

Company No 1967704
Charity No 293419

Community Music Limited
Report & Financial Statements
31 March 2007

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sayer vincent

consultants and auditors

Community Music Limited

Reference & administrative details

For the year ended 31 March 2007

| | |
|----------------------------|--|
| 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 | 82 Southwark Bridge Road London SE1 0AS |
| Operational address | The Brady Arts Centre 192-196 Hanbury Arts Centre London E1 5HU |
| Secretary | Dave O'Donnell (Chief Executive) |
| Chair | John Prince |
| Bankers | Lloyds TSB 40 Rosslyn Hill London NW3 1NL |
| Solicitors | Harbottle and Lewis 14 Hanover Square London W1s 1HP |
| 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 2007

The directors present their report and the audited financial statements for the year ended 31 March 2007

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 Limited (CM) 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.

Structure, Governance and Management

The company is governed by a Memorandum and Articles of Association dated 2 December 1985. The company is constituted as a company limited by liability and not having a share capital.

Appointment of new trustees

Trustees must be appointed by vote of a quorate meeting, first as a member of the company then as a trustee of the company. An annual assessment of skills gap relating to the aims and objectives of the trust is completed by the trustees and new members identified from known professional associates to supply those skills. New trustees receive an induction pack and session from the Chief Executive comprising governing documents, legal and financial responsibilities, detailed financial information, programme and staffing of the company and specific briefing relating to that trustee's role on the Board. They meet with the Chair before appointment and are invited as observer to one meeting before a decision is made for them to join the board of trustees.

The organisational structure

The company is overseen by the trustees at a minimum of 4 meetings a year, although in practice this is usually more, and an annual budget including salary levels and staffing changes is proposed by the Chief Executive and approved by the Board. Major policy discussions and programme initiatives relating to that policy are discussed and approved by the Board. The Chief Executive is responsible for preparing budgets and ensuring financial stability in terms of fundraising and day to day cost control. He also is responsible for creation of new projects to maintain the objectives and fulfil the aims of the trust.

Relationship with other parties

CM has no subsidiaries. It maintains a strong relationship with other similar community music projects and funders through the consortium of like minded projects established in 2004 called Sound Connections. The Chief Executive, Dave O'Donnell was a trustee of this organisation but resigned in 2006.

Community Music Limited

Report of the directors

For the year ended 31 March 2007

Structure, Governance and Management (continued)

The Chief Executive of CM is a member of the Board of Directors of Pyromaniacs Ltd which runs the Pyroradio.com. CM provides Pyroradio.com with free rent studios and staff time as support. The Pyroradio.com is important to provide CM with contacts and artists in the music industry and provides free publicity and branding for CM in the youth urban music market. It is a mutually beneficial relationship, but is not a subsidiary of CM and has no direct financial relationship with CM.

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
- 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, focusing 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
- Business development programmes to assist new small and micro businesses in the music industry

Community Music Limited

Report of the directors

For the year ended 31 March 2007

Objectives and Activities (continued)

The Charnty'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 2006/07 to operate a Training and Production Centre in London offering structured access, professional training, artist development projects, artist resources, outreach projects and new music production. During the year, the project ran the following 3 accredited courses at undergraduate level, an internet radio station, an Artist Development scheme to develop emerging talent, a new transnational project with Roma musicians in the UK, Hungary, Czech Republic and Norway called ArtParty, and 16 live music promotions across Europe. In addition CM successfully won a two year contract from the London Development Agency STEP fund, to lead a consortium of music projects to create new businesses in the music industry.

The highlights for the year were

- ArtParty ran in Brno (Czech Republic), Budapest (Hungary), and London. Funded by the EC through the Culture Department, the project encourages international cultural awareness and exchange. ArtParty has two strands, firstly, to work with Roma young people to provide opportunities for music education and training, secondly to develop Roma professional artists through exchange visits, concerts and business development.
- Creative Business Creation started as the first year of the LDA funded Step project to create and assist small and micro businesses in the music industry through a consortium of music projects, employers and universities.
- 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.
- Live music promotions of new talent across London and in Europe partner states.

