

**MKCO Limited
Limited by Guarantee**

Report and Financial Statements

31 July 2007

REPORT AND FINANCIAL STATEMENTS

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DIRECTORS' REPORT

REFERENCE AND ADMINISTRATIVE DETAILS

MKCO Ltd is a charitable company limited by guarantee, which trades as Milton Keynes City Orchestra.

MKCO Ltd is an individual organisation, which is not affiliated with an umbrella group or part of a larger organisation.

Registered Charity Number 271108

Company registration Number 1268436

Registered Office

3 Theatre Walk, Central Milton Keynes, MK9 3PX

Principal Office

3 Theatre Walk, Central Milton Keynes, MK9 3PX

General Manager

Anna J Denny

Auditors

Garner Associates, Chartered Certified Accountants, 138 Bromham Road, Bedford, MK40 2QW

Bankers

HSBC plc, 53 High Street, Newport Pagnell, Buckinghamshire, MK16 8AU

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The organisation is a charitable company limited by guarantee.

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 which were last amended on 14 December 1999. The Charity number is 271108 and the Company number is 1268436.

Directors and trustees

The Directors of the charitable company are its Trustees for the purpose of charity law and throughout this report are collectively referred to as the Trustees.

As set out in the Articles of Association, up to 12 Directors can be elected by Patrons. These 12 may co-opt up to 7 additional Directors. Each year one third of the elected Directors are required to resign, either voluntarily or by rotation. Unless an individual has been a Director for two successive terms of three years, they may submit themselves for re-election at the Annual General Meeting. Co-opted Directors are deemed to have resigned at the year-end; they may stand for election as new candidates, or may (after the AGM) be considered by the Board for another term of one year. There may be vacancies on the Board for which candidates have been proposed by Patrons. Only Patrons may propose, or stand as, or vote for, candidates in AGM elections.

The trustees serving during the year and since the year-end were as follows:

Peter Butler (appointed 7.3.07)	Janet C Lloyd (Co-opted)
Simon M Cuthbertson (Chairman)	Donald MacDonald (Co-opted)
David John Clinch	Karen L Mason (appointed 7.3.07)
David J Knapman (Treasurer)	Edward A Payton

There were no Trustees who served during the year, retiring at the AGM in February 2007.

Dick Swan, Company Secretary, sadly died in October 2007. Peter Butler has now been appointed as Company Secretary by the Board.

DIRECTORS' REPORT

Governance Matters

MKCO Ltd is managed by these voluntary Trustees. Being Patrons of the Orchestra, Trustees have a working knowledge and understanding of the Charity before standing for election. These elected Trustees and those that are co-opted offer their existing skills, knowledge and experiences on a voluntary basis in support of the Orchestra. Many of the current Trustees served initially as members of related committees and working groups, before becoming Trustees themselves.

The day-to-day operational activity is delegated to a small team of paid employees (a team of 2 full time, 1 part time and 1 part time fixed term staff and various freelance administrative and musician positions). The Orchestra's staffing structure has changed during the year, with new focused roles of Education and Outreach Officer, Financial Controller and Operations Assistant having been created and recruited to during the year, enabling a significant development in the Orchestra's management operation. These changes have resulted from the departure of long serving members of staff and a refocusing of roles – there has been a net increase of only one part time and one fixed term role, which is resourced through, and enables, project working.

The General Manager is Anna J Denny. The General Manager is not a Trustee, but is the most senior staff member to whom day-to-day management of the charity is delegated by the Trustees.

The Trustees make decisions relating to policy, strategy and financial planning relating to the Orchestra's activity and future planning. The day-to-day implementation and operation of activities are undertaken by the team of staff and other volunteers. In appointing Trustees the Board reviews the skills available to it and seeks to maximise the resources available in recruiting and retaining Trustees.

Risk Review

The MKCO Board has reviewed the major risks to which the charity is exposed and systems have been put in place to mitigate those risks. Significant external risks to funding have precipitated the start of a thorough review of all the charity's activities, with a view to increasing income from a diverse selection of sources whilst keeping close control of expenditure. Internal risks are minimised by the procedure that all financial transactions require two authorised signatures, further to which, for transactions over £10,000 one of these two signatures is required to be that of a Trustee. These procedures are periodically reviewed to ensure that they still meet the needs of the charity.

