

Company No. 1967704
Charity No. 293419

Community Music Limited
Report & Financial Statements
31 March 2006



sayer vincent
consultants and auditors

Community Music Limited

Reference & administrative details

For the year ended 31 March 2006

Status	The organisation is a charitable company limited by guarantee, incorporated on 2 December 1995 and registered as a charity on 24 April 1986.	
Governing document	The company was established under a Memorandum of Association which established the objects and powers of the charitable company and is governed under its Articles of Association.	
Company number	1967704	
Charity number	293419	
Registered office and operational address	82 Southwark Bridge Road London SE1 0AS	
Secretary	Dave O'Donnell (Chief Executive)	
Chair	John Northcote John Prince	until 18 November 2005 Acting Chair from 18 November 2005
Bankers	Lloyds TSB 40 Rosslyn Hill London NW3 1NL	
Auditors	Sayer Vincent Chartered Accountants Registered Auditors 8 Angel Gate City Road London EC1V 2SJ	

Community Music Limited

Report of the directors

For the year ended 31 March 2006

The directors present their report and the audited financial statements for the year ended 31 March 2006.

Reference and administrative information set out on page 1 forms part of this report. The financial statements comply with current statutory requirements, the memorandum and articles of association and the Statement of Recommended Practice - Accounting and Reporting by Charities (issued March 2005).

Community Music exists to advance education through music, particularly for young people who are excluded from opportunities for learning.

The company is a registered charity and limited company. The board of directors are the trustees of the charity and are responsible for the proper and efficient governance of funds and legal liabilities of the company.

The directors recognise their duty to have a stated reserves policy for the company and this is included.

Objectives and Activities

A summary of the objectives of the charity as in governing document:

To promote, maintain, improve and advance education particularly by the improvement and development of public taste, appreciation and understanding of music, particularly of jazz music and the encouragement of the arts including music, singing, dancing, drama, literature, sculpture and painting'.

Aims of the charity:

- To provide opportunities for young people who are excluded from access to creative music making and production in modern genres.
- To address the problems of social and educational disaffection amongst the young through engagement in creative modern music making.
- To modernise music provision in education by creating successful curriculum models and proving they are effective.
- To create access routes for young people suffering barriers to progression to higher education.
- To develop new artists and support them in the early phase of their careers.
- To establish similar models to CM in other countries through creating models of good practice, training and strategic independence.
- To create networks in the music industry that assist the support of emerging artists.
- To promote live music to new audiences

Objectives of the charity:

- Training courses that contact and recruit young musicians who are outside the mainstream of statutory music education and create progression routes to university or employment.

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Report of the directors

For the year ended 31 March 2006

- Continuing music projects with schools and particularly for children who attend school inconsistently or not at all to demonstrate that creative music making in modern genres re-engages educationally disaffected children into learning and has a positive benefit for their whole development.
- Establishing European networks, particularly in the new European members, focussing on Roma children and musicians, to create educational opportunities and career development for aspiring professionals.
- Showcasing new artists in non traditional venues to create new audiences for music.
- Training in partnership with higher education, music leaders and tutors who can fulfil the needs of the statutory and non-formal learning sectors in music.

The Charity's strategies for the above:

- To work in partnership with all the relevant agencies and raise funds from as broad a cross section as possible of Government agencies and NGOs to achieve the objectives.

Details of significant activities:

CM continued throughout 2005/06 to operate a Training and Production Centre for London offering structured access, professional training, artist development projects, artist resources, outreach projects and new music production. During the year the project ran four accredited courses from access to postgraduate level, a young offenders project in partnership with Youth Music and the Youth Inclusion Team Kickstart, outreach projects in two schools, an internet Radio station, an Artist Development scheme to develop emerging talent, ten live music promotions across London and a programme of development and advocacy work aiming to raise the profile and capacity of the independent music sector in London. A new European project underwent a research and development phase in Czech Republic and an application for European Commission funding was submitted to expand this to Hungary, Norway and England in 2006/07 (this was subsequently successful and the project called ArtParty began in 2006).