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.

Community Music Limited

Report of the directors

For the year ended 31 March 2007

Achievements and performance (continued)

Notable achievements in the year were

Professional Development

- The Certificate in Higher Education Music Production ran in collaboration with University of Westminster 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.
- 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

- A new Foundation Degree in Music Production was researched and written. Validated by the University of Westminster it has replaced the Step Up course in 2007.

Promoting music performance to new audiences

- CM's partner internet radio station, Pyroraudio.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 assisted new artists.
- CM formed partnerships with festival promoters to collaborate on live music promotion for the emerging artists on its various projects. The concerts included Notting Hill Carnival, Portland Social Club and Arts Club. Roma Musicians were promoted in venues around London and the UK. Concerts in Czech Republic, Budapest and London showcased the musicians from ArtParty international project.

Artist Development

- 12 new musician led businesses began on the business development project, CBC, and started their schedules of support including training, networking and distribution. 6 artists from this project were taken to MIDEM music industry trade fair in Cannes to network and make contacts.

Financial Review

Policy on reserves

The directors of CM 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).

Community Music Limited

Report of the directors

For the year ended 31 March 2007

Financial Review (continued)

The term 'reserves' is defined as that part of the charity's funds that are freely available for general purposes. In the case of CM, 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 CM 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
- (See Strategic Planning report for other measures)

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
- Culture 200 from European Council
- PRS Foundation to costs of developing new talent for music industry
- London Development Agency for the business development project

Plans for future periods: Strategic Planning 2006-2010

CM is facing a period of considerable and fundamental change in the funding landscape and the nature of the business. It is implementing a 3 year strategy to adapt and ensure survival. Some of the change is caused by a natural process of continuous evolution and some by the forces of opportunity loss in the grant making sector. The aim of the strategy is to make CM financially viable and secure by cutting costs, securing permanent low rent premises, reducing the staffing levels and opening new income streams. The strategy is in three categories:

1. Premises

CM's strategy to relocate to Tower Hamlets continued with successful negotiations being held through 2006/07, to be based at The Brady Centre, in partnership with the local authority that owns and funds the centre. Tower Hamlets is the most appropriate central London borough for CM to be in. It has the ethnic demography and social issues that create the need for CM's provision, the lack of similar projects in the area, the imminence of the Olympiad funding, the rich musical cultural mix, the paucity of live music and alternative music education, and the central location, all remain strong imperatives for CM's presence in the area.

Community Music Limited

Report of the directors

For the year ended 31 March 2007

Plans for future periods: Strategic Planning 2006-2010 (continued)

CM's current lease in Southwark ends in July 2008 and the plan is to move to the Brady Centre in two phases in Autumn 2007 and Spring 2008, leaving time for dilapidation schedule to be completed and the Southwark building vacated. The Brady centre is an ideal answer to CM's premises needs. It is low cost, in a central location, has full disabled access, catering facilities and is already a centre of activity for the community in the local area. Crucially, it will peg the premises costs at a low level for the foreseeable future.

2008/09 will see the first full year of these cost savings with the full rent, rates, fuel and maintenance costs falling from approximately £85000 per annum to £18000 per annum.

2. Staffing

Staff costs will be reduced by up to 30% in 06-08 periods. This will be achieved by the redundancies of technical and administrative posts (1.3 FTE), cutting the Soundstart course completely and reducing tutor numbers on other courses and outsourcing financial support roles. It is intended that these cuts will not affect the quality of CM's work as they will be done in a context of appropriate infrastructural change.

3. Finances

The gradual effect of the staffing and premises cost savings from 2007-2009 will see the project grow its reserves annually and achieve greater financial stability. It also pre-empts any cuts in funding from major funders, and mitigates the disappearance of substantial funding sources such as the National Lottery and the London Councils annual grant which ends in March 2008. The end of regular annual funding from the Arts Council following a two year review of policy and priorities is also a major concern and the stabilisation strategy has this in mind, although the results of the review will not be known until later in 2007.