OBJECTIVES AND ACTIVITIES

Milton Keynes City Orchestra is the live classical music resource for Milton Keynes and the surrounding area. The Orchestra was founded over 30 years ago, by and for local people. The Orchestra aims to promote a balanced programme of live, orchestral music at high professional standards. This is supported by a programme of education and outreach activity – Music for Life – reaching audiences outside the concert hall, who might not attend traditional concerts. The Orchestra is unique in being a professional orchestra which is resident and active, here in Milton Keynes; it plays an important part in the cultural life of the city, engaging particularly with the education sector, the business community and is a valuable arts resource.

Milton Keynes City Orchestra is a registered charity and a company limited by guarantee. As such the Charity's objects, as stated in the Memorandum of Association of MKCO Limited, are to advance the education of the public in music by the presentation of concert and other activities that will promote such education.

The Orchestra's principal aims are to:

- Enrich the cultural life of the region.
- Promote and advance the performance and appreciation of live music for and by the whole community, through a policy of social inclusion.
- Present work of the highest professional standards.
- Create opportunities for the enjoyment of music through participation, education and outreach.

Like most professional arts organisations, the Orchestra continues to face the challenges of maintaining its artistic quality of performance and outreach activities in the face of increasing demands and pressures

DIRECTORS' REPORT

on income. The Orchestra has a good record of attracting public funding, of raising individual and corporate sponsorship, and of concert ticket sales. However, the Orchestra continues to need help and support to survive and to nurture this cultural asset's future wellbeing in Milton Keynes.

The charity is managed by voluntary Trustees. The day to day operation of the Orchestra is enabled and supported through the commitment of volunteers within the office environment and on location in support of events and activities. This volunteer operational support is, on average, equivalent to in excess of 15 days per month. The Orchestra also works in collaboration with educational organisations including Countec and the Young Apprentices programme in facilitating student placements, equating to approximately six weeks of full time support during the year.

ACHIEVEMENTS AND PERFORMANCE

During the year, the Orchestra's concert programming featured the following: a series of six "cornerstone" concerts (6 in 2005/6) were performed by the Orchestra in its Milton Keynes Theatre series; two schools' concerts were also performed at Milton Keynes Theatre; chamber music at Woburn Church included two collaborations – an own promotion and an engagement - with the Danesborough Chorus; Music for Kids – a series of four concerts for young people aged 6 – 12 yrs and their families – continued at Stantonbury Campus Theatre, with support from Arts Council England's Grants for the Arts Lottery funding. The Orchestra was engaged for five other performances (nine in 2005/6).

This year the Orchestra has continued to work in collaboration with a commercial promoter and Milton Keynes Theatre, who ran a parallel "Sunday Best" series. This series featured: City of Birmingham Symphony Orchestra (CBSO); English Chamber Orchestra; and Royal Philharmonic Orchestra - with the inclusion of both symphony and chamber sized orchestras. In 2005 – 2006 this was a series of four concerts, with a shared season ticket package being jointly promoted for the full series of ten concerts.

In the Community

The Orchestra's Music for Life programme takes music and music-making experiences beyond the concert stage and into the surrounding community - offering high quality, relevant musical experience for all. The Orchestra is closely engaged with schools and colleges in the area and, in collaborating with people of all ages and abilities within the wider community, enables people to participate in and enjoy music-making through creative projects.

The development of the Orchestra's activity and delivery in the community has been a development priority during 2006 – 2007. The award of Grants for the Arts funding from Arts Council England, South East contributed, alongside additional partnership funding support, to enabling the Orchestra to appoint a part time Education and Outreach Officer, with Jackie Allen joining the team in January 2007. This was initially a project funded role for a 12 month period; the term has now been extended to end July 2009 as a result of further confirmed project management funding. The role enables greatly increased project delivery and includes project fundraising – funds have recently been secured from sources including Awards for All, the Local Network Fund, Milton Keynes Community Foundation and Milton Keynes Arts Association for specific project delivery. Recent projects have included a music project in partnership with Greenleys Family Centre, working with pre-school children and their carers, and an after school group in which the children experienced live music making, enjoyed learning more about musical instruments and had a go at experiencing what it feels like to be a conductor. Forthcoming initiatives will include a music and story-telling initiative celebrating Black History; a series of 10 piece orchestral performances which "tour" to housing estates and communities within Milton Keynes, and extensive project working related to The Birds family concert in early 2008.

FINANCIAL REVIEW

MKCO has generated a surplus of £6,259, before adjustment for investment revaluation, in the year to 31st July 2007 compared to a deficit of £57,143 in the previous year.

The result provides a positive indication to the Board that the stringent measures in income generation and expenditure control undertaken by the MKCO can produce a positive result.

