stood at £nil (2020: £nil).

Catalyst Fund overview - the Catalyst Endowment fund received donations and legacies of £63,169 (2020: £43,908). Investment income for the Catalyst fund amounted to £79,380 (2020: £74,385) and short term deposit interest of £0 (2020: £705). A grant was made to the Society of £67,000 (2020: £64,000). At 31 December 2021 the endowment fund of the Catalyst Fund stood at £2,918,368 (2020: £2,615,293) and the restricted funds of the Catalyst Fund stood at £1,059 (2020: £891).

Total fund balances at the year-end were £7,686,068 (2020: £7,142,429).

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 remained under permanent endowment rules as it is an Arts Council based fund and subject to different arrangements from the Main fund. A proposal to the Arts Council for the Catalyst Fund to be managed on a total return basis has recently been agreed in principle and the trustees expect to implement this approach shortly on completion of formalities.

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

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 total investment return rather than investment income (the previous strategy). This is consistent with the Main Fund approach to total return investment accounting described above but 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 current 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 2021 were as follows.

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

There are currently no restrictions on the Trustees' power to invest and during 2021 the Trustees had not adopted an ethical investment policy, in order that their flexibility to invest was not restricted.

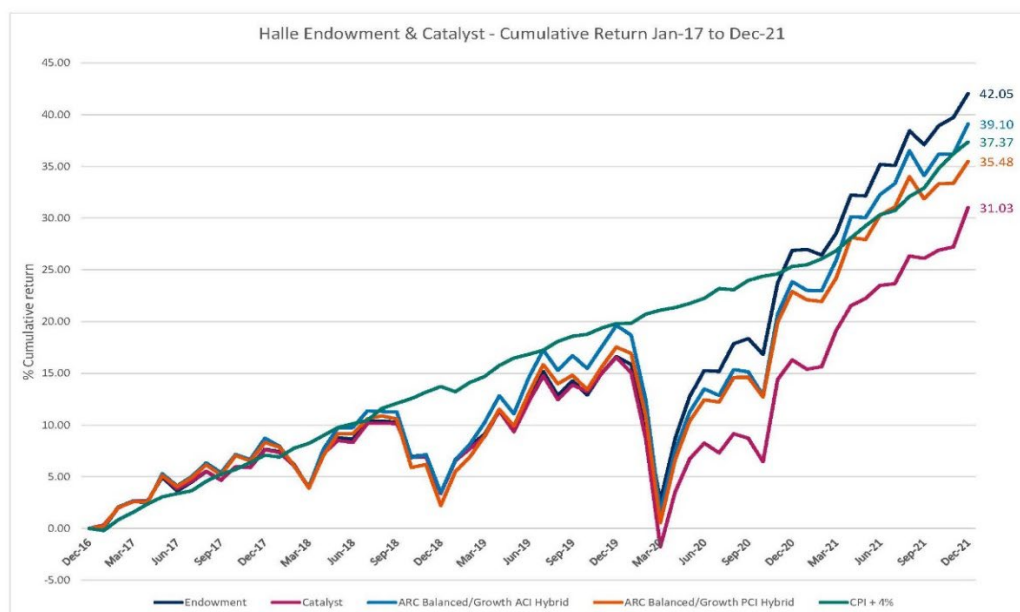
After this year of account, in early 2022, the trustees conducted a tender process for an investment manager providing an approach which would give a greater emphasis to Environmental, Social and Governance (ESG) factors. The Trustees believe that ESG related risks, including climate change risks, are an important component of investment risk and that organisations that soundly manage these risks are more likely to be financially sustainable over time. The decision was taken for consideration of ESG risks to form a financially material component of our investment framework.

The tender process resulted in the appointment of CCLA Investment Management Limited (CCLA) in March and we are in the process of transferring to CCLA from Cazenove Capital who have managed our investments over recent years. The decision to move from Cazenove to CCLA was not a result of any dissatisfaction with Cazenove's service or performance, rather a wish to appoint an investment management company whose entire focus was on charities and ESG.

We will work with CCLA to review our Investment Policy and Strategy with the overall intention of maintaining the current target return of CPI +4% aligned with a robust and transparent ESG focussed approach.

Investment Performance

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



REPORT OF THE TRUSTEES (continued)

Investment Performance (continued)

When investment income is taken into account, the overall return during 2021 was 11.9% for the Main Fund and 12.6% for the Catalyst. The return for both portfolios exceeded the target return of CPI+4% which was 9.5% for 2021 and reflects the general recovery and greater confidence in economic growth through 2021, before the invasion of Ukraine and the energy crisis which is impacting in 2022.

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 set the target level for 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 2021 the UTR stood at £1,932K which is 43% of investment value and therefore achieved the reserve target.