- Training courses run in partnership with University of Westminster and London Metropolitan University at level 3, 4 and 5, with a non examination entry requirement in music business and production, tutor training and music technology and performance skills.
- Music course for young people at high risk of offending behaviour, in partnership with Youth Inclusion Teams locally and Crime Concern.
- Internet radio to promote live music to a global audience.
- Live music promotions of new talent across London and in Europe partner states.
- Setting up similar projects in Europe with funds from EC.
- A pilot for the European project ArtParty ran in Brno, Czech Republic, in partnership with two Roma groups and the local music industry. ArtParty has two strands; firstly, to work with Roma young people to provide opportunities for music education and training; secondly to develop new professional artists through exchange visits, concerts and business development across the four countries. The pilot project was very successful and helped the application to EC for substantial funding for subsequent years.
- CM created a consortium of music projects to submit a tender for the LDA STEP project to develop and train young people for employment and business creation in the music industry. The bid was submitted for 2006-08 and was subsequently successful.
- Both bids are part of the overall fundraising strategy to reduce dependency on UK funding in anticipation of major structural and policy changes at DCMS and Arts Council England in 2007.

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For the year ended 31 March 2006

Achievements and performance

A review of charitable activities and measures or indicators for success.

- The training courses are all certificated by university partners and successfully recruit 100% targets every year. There are also waiting lists for enrolment demonstrating the demand.
- Over 80% of students have no formal music qualifications and over 60% are unemployed at point of entry to the courses. This demonstrates success in recruiting target client groups to fulfil the aims of access and improving educational and social disaffection.
- Small business development through resource support, professional development, mentoring and networking is provided through two programmes. Success is measured by creation of successful employment through small businesses and other employment routes.
- Successful creation of new community music projects in other countries and in UK. Success is measured by their creation and survival.
- Promotion of modern music performances to new audiences is achieved through live promotions across London and in European partner countries, in non-traditional venues.

Notable achievements in the year were:

Professional Development

- The Certificate in Higher Education Music Production ran in collaboration with University of Westminster and recruited a further 24 students. The course completed 16 production projects at the university studios. The course was successfully inspected as part of a full inspection of the faculty by the QAA (Quality Assurance Agency) and received positive reports showing its high retention rates for students and high quality of training delivery. A new Foundation Degree in Music Production was written and submitted for validation by the University of Westminster to start in 2007.
- The Certificate in Higher Education Music Tutor Training Course and Soundstart course in Music and Technology ran in partnership with London Metropolitan University with 44 students from a varied mixture of traditional music and non-traditional educational and musical backgrounds.

Curriculum Development

- CM's work in schools continued through the projects established by Sound Foundation, notably a permanent music curriculum in a Pupil Referral Unit in Lewisham, staffed and set up by two CM tutors as part of their tutor training course.

Promoting music performance to new audiences

- CM's internet radio station, *Pyrotechnic.com* expanded its global audience to over 50,000 unique listeners a week. The project attracted many well known music business figures to appear on the station and ran 3 live promotions in London in partnership with record labels.

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Report of the directors

For the year ended 31 March 2006

Sector Development

Sound Connections, the company coming from the consortium of music projects established by CM, continued to be successful in attracting funding and visibility for the sector. CM's commitment to raising standards and the visibility of the community music sector continues and will lead to increased consortium funding in due course.

Financial Review

Policy on reserves

The directors of Community Music Ltd. recognise their responsibility to have a transparent policy on managing the resources of the company, including financial reserves. They acknowledge this as a requirement under the Statement of Recommended Practice: Accounting and Reporting by Charities (March 2005).

The term 'reserves' is defined as that part of the charity's funds that are freely available for general purposes. In the case of Community Music, as almost all of the income usually comes from a variety of grant aid, this would relate to income classified as unrestricted funds, which is available to spend on general charity purposes, once all its commitments have been met and its planned expenditure has been covered.

The directors of Community Music limited believe that it is generally in the interests of the charity to work towards a position of holding reserves of up to 10% of the relevant financial period's turnover. This is to ensure adequate cash flow flexibility to meet emergency measures, delayed payment of grants and unpredictable variations in expected income.

Steps to reduce specific fund deficits:

Staffing

- Staffing numbers were reduced to cut costs and a major cost control exercise was conducted for staffing of training courses. These are to be implemented in 2006.
- The Development Director, Alison Tickell, left CM after 20 years service, to join the new Sector Skills Council for creative industries, but there are no plans to try and replace her. A strong partnership with the new skills council is envisaged in the future. There is a substantial cost saving through this post not being replaced.