However, complacency is not appropriate. This surplus is a small comfort and it would provide only a small contribution to putting on one concert at the theatre. This shows just how difficult it is, financially, to promote Classical Music in the UK. To underline the seriousness of the situation, if it had not been for a generous donation from a grant making trust the Orchestra may not be with us now.

DIRECTORS' REPORT

The Orchestra only receives core funding from its individual and corporate Patrons. It therefore has to work incredibly hard to generate surpluses to underpin its activities. Every corporate organisation needs a "buffer" of surplus funds to enable it to remain as a going concern for the future. The Orchestra is no different. Surplus funds enable an organisation to ride out the rough times. This is why MKCO has a target of one year's expenditure as its reserves target of £300,000 particularly as MKCO has to commit to its concert season and related expenditure on an annual basis. So with only £7,328 in reserve it becomes clear how precarious the financial position remains.

The Board continues to monitor the financial position rigorously and will persist with its fundraising activities in all quarters.

However, it continues to be the case that income generated from box office returns cannot alone cover the costs of orchestral performances. Grants and sponsorship are vital to supporting concert activity if MKCO is to remain a viable entity. This emphasises the financial fragility of the Orchestra and the Directors are regularly monitoring the financial position as well as taking steps to improve the situation wherever possible. The precarious financial position of orchestras in general and MKCO in particular, highlights the urgent need for immediate increased public funding and sponsorship to support this valuable public facility in Milton Keynes. 2007 was very nearly the year that Milton Keynes lost this cultural facility which would have created a musical and educational gap which would have been of enormous regret to very many people in Milton Keynes and surrounds.

Principal Funding Sources

The Orchestra's financial resources are essentially drawn from four principal sources: grant income including support from Arts Council England, South East and Milton Keynes Council; box office income on own promotion activity; sponsorship and business support; and individual donations.

The Orchestra has benefited from the support of Arts Council England, South East (ACE SE), with Regularly Funded Organisation status which ceased in April 2006 in line with regional policy. The Orchestra has since benefited from project support from the Grants for the Arts Programme: most recently the Orchestra has received confirmation of an award of in excess of £92,000 of ACE SE G4A funds, to support designated project delivery in the two year period 2007 – 2009. This grant will need to be managed very carefully during this period as it is wholly directed towards specific projects and is not core funding.

The Orchestra benefits from £15,580 of grant funding from Milton Keynes Council (MKC) in the current year which relates to delivery of MKC objectives. 2007 – 2008 is the first of a new three year agreement. However, any significant future increase in this MKC grant is unlikely – no inflationary increase has been applied in 2006 or 2007. This grant is tied to Orchestras Live membership, with a discrete three way programme agreement confirmed, hence over 50% of this amount is paid directly by MKC to Orchestras Live and reclaimed by the Orchestra in return for delivery of Orchestras Live objectives. The commitment of this support clearly demonstrates the Orchestra's ability to deliver in supporting policies of both the local authority and regional agency.

Some core income is generated through Patrons' individual giving, from annual membership subscriptions, one off donations and fundraising events. Related gift aid is claimed on this income, as appropriate. Such funding makes a contribution to the Orchestra's general overheads and administration.

The Orchestra continues to benefit from corporate relationships with a number of local businesses. These relationships provide both support in kind and financial support in the form of event sponsorship and via a corporate membership scheme. The Orchestra will continue to nurture existing relationships and seek to develop and grow this income strand. Since reappointing the Development Manager role eighteen months ago, the Orchestra has continued to invest in this important area and now engages two freelance personnel who collaborate on Development delivery. Long term supporters include DRS (Data Research Services) and Baker Tilly.

The Orchestra's plans for development in 2007 – 2009 will facilitate the development and delivery of activities that will enable the Orchestra to pilot, experiment with and establish a new way of working, changing the Orchestra's model of business operation. This process is crucial in enabling the Orchestra to improve its performance and productivity long term, thus enabling it to improve its long-term financial position and to promote financial stability. The Orchestra must and does continue to evolve within its

DIRECTORS' REPORT

contemporary context, particularly in repositioning having ceased to be a Regularly Funded Organisation in 2006.