On the income side, CM has sourced fee income for the two higher education courses, which will both be under contract to the University of Westminster from 2007. The courses will be financially sustainable with the combination of costs cutting and new income therefore leaving any unrestricted funding free to develop and support new work and build reserves.

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 is taken to mitigate these risks.

Community Music Limited

Report of the directors

For the year ended 31 March 2007

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 confirms that to the best of his/her knowledge there is no information relevant to the audit of which the auditors are unaware. The directors also confirm that they have taken all necessary steps to ensure that they themselves are aware of all relevant audit information and that this information has been communicated to the auditors

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
Pauline Muir
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 2007 was 8 (2006 - 10). The directors have no beneficial interest in the charitable company.

Community Music Limited

Report of the directors

For the year ended 31 March 2007

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 15/11/07 and signed on their behalf by


(Chairman)

~~Pauline Muir~~

JOHN PRINCE

Community Music Limited

To the members of

Community Music Limited

We have audited the financial statements of Community Music Limited for the year ended 31 March 2007 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 the annual report and consider the implications for our report if we become aware of any apparent misstatements within it.

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.

Community Music Limited

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 2007 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

16 November 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 2007

| | Note | Restricted £ | Unrestricted £ | 2007 Total £ | 2006 Total £ |
|--|------|-----------------|-------------------|------------------------|--------------------|
| Incoming resources | | | | | |
| <i>Incoming resources from generated funds</i> | | | | | |
| Voluntary income | 2 | - | 240,626 | 240,626 | 255,429 |
| Investment income | | - | 741 | 741 | 448 |
| <i>Incoming resources from charitable activities</i> | | | | | |
| Small Business Creation | 2 | 171,531 | - | 171,531 | - |
| Development, Education, Networking | 2 | 7,110 | - | 7,110 | 956 |
| Internationalism | 2 | 66,081 | - | 66,081 | - |
| Artist Development | 2 | 10,000 | - | 10,000 | 14,750 |
| Accredited Courses | 2 | 10,000 | 151,948 | 161,948 | 224,164 |
| Other incoming resources | 2 | - | 9,618 | 9,618 | 11,211 |
| Total incoming resources | | <u>264,722</u> | <u>402,933</u> | <u>667,655</u> | <u>506,958</u> |
| Resources expended | | | | | |
| <i>Costs of generating funds</i> | | | | | |
| Costs of generating voluntary income | | - | 5,892 | 5,892 | 8,365 |
| <i>Charitable Activities</i> | | | | | |
| Small Business Creation | | 171,531 | 19,039 | 190,570 | - |
| Development, Education, Networking | | 7,110 | 83,928 | 91,038 | 103,125 |
| Artist Development | | 24,883 | 20,716 | 45,599 | 70,119 |
| Internationalism | | 80,918 | 13,444 | 94,362 | 33,956 |
| Accredited Courses | | 4,615 | 177,614 | 182,229 | 288,544 |
| Governance | | - | 16,372 | 16,372 | 14,535 |
| Total resources expended | 3 | <u>289,057</u> | <u>337,005</u> | <u>626,062</u> | <u>518,644</u> |
| Net outgoing resources before transfers | 4 | (24,335) | 65,928 | 41,593 | (11,686) |
| Gross transfers between funds | 11 | <u>29,720</u> | <u>(29,720)</u> | <u>-</u> | <u>-</u> |
| Net income / (expenditure) for the year | | 5,385 | 36,208 | 41,593 | (11,686) |
| Reconciliation of funds | | | | | |
| Total funds at 1 April 2006 | | <u>-</u> | <u>(29,473)</u> | <u>(29,473)</u> | <u>(17,787)</u> |
| Total funds at 31 March 2007 | 11 | <u>5,385</u> | <u>6,735</u> | <u>12,120</u> | <u>(29,473)</u> |