Principal funding sources are:

- Arts Council of England: to core costs of training and artists development
- Association of London Government; to costs of access courses
- Higher Education funding Council (from fees to the universities) to costs of running the partnership training courses
- Sound Connections; to costs of the project targeting young people at high risk of offending

Community Music Limited

Report of the directors

For the year ended 31 March 2006

- Carling: to costs of artist development and live music promotion
- PRS Foundation: to costs of developing new talent for music industry

Plans for future periods

Premises

CM continued in 2005 to negotiate with Rich Mix Foundation on Heads of Terms for a lease to occupy the purpose designed music centre built for CM in their Bethnal Green Road complex. CM had to give notice to quit their existing lease by July 2005 and continued to press Rich Mix to agree Heads of Terms in time for this notice to be given to the current landlords. Unfortunately the negotiations were not successful in time for the termination clause of the lease to be invoked and it became impossible for CM to pursue the Heads of Terms with Rich Mix.

Currently the board of directors are considering other options when the current lease expires in Southwark Bridge Road July 2008.

CM's strategy to relocate to Tower Hamlets continues with negotiations for the training courses to be based at The Brady Centre, in partnership with the local authority who own and fund the centre. They are offering rent free use of the music studios to CM and this is being developed as part of the exit strategy from the present premises in 2008.

Music industry, location and artist development

- CM plans to work closely with the industry to develop new talent, both in UK and across Europe, particularly in the new markets in eastern Europe opening up from new member states. It will develop specific new projects to focus on small business development to create bridges into the music industry and careers for those who have completed training and need to start their careers in music.
- CM will develop considerably their role in promoting Internationalism, through live new music through partnerships with major festivals in UK and Europe.
- CM will relocate to Tower Hamlets and develop a local programme for young people in collaboration with the local authority to complement its regional and international programme.
- CM will focus on accessing new funding sources in Europe and outside arts sector, and begin to charge fees for university courses, in line with its policy of decreasing dependence on Arts Council funding.

Risk Statement

The directors actively review the major risks to the charity on a regular basis and believe that maintaining free reserves combined with internal review of financial controls provides sufficient protection against unforeseen financial variations. Other operational risks are assessed annually and effective action taken to mitigate these risks.

Community Music Limited

Report of the directors

For the year ended 31 March 2006

Responsibilities of the directors

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charitable company as at the balance sheet date and of its *incoming resources and application of resources, including income and expenditure*, for the year then ended.

In preparing those financial statements which give a true and fair view, the directors should follow best practice and:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue on that basis

The directors are responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors

Directors, who are also trustees under charity law, who served during the year and up to the date of this report were as follows:

John Prince	
John Pandit	(resigned 18 November 2005)
Victor Redwood Sawyer	(resigned 18 November 2005)
Annie Weeks	(resigned 18 November 2005)
Pauline Muir	
John Northcote	(resigned 18 November 2005)
Helen Searle	
Brian De Lord	
Neil Cartwright	(appointed 11 September 2006)

Members of the charitable company guarantee to contribute an amount not exceeding £1 to the assets of the charitable company in the event of winding up. The total number of such guarantees at 31 March 2006 was 8 (2005 - 10). The directors have no beneficial interest in the charitable company.

Community Music Limited

Report of the directors

For the year ended 31 March 2006

Method of appointment of directors

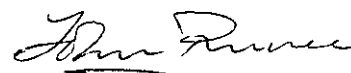
The directors are able to appoint any person who is a member of the company to be a director. The total number of directors must be at least three but not exceed 30.

At each AGM, one third of the directors shall retire from office and shall be eligible for re-election. The directors to retire in every year shall be those who have been longest in office since their last election.

Auditors

Sayer Vincent were re-appointed as the charitable company's auditors during the year and have expressed their willingness to continue in that capacity.

Approved by the directors on *20 February 2007* and signed on their behalf by



Pauline Muir

JOHN PRINCE

Independent auditors' report

To the members of

Community Music Limited

We have audited the financial statements of Community Music Limited for the year ended 31 March 2006 which comprise the statement of financial activities, balance sheet and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of Statement of Recommended Practice: Accounting and Reporting by Charities (issued in March 2005).