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 plus CPI 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 at 31 December 2021 because the amount distributable was limited to the investment income generated; this position will be reviewed at December 2022 following the anticipated move to total return accounting noted above.

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 on behalf of the Hallé Concerts Society or the Endowment Trust.

Plans for future periods

The changes to the total return approach to accounting and to total return in respect of the investment strategy were 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. Now that the Arts Council have confirmed approval in principle for the Catalyst Fund to adopt the total return approach, we will work with them to extend this flexibility to the Catalyst Fund in 2022.

We also look forward to our new relationship with CCLA and developing the investment strategy to reflect ESG challenges and opportunities, whilst achieving the target return.

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 July 2022. 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 7th October 2022:



J Schultz

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

Opinion

We have audited the financial statements of The Hallé Endowment Trust ('the charity') for the year ended 31 December 2021 which comprise the Statement of financial activities, the Balance sheet, the Statement of cash flows and the related notes, including a summary of 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 2021 and of its incoming resources and application of resources, including 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 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) and in other respects 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 United Kingdom, including the Financial Reporting Council'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 Trustees' 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 other information comprises the information included in the Annual report other than the financial statements and our Auditor's report thereon. The Trustees are responsible for the other information contained within the Annual report. 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 course of the audit, or otherwise appears to be materially misstated. If we

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

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.

Opinion on other matters

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' report.

We have nothing to report in respect of the following matters in relation to which Charities Act 2011 requires us to report to you if, in our opinion:

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

Responsibilities of trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees are responsible for the preparation of the financial statements 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

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.

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

Irregularities, including fraud, are instances of non compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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.

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 the override of controls by management and completeness of income. 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 and reviewing accounting estimates for biases. Our audit approach for income was to being our testing from source documentation such as grant agreements and donation documentation.

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. We are not responsible for preventing non compliance and cannot be expected to detect non compliance with all laws and regulations.

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.

Use of our report

This report is made solely to the Charity's trustees, as a body, in accordance with Charities Act 2011. 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 its trustees, as a body, for our audit work, for this report, or for the opinions we have formed.



Crowe U.K. LLP

Statutory Auditor
3rd floor
The Lexicon
Mount Street
Manchester
M2 5NT

Date: 10 October 2022

Statement of financial activities
for the year ended 31 December 2021

	Note	Restricted Funds £	Endowment Funds £	Catalyst Restricted Funds £	Catalyst Endowment Funds £	2021 Total £	2020 Total £
Income and endowments from:							
Donations and legacies							
Donations and legacies	3	-	209	-	63,169	63,378	182,908
Investments							
Investment income		-	63,155	79,380	-	142,535	147,317
Short-term deposit income		30	-	-	-	30	1,960
Total income		30	63,364	79,380	63,169	205,943	332,185
Expenditure on:							
Raising Funds							
Investment management costs	4	-	(18,635)	(11,120)	-	(29,755)	(25,166)
Governance and support costs	4	(1,129)	-	(1,092)	-	(2,221)	(2,091)
Depreciation		-	(16,000)	-	-	(16,000)	(16,000)
Grant to Hallé Concerts Society	5	(233,000)	-	(67,000)	-	(300,000)	(264,000)
Total expenditure		(234,129)	(34,635)	(79,212)	-	(347,976)	(307,257)
Net income/ (expenditure) and net movement in funds before gains and losses on investments		(234,099)	28,729	168	63,169	(142,033)	24,928
Other recognised gains and losses							
Net gains on investments		-	445,766	-	239,906	685,672	181,142
Net (expenditure)/income before transfers		(234,099)	474,495	168	303,075	543,639	206,070
Transfers between funds	11	234,099	(234,099)	-	-	-	-
Net movement in funds		-	240,396	168	303,075	543,639	206,070
Fund balances brought forward at 1 January 2020		-	4,526,245	891	2,615,293	7,142,429	6,936,359
Fund balances carried forward at 31 December 2021		-	4,766,641	1,059	2,918,368	7,686,068	7,142,429

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 2021

	Note	2021	2020
		£	£
Income			
Investment income receivable		79,380	74,385
Bank interest		30	1,960
		<u>79,410</u>	<u>76,345</u>
Expenditure			
Audit fees	4	(1,800)	(1,579)
Bank charges	4	(385)	(479)
Investment management	4	(11,120)	(9,276)
Sundry expenses	4	(36)	(35)
Catalyst grant to Hallé Concerts Society	5	(67,000)	(64,000)
Main Endowment grant to Hallé Concerts Society	5	<u>(233,000)</u>	<u>(200,000)</u>
		<u>(313,341)</u>	<u>(275,369)</u>
Net expenditure for the period before transfers and investment disposals		(233,931)	(199,024)
Transfers from endowment funds	11	234,099	199,809
Net income for the year		<u>168</u>	<u>785</u>
Excess of income over expenditure brought forward at 1 January 2021		891	106
Excess of income over expenditure carried forward at 31 December 2021		<u>1,059</u>	<u>891</u>

The notes on pages 13-22 form part of the financial statements.