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

Balance sheet

As at 31 March 2007

| | Note | £ | 2007 £ | 2006 £ |
|---|------|------------------------|----------------------|-----------------|
| Tangible fixed assets | 7 | | 6,974 | <u>514</u> |
| Current assets | | | | |
| Debtors | 8 | 88,607 | | 33,228 |
| Cash at bank and in hand | | <u>18</u> | | <u>11</u> |
| | | 88,625 | | 33,239 |
| Creditors: amounts falling due within one year | 9 | <u>(83,479)</u> | | <u>(63,226)</u> |
| Net current assets / (liabilities) | | | <u>5,146</u> | <u>(29,987)</u> |
| Net assets / (liabilities) | | | <u>12,120</u> | <u>(29,473)</u> |
| Funds | | | | |
| Restricted funds | 11 | | 5,385 | - |
| Unrestricted funds | | | | |
| General funds | | | <u>6,735</u> | <u>(29,473)</u> |
| Total funds | 11 | | <u>12,120</u> | <u>(29,473)</u> |

Approved by the directors on 15/11/07 and signed on their behalf by

John Prince (Chair)

Pauline Muir

JOHN PRINCE

Community Music Limited

Notes to the financial statements

For the year ended 31 March 2007

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.
- 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 | |
|---------------------------------------|--------------------------------------|-------|----------------------------|-------|
| | 2007 | 2006 | 2007 | 2006 |
| Cost of generating funds | 1.5% | 1.2% | 5.0% | 5.1% |
| Development, education and networking | 1.5% | 31.5% | 9.1% | 14.3% |
| Artist development | 6.0% | 13.5% | 17.7% | 20.7% |
| Accredited courses | 40.3% | 52.6% | 56.1% | 54.8% |
| Governance | 1.5% | 1.2% | 5.0% | 5.1% |
| Internationalism | 11.9% | 0.0% | 0.0% | 0.0% |
| CBC | 37.3% | 0.0% | 0.0% | 0.0% |
| Support | | | 7.10% | 0.0% |

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 2007

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) 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

Establishing European networks, particularly in the new European members, focusing on Roma children and musicians, to create educational opportunities and career development for aspiring professionals

2. Incoming resources

Voluntary income

| | Restricted £ | Unrestricted £ | 2007 Total £ | 2006 Total £ |
|----------------------------------|-----------------|-------------------|--------------------|--------------------|
| London Arts Board | - | 195,225 | 195,225 | 190,000 |
| Association of London Government | - | 45,401 | 45,401 | 45,404 |
| Coors sponsorship | - | - | - | 20,000 |
| Other Donations | - | - | - | 25 |
| Total | - | 240,626 | 240,626 | 255,429 |

During the year the charitable company received a grant of £45,401 from London Councils (previously Association of London Government) for salaries and running costs. The grant was fully utilised in the year