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting and Reporting by Charities (issued in March 2005). The responsibilities of the directors are set out in the statement of responsibilities of the directors.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the report of the directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

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

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

Independent auditors' report

To the members of

Community Music Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice as modified by the Statement of Recommended Practice: Accounting and Reporting by Charities (issued in March 2005), of the charitable company's state of affairs as at 31 March 2006 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the report of the directors is consistent with the financial statements.

Emphasis of matter - going concern

In forming our opinion we have considered the adequacy of the disclosures in note 1(a) of the financial statements concerning the directors' efforts to raise further income and reduce the organisation's costs. In view of the significance of the fact that the preparation of the financial statements on a going concern basis assumes the successful conclusion of these efforts, we consider that these disclosures should be brought to your attention. Our opinion is not qualified in this respect.

22 February 2007

Sayer Vincent

SAYER VINCENT
Chartered accountants & registered auditors
London

Community Music Limited

Statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 March 2006

	Note	Restricted £	Unrestricted £	2006 Total £	2005 Total £
Incoming resources					
<i>Incoming resources from generated funds</i>					
Voluntary income	2a	-	255,429	255,429	260,604
Investment income		-	448	448	757
<i>Incoming resources from charitable activities</i>					
Development, Education, Networking		-	956	956	4,306
Artist Development	2b	14,750	-	14,750	35,143
Accredited Courses	2c	68,671	155,493	224,164	165,809
Outreach	2d	-	-	-	46,577
Youth Work	2e	-	-	-	18,662
Other incoming resources		-	11,211	11,211	4,597
Total incoming resources		83,421	423,537	506,958	536,455
<i>Costs of generating funds:</i>					
Fundraising costs of grants and donations		-	8,365	8,365	9,630
<i>Charitable Activities</i>					
Development, Education, Networking		-	103,125	103,125	136,422
Artist Development		18,416	51,703	70,119	41,825
Internationalism		-	33,956	33,956	-
Accredited Courses		69,632	218,912	288,544	293,962
Outreach		-	-	-	97,249
Youth Work		-	-	-	23,399
Governance		-	14,535	14,535	13,849
Total resources expended	3	88,048	430,596	518,644	616,336
Net outgoing resources before transfers	4	(4,627)	(7,059)	(11,686)	(79,881)
Gross transfers between funds	11	1,127	(1,127)	-	-
Net movement in funds		(3,500)	(8,186)	(11,686)	(79,881)
Total funds at 1 April 2005		3,500	(21,287)	(17,787)	62,094
Total funds at 31 March 2006	11	-	(29,473)	(29,473)	(17,787)

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 11 to the financial statements.

Community Music Limited (Limited by Guarantee)

Balance sheet

As at 31 March 2006

	Note	£	2006 £	2005 £
Tangible fixed assets	7		514	<u>13,565</u>
Current assets				
Debtors	8	33,228		79,526
Cash at bank and in hand		<u>11</u>		<u>30,483</u>
		33,239		110,009
Creditors: amounts falling due within one year	9	<u>(63,226)</u>		<u>(141,361)</u>
Net current liabilities			<u>(29,987)</u>	<u>(31,352)</u>
Net liabilities			<u>(29,473)</u>	<u>(17,787)</u>
Funds				
Restricted funds	11		-	3,500
Unrestricted funds				
General funds			<u>(29,473)</u>	<u>(21,287)</u>
Total funds	11		<u>(29,473)</u>	<u>(17,787)</u>

Approved by the directors on 20 February 2007 and signed on their behalf by



Pauline Muir

JOHN PRINCE

Community Music Limited

Notes to the financial statements

For the year ended 31 March 2006

1. Accounting policies

- a) The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. They follow the recommendations in the Statement of Recommended Practice, Accounting and Reporting by Charities (issued in March 2005) and the Companies Act 1985.

Going concern

The charity's incoming resources have decreased again this year. However, the directors are confident that results will improve next year. Should this not be the case, the charity's activities will be curtailed accordingly. As a result the directors consider the preparation of the accounts on a going concern basis to be appropriate.