In 2020 the investment income receivable for the Main Fund of £63,155 (2020: £72,932) 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 2021

	Note	£	2021 £	£	2020 £
Fixed assets					
Instruments	6		320,000		336,000
Investments at market value	7		7,146,750		6,316,414
Current assets					
Short-term bank deposits		498,606		690,840	
Debtors and Accrued income	8	33,726		70,738	
		<hr/>		<hr/>	
		532,332		763,698	
Current Liabilities					
Due to Hallé Concerts Society		(303,324)		(265,489)	
Other creditors and accruals	9	(9,690)		(8,194)	
		<hr/>		<hr/>	
		(313,014)		(273,683)	
Net current assets					
			219,318		497,015
Net assets					
	10		<u>7,686,068</u>		<u>7,142,429</u>
The funds of the charity:					
Endowment fund	12		4,766,641		4,526,245
Catalyst endowment fund	12		2,918,368		2,615,293
Income funds					
Restricted income funds	12		-		-
Catalyst Restricted income funds	12		1,059		891
			<hr/>		<hr/>
			<u>7,686,068</u>		<u>7,142,429</u>

The notes on pages 13-22 form part of the financial statements.

The accounts on pages 13-22 were approved by the Trustees on 7th October 2022.



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 financial statements have been prepared in accordance with the Charities SORP (FRS 102) Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019), 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 4), 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

	2021 Endowment Funds £	2021 Catalyst Funds £	2021 Total Funds £	2020 Total Funds £
Donations	-	12,061	12,061	16,291
Legacies	209	51,108	51,317	166,617
	<u>209</u>	<u>63,169</u>	<u>63,378</u>	<u>182,908</u>

In 2020 total donations and legacies amounted to £182,908, which comprised legacies of £139,000 for the Endowment Fund, legacies of £27,617 and donations of £16,291 for the Catalyst Funds.

4 Investment management & governance/support costs

	2021 Endowment Funds £	2021 Endowment Restricted Funds £	2021 Catalyst Restricted Funds £	2021 Total Funds £	2020 Total Funds £
Investment management	18,635	-	11,120	29,755	25,166
Governance/support costs	-	1,129	1,092	2,221	2,091
	<u>18,635</u>	<u>1,129</u>	<u>12,212</u>	<u>31,976</u>	<u>27,257</u>

In 2020 investment management costs were allocated as follows: £15,888 was attributable to the Endowment funds and £9,278 to the Catalyst funds, totalling £25,166.

In 2020 governance and support costs were allocated as follows: £1,064 was attributable to the Endowment funds and £1,027 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.

	2021 Endowment Funds £	2021 Catalyst Funds £	2021 Total Funds £	2020 Total Funds £
Audit fees	900	900	1800	1,580
Bank charges	193	192	385	476
Sundry expenses	36	-	36	35
	<u>1,129</u>	<u>1,092</u>	<u>2,221</u>	<u>2,091</u>

5 Expenditure on charitable activities

	2021 Endowment Restricted Funds £	2021 Catalyst Restricted Funds £	2021 Total Funds £	2020 Total Funds £
Grants to the Hallé Concerts Society	233,000	67,000	300,000	264,000

NOTES (continued)

6 Fixed assets

	Musical Instruments £
Cost	
At 1 January 2021	<u>336,000</u>
At 31 December 2021	<u>336,000</u>
Depreciation	
At 1 January 2021	-
Charge for period	<u>16,000</u>
At 31 December 2021	<u>16,000</u>
Net Book Value	
At 31 December 2021	<u>320,000</u>
At 31 December 2020	<u>336,000</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 (2020: £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 2021	4,036,813	2,279,601	6,316,414
Net additions	1,050	143,614	144,664
Change in market value	<u>445,766</u>	<u>239,906</u>	<u>685,672</u>
Balance at 31 December 2021	<u>4,483,629</u>	<u>2,663,121</u>	<u>7,146,750</u>

NOTES (continued)

7 Investments (continued)

The following table shows the valuation and asset allocation of assets at 31 December 2021. The majority of holdings are in common investment funds.