Community Music Limited

Notes to the financial statements

For the year ended 31 March 2007

2. Incoming resources (continued)

Incoming resources from charitable activities

| | Restricted £ | Unrestricted £ | 2007 Total £ | 2006 Total £ |
|--|-----------------|-------------------|--------------------|--------------------|
| <i>Small Business Creation</i> | | | | |
| London Development Agency | <u>171,531</u> | <u>-</u> | <u>171,531</u> | <u>-</u> |
| <i>Internationalism</i> | | | | |
| Education, Audiovisual and Culture Executive Agency | <u>66,081</u> | <u>-</u> | <u>66,081</u> | <u>-</u> |
| <i>Development, Education, Networking</i> | | | | |
| Lloyds TSB Foundation | 4,860 | - | 4,860 | - |
| Paul Hamlyn | <u>2,250</u> | <u>-</u> | <u>2,250</u> | <u>-</u> |
| | <u>7,110</u> | <u>-</u> | <u>7,110</u> | <u>-</u> |
| <i>Artist Development</i> | | | | |
| Performing Rights Society | 10,000 | - | 10,000 | 10,000 |
| Paul Hamlyn | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,750</u> |
| | <u>10,000</u> | <u>-</u> | <u>10,000</u> | <u>14,750</u> |
| <i>Accredited courses</i> | | | | |
| Fee income | - | 151,948 | 151,948 | 172,993 |
| CM's internet radio station, Pyrotechnic co | - | - | - | 17,500 |
| Sound Connections | 10,000 | - | 10,000 | 33,670 |
| Other donations | <u>-</u> | <u>-</u> | <u>-</u> | <u>1</u> |
| | <u>10,000</u> | <u>151,948</u> | <u>161,948</u> | <u>224,164</u> |
| <i>Other incoming resources</i> | | | | |
| Sector Skills Council (payment for seconded staff) | - | - | - | 10,902 |
| Online filing rebate | - | 250 | 250 | 250 |
| Insurance claim income | - | 9,368 | 9,368 | - |
| Other income | <u>-</u> | <u>-</u> | <u>-</u> | <u>59</u> |
| | <u>-</u> | <u>9,618</u> | <u>9,618</u> | <u>11,211</u> |

Community Music Limited

Notes to the financial statements

For the year ended 31 March 2007

3 Total Resources Expended

| | Fundraising and publicity £ | Small Business Creation £ | Development, education, networking £ | Artist development £ | Internationalism £ | Accredited courses £ | Governance £ | Support Costs £ | 2007 £ | 2006 £ |
|----------------------------------|-----------------------------------|------------------------------------|---|----------------------------|-----------------------|----------------------------|-----------------|-----------------------|----------------|----------------|
| Staff costs (note 5) | - | 59,153 | 52,066 | 17,981 | 9,488 | 82,375 | - | 69,231 | 290,294 | 289,358 |
| Redundancy | - | - | - | - | - | - | - | - | - | - |
| Freelance and consultants | - | 375 | - | - | 14,550 | 200 | - | 8,153 | 23,278 | 13,940 |
| Other staff costs | 148 | 2,090 | 1,336 | 1,830 | 5,633 | 664 | - | 2,295 | 13,996 | 20,733 |
| Premises and equipment | 3,954 | 400 | 7,697 | 13,995 | 35 | 44,948 | 3,954 | 5,614 | 80,597 | 97,730 |
| Depreciation | - | - | 9,555 | - | - | - | - | - | 9,555 | 13,151 |
| Office Overheads | 50 | - | 684 | - | 1,751 | - | 111 | 21,830 | 24,426 | 27,296 |
| Project Operating costs | 60 | 86,516 | 18,020 | 5,072 | 49,298 | 8,674 | - | 5,458 | 173,098 | 48,888 |
| Audit | - | - | - | - | - | - | 8,406 | - | 8,406 | 6,187 |
| Bank charges | - | 28 | - | - | 164 | - | 1,776 | - | 1,968 | 1,289 |
| Board costs | - | - | - | - | - | - | 414 | - | 414 | 42 |
| Legal fees | - | - | - | - | - | - | 30 | - | 30 | 30 |
| | <u>4,212</u> | <u>148,562</u> | <u>89,358</u> | <u>38,878</u> | <u>80,919</u> | <u>136,861</u> | <u>14,691</u> | <u>112,581</u> | <u>626,062</u> | <u>518,644</u> |
| Reallocation of support costs | <u>1,680</u> | <u>42,008</u> | <u>1,680</u> | <u>6,721</u> | <u>13,443</u> | <u>45,368</u> | <u>1,681</u> | <u>(112,581)</u> | <u>-</u> | <u>-</u> |
| | <u>5,892</u> | <u>190,570</u> | <u>91,038</u> | <u>45,599</u> | <u>94,362</u> | <u>182,229</u> | <u>16,372</u> | <u>-</u> | <u>626,062</u> | <u>518,644</u> |