- b) Voluntary income is received by way of donations and gifts and is included in full in the statement of financial activities when receivable.
- c) Contractual fee income is recognised to the extent that the charity has provided the services. Where such incoming resources are received in advance, the incoming resources are deferred until the charity becomes entitled to them.
- c) Grants are recognised in full in the statement of financial activities in the year in which they are receivable.
- d) Grants for the purchase of fixed assets are credited to restricted incoming resources when receivable. Depreciation of fixed assets purchased with such grants is charged against the restricted fund. Where a fixed asset is donated to the charity for its own use, it is treated in a similar way to a restricted grant.
- e) Resources expended are recognised in the period in which they are incurred. Resources expended include attributable VAT which cannot be recovered. Resources expended are allocated to the particular activity where the cost relates directly to that activity.

The cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function, is apportioned on the basis shown below which is an estimate, based on staff time, of the amount attributable to each activity.

Premises costs are apportioned on the basis of training space and desk space usage for each activity, on the following basis.

	Staff costs and administrative costs	Premises costs allocations
Cost of generating funds	1.2%	5.1%
Development, education and networking	31.5%	14.3%
Artist development	13.5%	20.7%
Accredited courses	52.6%	54.8%
Governance	1.2%	5.1%

Governance costs include the management of the charitable company's assets, organisational management and compliance with constitutional and statutory requirements.

Community Music Limited

Notes to the financial statements

For the year ended 31 March 2006

1. Accounting policies (continued)

The costs of generating funds relate to the costs incurred by the charitable company in raising funds, primarily by publicity and fundraising activities.

- f) Depreciation is provided at rates calculated to write down the cost of each asset on a straight line basis over its expected useful life to its estimated residual value. The depreciation rates in use are as follows:

Computer and musical equipment	3 years (33%)
Office equipment and furniture	3 years (33%)
Studio equipment	2 years (50%)

Items of equipment are capitalised where the purchase price exceeds £1,000. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities.

- g) Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund.
- h) Unrestricted funds are donations and other incoming resources receivable or generated for the objects of the charity.
- i) Transfers from unrestricted funds to restricted funds are made to cover the excess of costs over income. Transfers from restricted funds to unrestricted funds are made to cover the depreciation charges of restricted assets.
- j) Rentals payable under operating leases, where substantially all the risks and rewards of ownership remain with the lessor, are charged to the statement of financial activities in the year in which they fall due.
- k) The charitable company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the charitable company in an independently administered fund. The pension cost charge represents contributions payable under the scheme by the charitable company to the fund. The charitable company has no liability under the scheme other than for the payment of those contributions.

2a. Voluntary income

	Restricted	Unrestricted	2006 Total	2005 Total
	£	£	£	£
London Arts Board	-	190,000	190,000	185,000
Association of London Government	-	45,404	45,404	45,404
Coors sponsorship	-	20,000	20,000	20,000
London Development Agency	-	-	-	10,000
Other Donations	-	25	25	200
Total	-	255,429	255,429	260,604

During the year the charitable company received a grant of £45,404 from London Councils (previously Association of London Government) for salaries and running costs. The grant was fully utilised in the year.

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For the year ended 31 March 2006

2b. Artist Development

	Restricted £	Unrestricted £	2006 Total £	2005 Total £
Performing Rights Society	10,000	-	10,000	10,000
Paul Hamlyn	4750	-	4,750	5,000
European Social Fund/Metier	-	-	-	14,643
Brit Trust	-	-	-	5,000
British Music Rights	-	-	-	500
	<u>14,750</u>	<u>-</u>	<u>14,750</u>	<u>35,143</u>

2c. Accredited courses

	Restricted £	Unrestricted £	2006 Total £	2005 Total £
Fee income	17,500	155,493	172,993	132,037
London Metropolitan University	17,500	-	17,500	16,500
Sound Connections	33,670	-	33,670	-
Other donations	1	-	1	-
Music Publishers Association	-	-	-	2,004
European Social Fund/Metier	-	-	-	15,268
	<u>68,671</u>	<u>155,493</u>	<u>224,164</u>	<u>165,809</u>

2d. Outreach

	Restricted £	Unrestricted £	2006 Total £	2005 Total £
Creative Partnerships	-	-	-	6,577
London Borough of Southwark	-	-	-	40,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,577</u>

2e. Youth Work

	Restricted £	Unrestricted £	2006 Total £	2005 Total £
National Foundation for Youth Music	-	-	-	12,700
CHK Charities	-	-	-	3,000
North Southwark Environment Trust	-	-	-	2,500
Fees	-	-	-	462
	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,662</u>