Asset class	Main Fund		Catalyst Fund		Total
	£	%	£	%	£
UK Equities	507,265	11.3	489,119	18.4	996,384
International Equities	2,679,239	59.8	1,351,685	50.8	4,030,924
Bond Funds:					
UK Bonds	159,875	3.6	316,354	11.9	476,229
International Bonds	268,175	6.0	113,002	4.2	381,177
Multi-Asset Funds	171,698	3.8	-	0.0	171,698
Property and alternatives	697,377	15.6	392,961	14.8	1,090,338
Balance at 31 December 2021	4,483,629	100	2,663,121	100	7,146,750

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

	Main Fund	%	Catalyst Fund	%
	£		£	
Trojan Income Fund	232,830	5.1	143,910	5.2
JPMorgan US Equity Income Fund	239,382	5.2	167,310	6.1
Vanguard S&P 500 UCITS ETF	330,766	7.2	255,622	9.3
Vanguard FTSE All-World UCITS ETF	293,033	6.4	-	-
HSB FTSE All-World Index Fund	233,100	5.1	-	-
Veritas Global Equity Income Fund	-	-	157,738	5.7
M&G Global Dividend Fund	-	-	153,226	5.6
Schroder Sterling Corporate	-	-	167,794	6.1
Charities Property Fund	347,147	7.6	214,630	7.8

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 2021	Catalyst Funds 2021	Total Funds 2021	Total Funds 2020
	£	£		£
Investment income	1,278	5,448	6,726	8,121
Legacies	-	27,000	27,000	62,617
	<u>1,278</u>	<u>32,448</u>	<u>33,726</u>	<u>70,738</u>

9 Other Creditors and Accruals

	2021 £	2020 £
Accruals	<u>9,690</u>	<u>8,194</u>
	<u>9,690</u>	<u>8,194</u>

10 Analysis of net assets between funds

	Restricted Funds	Endowment Funds	Catalyst Restricted Funds	Catalyst Funds	Total Funds
	£	£	£	£	£
Balances at 31 December 2021 represented by:					
Tangible assets	-	320,000	-	-	320,000
Investments	-	4,483,629	-	2,663,121	7,146,750
Current assets	242,086	(36,988)	-	327,234	532,332
Current liabilities	(242,086)	-	-	(70,928)	(313,014)
	<u>-</u>	<u>4,766,641</u>	<u>-</u>	<u>2,919,427</u>	<u>7,686,068</u>

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>

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 2021.

Endowment Fund	Catalyst Fund	Total
£	£	£
(234,099)	-	(234,099)

12 Statement of Funds

	At 1 January 2021 £	Income £	Expenditure £	Transfers, Gains and Losses £	At 31 December 2021 £
Main endowment					
Restricted funds	-	30	(234,129)	234,099	-
Endowment funds	4,526,245	63,364	(34,635)	211,667	4,766,641
Total main endowment funds	4,526,245	63,394	(268,764)	445,766	4,766,641
Catalyst endowment					
Catalyst restricted funds	891	79,380	(79,212)	-	1,059
Catalyst endowment funds	2,615,293	63,169	-	239,906	2,918,368
Total Catalyst endowment funds	2,616,184	142,549	(79,212)	239,906	2,919,427
Total funds	7,142,429	205,943	(347,976)	685,672	7,686,068

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 remains 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 2021 having considered their obligations under the duty of even-handedness, the Trustees made a transfer of £234,099 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 2021 the trustees have agreed the maximum transfer allowed which was calculated using CPI for 2021. The transfer to the Investment Fund is £131,074.

With in-year donations to the Endowment of £209 the balance of the Investment Fund at 31 December 2021 is £2,834,451, of which £320,000 is the net book value of the Amati violin at 31 December 2021 (£120,000 original gift value and £200,000 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)	2,503,168	-	2,503,168
Unapplied total return	-	1,807,077	1,807,077
Total	2,503,168	1,807,077	4,310,245
Revaluation reserve – Instrument	216,000	-	216,000
Total Endowment 1/1/2021	2,719,168	1,807,077	4,526,245
 Movement in unapplied total return and endowment in the year:			
Gifts received	209	-	209
Investment return: dividends and interest	-	63,155	63,155
Investment return: recognised and unrecognised gain	-	445,766	445,766
Investment management costs	-	(18,635)	(18,635)
Allocations of Unallocated Total Return (UTR) in the year:-			
Unapplied total return allocated to income	-	(234,099)	(234,099)
Unapplied total return allocated to Investment Fund	131,074	(131,074)	-
Net movement in the reporting period	131,283	125,113	256,396
Revaluation reserve – Instrument	(16,000)	-	(16,000)
Total Endowment movement in year	115,283	125,113	240,396
 Gift component of permanent endowment			
Investment Fund	2,634,451	-	3,634,451
Unapplied total return	-	1,932,190	1,932,190
Total	2,634,451	1,932,190	4,566,641
Revaluation reserve – Instrument	200,000	-	216,000
Total Endowment 31/12/2021	2,834,451	1,932,190	4,766,641

14 **Financial instruments**

	2021	2020
Financial assets measured at amortised cost	532,332	763,698
Financial assets measured at fair value	7,146,750	6,316,414
Financial liabilities measured at amortised cost	(313,014)	(273,683)

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 (2020: £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 (2020: 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.