Community Music Limited

Notes to the financial statements

For the year ended 31 March 2007

4. Net incoming resources for the year

This is stated after charging / crediting

| | 2007 £ | 2006 £ |
|-------------------------------------|-----------|--------------|
| Directors' remuneration | nil | nil |
| Directors' expenses | nil | nil |
| Depreciation | 9,554 | 13,151 |
| Audit services | | |
| ▪ Auditor's remuneration | 6,600 | 5,000 |
| ▪ Under/(Overaccrual) in prior year | 1,806 | 1,187 |
| Operating lease costs | | |
| ▪ for property | 50,000 | 50,000 |
| ▪ for equipment | - | 1,833 |
| | <u>-</u> | <u>1,833</u> |

5. Staff costs and numbers

Staff costs were as follows

| | 2007 £ | 2006 £ |
|-----------------------|----------------|----------------|
| Salaries and wages | 191,091 | 173,317 |
| Sessional Staff | 76,298 | 95,769 |
| Social security costs | 22,905 | 23,275 |
| Pension contributions | - | (3,003) |
| | <u>290,294</u> | <u>289,358</u> |

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

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

| | 2007 No. | 2006 No |
|------------------------------------|-------------|------------|
| Fundraising and publicity | 0.1 | 0.1 |
| Development, Education, Networking | 0.1 | 1.5 |
| Artist development | 0.4 | 1.2 |
| Internationalism | 0.8 | 0.1 |
| Accredited courses | 2.7 | 5.1 |
| Small Business Creation | 2.5 | - |
| Governance | 0.1 | 0.1 |
| | <u>6.7</u> | <u>8.1</u> |

Community Music Limited

Notes to the financial statements

For the year ended 31 March 2007

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 £ |
|-----------------------|--------------------------|--|---|------------|
| Training | | | | |
| COST | | | | |
| Establishing European | 50,420 | 41,335 | 4,854 | 96,609 |
| Additions in year | 14,864 | 1,150 | - | 16,014 |
| Disposals | (36,128) | - | - | (36,128) |
| At 31 March 2007 | 29,156 | 42,485 | 4,854 | 76,495 |
| DEPRECIATION | | | | |
| At 1 April 2006 | 50,370 | 41,335 | 4,390 | 96,095 |
| Charge for the year | 8,707 | 383 | 464 | 9,554 |
| Disposals | (36,128) | - | - | (36,128) |
| At 31 March 2007 | 22,949 | 41,718 | 4,854 | 69,521 |
| NET BOOK VALUE | | | | |
| At 31 March 2007 | 6,207 | 767 | - | 6,974 |
| At 31 March 2006 | 50 | - | 464 | 514 |

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

8. Debtors

| | 2007 £ | 2006 £ |
|----------------|-----------|-----------|
| Trade debtors | 585 | 3,600 |
| Other debtors | 1,500 | 13,137 |
| Prepayments | 11,423 | 9,632 |
| Accrued income | 75,099 | 6,859 |
| | 88,607 | 33,228 |

Community Music Limited

Notes to the financial statements

For the year ended 31 March 2007

9. Creditors : amounts falling due within one year

| | 2007 £ | 2006 £ |
|----------------------------|---------------|---------------|
| LAB Loan | 5,000 | 5,000 |
| Bank overdraft | 27,994 | 19,433 |
| Trade creditors | 8,615 | 16,369 |
| Taxation & social security | 8,192 | 7,499 |
| Other creditors | 2,209 | 2,209 |
| Accruals | 7,711 | 7,716 |
| Grant advance repayable | 23,758 | - |
| Deferred income | - | 5,000 |
| | 83,479 | 63,226 |

The charity has an overdraft facility of £5,000, which was in use at 31 March 2007

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 assisted new artists.