Community Music Limited

Notes to the financial statements

For the year ended 31 March 2006

3. Total Resources Expended

	Fundraising and publicity £	Development, education, networking £	Artist development £	Internationalism £	Accredited courses £	Governance £	2006 £	2005 £
Staff costs (note 5)	2,913	60,541	35,929	1,380	186,302	2,293	289,358	388,968
Redundancy	-	-	-	-	-	-	-	5,195
Freelance and consultants	188	2,278	2,670	-	8,716	88	13,940	22,040
Other staff costs	50	1,324	549	16,050	2,710	50	20,733	6,882
Premises and equipment	4,166	11,830	19,336	3,229	55,002	4,167	97,730	104,875
Depreciation	-	13,151	-	-	-	-	13,151	13,516
Office Overheads	306	7,725	3,361	2,304	13,211	389	27,296	29,901
Project Operating costs	742	6,276	8,274	10,993	22,603	-	48,888	39,413
Audit	-	-	-	-	-	6,187	6,187	4,661
Bank charges	-	-	-	-	-	1,289	1,289	703
Board costs	-	-	-	-	-	42	42	182
Legal fees	-	-	-	-	-	30	30	-
	8,365	103,125	70,119	33,956	288,544	14,535	518,644	616,336

Community Music Limited

Notes to the financial statements

For the year ended 31 March 2006

4. Net outgoing resources for the year

This is stated after charging / crediting:

	2006 £	2005 £
Directors' remuneration	nil	nil
Directors' expenses	nil	nil
Depreciation	13,151	13,516
Audit services		
▪ Auditor's remuneration	5,000	4,700
▪ Under/(Overaccrual) in prior year	1,187	(39)
Operating lease costs		
▪ for property	50,000	50,000
▪ for equipment	1,833	1,797

5. Staff costs and numbers

Staff costs were as follows:

	2006 £	2005 £
Salaries and wages	173,317	211,892
Sessional Staff	95,769	143,039
Social security costs	23,275	27,822
Pension contributions	(3,003)	6,215
	<u>289,358</u>	<u>388,968</u>

No employee earned more than £60,000 during the year.

Pension costs of £5,136 for the previous year have been written back as the employee left without having sorted out a dispute with the pension provider.

The average weekly number of employees (full-time equivalent) during the year was as follows:

	2006 No.	2005 No.
Fundraising and publicity	0.1	0.1
Development, Education, Networking	1.5	2.4
Artist development	1.2	0.5
Internationalism	0.1	-
Accredited courses	5.1	5.1
Outreach	-	1.9
Youth work	-	0.5
Governance	0.1	0.1
	<u>8.1</u>	<u>10.6</u>

Community Music Limited

Notes to the financial statements

For the year ended 31 March 2006

6. Taxation

Community Music is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

7. Tangible fixed assets

	Studio equipment £	Computers & musical equipment £	Office equipment & furniture £	Total £
COST				
At 1 April 2005	53,831	41,335	4,854	100,020
Additions in year	100	-	-	100
Disposals	(3,511)	-	-	(3,511)
At 31 March 2006	<u>50,420</u>	<u>41,335</u>	<u>4,854</u>	<u>96,609</u>
DEPRECIATION				
At 1 April 2005	42,533	40,303	3,619	86,455
Charge for the year	11,348	1,032	771	13,151
Disposals	(3,511)	-	-	(3,511)
At 31 March 2006	<u>50,370</u>	<u>41,335</u>	<u>4,390</u>	<u>96,095</u>
NET BOOK VALUE				
At 31 March 2006	<u>50</u>	<u>-</u>	<u>464</u>	<u>514</u>
At 31 March 2005	<u>11,298</u>	<u>1,032</u>	<u>1,235</u>	<u>13,565</u>

All tangible fixed assets are used to fulfil the charity's objects.

8. Debtors

	2006 £	2005 £
Trade debtors	3,600	1,950
Other debtors	13,137	2,599
Prepayments	9,632	11,577
Accrued income	6,859	63,400
	<u>33,228</u>	<u>79,526</u>

Community Music Limited

Notes to the financial statements

For the year ended 31 March 2006

9. Creditors : amounts falling due within one year

	2006 £	2005 £
LAB Loan	5,000	5,000
Bank overdraft	19,433	-
Trade creditors	16,369	21,970
Taxation & social security	7,499	22,582
Other creditors	2,209	8,310
Accruals	7,716	7,499
Deferred income	5,000	76,000
	<u>63,226</u>	<u>141,361</u>

The charity has an overdraft facility of £5,000, which was in use at 31 March 2006.