10. Analysis of net assets between funds

| | Restricted funds £ | Unrestricted funds £ | Total Funds £ |
|-----------------------------|--------------------------|----------------------------|---------------------|
| Tangible fixed assets | - | 6,974 | 6,974 |
| Current assets | 5,385 | 83,240 | 88,625 |
| Current liabilities | - | (83,479) | (83,479) |
| Net assets at 31 March 2007 | 5,385 | 6,735 | 12,120 |

11. Movements in funds

| | At 1 April 2006 £ | Incoming resources £ | Outgoing resources £ | Transfers £ | At 31 March 2007 £ |
|-------------------------------|-------------------------|----------------------------|----------------------------|----------------|-----------------------------|
| Restricted funds: | | | | | |
| Artist Development | - | 10,000 | (24,883) | 14,883 | - |
| Fuse | - | 10,000 | (4,615) | - | 5,385 |
| Small Business Creation | - | 171,531 | (171,531) | - | - |
| Community project support | - | 7,110 | (7,110) | - | - |
| Internationalism | - | 66,081 | (80,918) | 14,837 | - |
| Total restricted funds | - | 264,722 | (289,057) | 29,720 | 5,385 |
| Unrestricted funds: | | | | | |
| General funds | (29,473) | 402,933 | (337,005) | (29,720) | 6,735 |
| Total funds | (29,473) | 667,655 | (626,062) | - | 12,120 |

Community Music Limited

Notes to the financial statements

For the year ended 31 March 2007

11. Movements in funds (continued)

Higher Education Funding Council (from fees to the universities) to costs of running the partnership training courses

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. |
| 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. |
| Creative Business Creation | Creative Business Creation is a small and micro business creation project aiming to create new employment in the music industry through the development and support of new businesses. The project is initiated and managed by CM through a consortium of delivery partners: Raw Material Brixton, Overtones Studios Camden, Sound Connections Southwark. The project supports performing artists, sound engineers, music producers and other young entrepreneurs in the first stages of establishing their businesses by providing networking, showcasing, training, workspaces, studio access, legal, business and marketing mentoring, international contacts and personal help. CBC is part of the London Development Agency's STEP (Supporting Talent and Enterprise) programme and is two year contract ending in 2008. |
| Community Project Support | Funds were raised from Lloyds TSB Foundation and Paul Hamlyn Foundation to support the setting up of a community music project started by a CM music course graduate. |
| Internationalism | ArtParty is a transnational culture project in Norway, Czech Republic, Hungary, and London. Funded by the EC through the Culture 2000 fund, the project encourages international cultural awareness and exchange. ArtParty has two strands, firstly, to work with Roma young people to provide opportunities for music education and training, secondly to develop Roma professional artists and musicians through exchange visits, concerts and business and career development. |

Community Music Limited

Notes to the financial statements

For the year ended 31 March 2007

2008/09 will see the first full year of these cost savings with the full rent, rates, fuel and maintenance costs falling from approximately £85000 per annum to £18000 per annum

12. Operating lease commitments

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

| Finances | Land & Buildings | | Other | |
|-------------|------------------|---------------|----------|--------------|
| | 2007 | 2006 | 2007 | 2006 |
| | £ | £ | £ | £ |
| 2 - 5 Years | <u>50,000</u> | <u>50,000</u> | <u>-</u> | <u>1,833</u> |

13. Related party transactions

Pyromaniacs Limited (which runs Pyroradio com) is a related party to CM as the Chief executive is a member of the board of directors of Pyromaniacs Limited

CM provides Pyroradio com with free rent and studio facilities, and strategic management support Pyrotechnic Radio Limited in turn provides CM with links to contacts and artists in the music industry, and also free publicity and branding for CM in the youth urban music market

The value of the transactions from CM is not valued as the office space used is a small section of the surplus unused space in the Southwark office, and the strategic support and studio time is difficult to estimate due to its adhoc nature

The value of the contact and publicity and branding from Pyroradio com is not valued due to the difficulty in estimating the monetary worth of the economic benefits derived from the use of such information and publicity

Therefore, there are no financial transactions between Pyromaniacs Limited and CM and therefore no outstanding balances between the two parties existed at the year end