10. Analysis of net assets between funds

	Restricted funds £	Unrestricted funds £	Total Funds £
Tangible fixed assets	-	514	514
Current assets	126	33,113	33,239
Current liabilities	(126)	(63,100)	(63,226)
Net assets at 31 March 2006	<u>-</u>	<u>(29,473)</u>	<u>(29,473)</u>

11. Movements in funds

	At 1 April 2005 £	Incoming resources £	Outgoing resources £	Transfers £	At 31 March 2006 £
Restricted funds:					
Artist Development	-	10,000	(10,000)	-	-
Musical Futures	3,500	4,750	(8,416)	166	-
MTTC	-	5,834	(5,834)	-	-
Step Up	-	5,834	(5,834)	-	-
Sound Start	-	5,833	(5,833)	-	-
Fuse	-	51,170	(52,131)	961	-
Total restricted funds	<u>3,500</u>	<u>83,421</u>	<u>(88,048)</u>	<u>1,127</u>	<u>-</u>
Unrestricted funds:					
General funds	(21,287)	423,537	(430,596)	(1,127)	(29,473)
Total funds	<u>(17,787)</u>	<u>506,958</u>	<u>(518,644)</u>	<u>-</u>	<u>(29,473)</u>

Community Music Limited

Notes to the financial statements

For the year ended 31 March 2006

11. Movements in funds (continued)

Transfers between funds

Transfers from unrestricted funds to restricted funds are made to cover the excess of costs, on individual projects, over restricted income.

Purposes of restricted funds

Artist Development This is a project providing free recording studio time, producers and music business advice to emerging and budding young artists. Specially talented musicians and composers from the courses are selected for individual training plans and given a programme of advice, training and studio time to develop their careers. Young musicians without formal music qualifications and from culturally diverse backgrounds are targeted.

Musical Futures CM assisted Sound Connections to raise funds from the Paul Hamlyn Foundation to conduct research into the musical needs of young people across the UK. Phase one of this research was to investigate the feasibility of setting up a web base information service for young people and music provision in England. Sound Connections requested CM to conduct this research and this was contracted to Gawain Hewitt, one of CM's lead tutors. The research continued into 2005 and has been completed and the information web site is fully operational.

MTTC Dip/Ed - Certificate in Higher Education Music Tutor Training This teacher training course, which was started up again in 2002/03, was funded by European Social Fund / Metier. The course trains professional musicians to become community musicians and has a high success rate in generating new employment for completers. It requires no formal qualifications for entry but gives a Level 4 undergraduate qualification. Negotiations are underway for the course to be part of a new Teacher Training Agency initiative creating new models for training teachers to deliver modern curricula.

Step Up - Certificate in Higher Education Music Production This course provides access route to study of a full degree in music production at University of Westminster for students without formal qualifications. It is designed to deliver industry standard training for those seeking a career in the music industry and is delivered in close partnership with the university.

Community Music Limited

Notes to the financial statements

For the year ended 31 March 2006

11. Movements in funds (continued)

Purposes of restricted funds (continued)

**Sound Start Music and
Technology Course**

This course, accredited by LOCN at Level 3 is designed for young musicians wanting to increase their skills and understanding of career options open to them. It attracts young people who did not get qualifications in music at school and who want to return to study or open progression routes into the business or higher education. The course acts as a feeder for the certificate in Higher Education Music Production and therefore as a route to degree level training for those with no qualifications.

FUSE

The FUSE project is a music course for young people at high risk of offending behaviour, in partnership with Youth Inclusion Teams locally and Crime Concern

12. Operating lease commitments

The charitable company had annual commitments under operating leases expiring as follows:

	Land & Buildings		Other	
	2006	2005	2006	2005
	£	£	£	£
2 - 5 Years	<u>50,000</u>	<u>50,000</u>	<u>1,833</u>	<u>1,797</u>
	<u>50,000</u>	<u>50,000</u>	<u>1,833</u>	<u>1,797</u>