Funds continue to be sought from trusts, foundations and other similar bodies for project-based activity – particularly in support of education and outreach initiatives. To continue to extend this delivery, as discussed, the Orchestra is committed to raising significant project funds. Recently the Orchestra has had £10,000 of support confirmed by Awards for All for delivery during 2007 – 2008 and £5,100 of support was awarded by the Local Network Fund which supported the delivery of music activity for early years and after school activity in collaboration with Greenleys Family Centre earlier in the spring of 2007. These have been significant developments for the Orchestra, being the first time that such funds have been accessed from these sources, and demonstrate the Orchestra's current commitment and capacity to further unlock project support. The Orchestra has prioritised Youth Music as a key potential partner during this forthcoming period and is currently in the early stages of discussion with them about possibilities. Other recent sources of education project resources have included Abbey Charitable, Creative Partnerships, Eastern Orchestral Board / Orchestras Live, Milton Keynes Arts Association and Old Possum's Practical Trust.

Future Strategy

MKCO has not found it necessary to call upon the bank loan facilities that were put in place last year, but the facility totalling £20,000 (2006 - £20,000) and all supporting guarantees remain in place, should a future need arise.

Reserves Policy

As been mentioned above, the policy of the trustees is to hold one year of expenditure as reserves, £300,000, in order to ensure that the charity can continue to exist as a going concern. At the date of signing the report the charitable company's funds were in surplus and the Orchestra will work to build on this to achieve the desired goal.

Investment Policy

Reserves have to date been invested in a deposit account, as specifically appropriate for charitable organisations. This will remain in place for such time as there is a reserve to be invested (see "Reserves Policy" above).

FUTURE PLANS

As an organisation, the Orchestra is at a critical stage in its development - it is working to develop and deepen further its roots within the Milton Keynes community and, at the same time, to reposition itself strategically thus securing the foundations for future growth. After much success, in order for the Orchestra to survive and flourish in an evolving contemporary context, it must continue to reach out to new audiences – developing a wider, more diverse constituency and broader support bases. Plans for the 2007 – 2009 seasons will pilot and explore new ways of working for the Orchestra, which develop its existing operational model. Without this development the Orchestra will not survive, particularly as it responds to changes in core funding and growing competition of the cultural offer.

The Orchestra's most significant development to date has been the change of Principal Conductor in September 2007, when founder Hilary Davan Wetton passed the baton of Principal Conductor to Sian Edwards. Hilary Davan Wetton has accepted the future role of Conductor Emeritus. This will be the Orchestra's first change in Principal Conductor since its creation in 1974. Sian Edwards is, artistically, a great asset to the Orchestra; she will provide further stability of artistic quality through her clear vision for development. This change of leadership presents with it, new opportunities to review creative strategy and delivery. In so doing, the Orchestra aims to inspire and enthuse audiences and participants by creating a network of events - small and large in scale - that interlink and engage with more diverse audiences and embed its work within the community. This strategy will continue to extend the Orchestra's community and education activity and function. At the same time, these activities will develop and reinforce the Orchestra's delivery at the heart of local communities. This integration will promote cross-fertilisation and audience development, and improve the performance of the Orchestra, with education and outreach activity feeding audience development for concert activity both now and in the future.

DIRECTORS' REPORT

The Orchestra's President also changed in the autumn of 2007 and Lady Nutting has stood down. Lady Lydia Thompson has agreed to take on the position of President, and will do so from the beginning of the period of Sian Edwards' appointment as Principal Conductor.

The Orchestra continues to seek support for these developments - "Principal Changes" - over the two-year period September 2007 – July 2009 - specifically to underpin adventurous and high quality artistic programme development and delivery including the following:

- The Orchestra will continue to develop its **core series of concerts at Milton Keynes Theatre**. The series will feature two unique events during 2007 – 2008: – Hilary Davan Wetton's "Fond Farewell" in September 2007, leading to the launch of Sian Edwards as Principal Conductor in January 2008. Artistic programming for this series will appear a little more "adventurous" than recent programming – featuring substantial works by contemporary composers: Rautavaara, Takemitsu, and aspirations to present the premiere of a Violin Concerto by Hugh Wood in 2009, with both Milton Keynes and London performances. The Orchestra will reduce the number of concerts at Milton Keynes Theatre, from that in previous years, enabling it to focus resources on creating a tighter series of special events, and to concentrate resources on substantial repertoire and significant solo artists.
- The Orchestra will further enable educational opportunities for **young instrumentalists** from Milton Keynes Music Service to work with and alongside musicians from the Orchestra in rehearsing and performing as part of this series – there will be two such "**side-by-side**" opportunities included within the period 2007 – 2009.
- The Orchestra will present large-scale **family friendly concerts** at Milton Keynes Theatre, the first of which will be an afternoon performance at the beginning of half term on 17 February 2008. The programme will include Respighi *The Birds*; Rautavaara *Arctic Birds*; Ravel *Mother Goose*. This initiative builds on both previous family friendly audience development with previous Music for Kids delivery and will be further fed by the Orchestra's wider education and outreach delivery – specifically its Birds project (see below).
- Rautavaara's **Cantus Arcticus** (translated "Arctic Birds") will be presented by the Orchestra within this family friendly concert at Milton Keynes Theatre in February 2008. The Orchestra will develop practical cross-arts initiatives for young people of primary school age, "**Birds**", which responds to the themes and audio stimulus of bird sounds as of Rautavaara's work. The project will introduce young people to live practical music making and musicians, and will encourage development of core skills in communication, team working, problem solving and creative thinking. Project outcomes will include the generation of carnival arts performance, visual art for display and dramatic / music presentations by young participants, which will be shared within their familiar surroundings and at Milton Keynes Theatre as "curtain raisers". Participants will also be invited to experience the Orchestra in rehearsal, back stage at Milton Keynes Theatre, and in performance – linking with the concert performance of Cantus Arcticus. "Birds" will enable the Orchestra to pilot a way of working which can be evolved and built upon for future initiatives.
- "**Musical Estates**" will be launched featuring small-scale performances and practical hands-on music making sessions, that take place in community centres and similar, within the borough. Small and diverse instrumental ensembles (10 instrumentalists, mixed) will present interactive performances, facilitated by an amateur - enabling participation and interaction for participants. The programme will reach a new audience for the Orchestra and provide a social, educational and fun community activity which promotes skills development and experiences for young people.

All the plans outlined above are subject to adequate funding

FUNDS HELD AS A CUSTODIAN

MKCO does not hold funds as a custodian.

RESPONSIBILITIES OF THE BOARD

Company law requires the MKCO Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company, MKCO Limited, as at the balance sheet date and of its incoming resources and application of resources, including income and

DIRECTORS' REPORT

expenditure, for the financial year. In preparing those financial statements, the Board should follow best practice and:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue on this basis.

The Board is responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of MKCO Limited and to enable them to ensure that the financial statements comply with the Companies Act 1985. The Board is also responsible for safeguarding the assets of MKCO Limited and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board
and signed on its behalf by

Peter Butler
Company Secretary

27 November 2007

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MKCO LIMITED

We have audited the financial statements on pages 9 to 15 which have been prepared in accordance with the accounting policies set out on pages 11 and 12.

The report is made solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the trustees and auditors

As described on pages 6 and 7 the trustees are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards. Our responsibility is to audit the financial statements in accordance with the 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 also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the 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 directors' remuneration and transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practice 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 trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the charity, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of affairs of the charity as at 31 July 2007 and of its incoming resources and resources expended in the year then ended, 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.

Garner Associates
Registered Auditors
Chartered Certified Accountants

27 November 2007

STATEMENT OF FINANCIAL ACTIVITIES
(including an Income and Expenditure Account)
Year ended 31 July 2007

	Note	General Fund	Restricted funds	Year ended 31 July 2007 £	13 months ended 31 July 2006 £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	3	49,224	-	49,224	61,267
Activities for generating funds	4	22,933	-	22,933	34,433
Investment income		3,164	-	3,164	3,895
Incoming resources from charitable activities	5	241,548	-	241,548	172,403
		<u>316,869</u>	<u>-</u>	<u>316,869</u>	<u>271,998</u>
RESOURCES EXPENDED					
Fundraising costs		5,097	-	5,097	5,579
Charitable activities	5	294,436	-	294,436	311,725
Governance costs		11,077	-	11,077	11,837
	6	<u>310,610</u>	<u>-</u>	<u>310,610</u>	<u>329,141</u>
NET INCOMING/(OUTGOING)RESOURCES		6,259	-	6,259	(57,143)
			-		
Gain/(loss) on revaluation of investments		<u>3,138</u>	<u>-</u>	<u>3,138</u>	<u>(1,213)</u>
NET MOVEMENT IN FUNDS		9,397	-	9,397	(58,356)
Funds brought forward		<u>(2,069)</u>	<u>-</u>	<u>(2,069)</u>	<u>56,287</u>
Surplus/(Deficit) carried forward		<u><u>7,328</u></u>	<u><u>-</u></u>	<u><u>7,328</u></u>	<u><u>(2,069)</u></u>

There are no recognised gains and losses in the period other than as stated in the statement of financial activities. None of the company's activities were acquired or discontinued during the period

The notes on pages 11 to 15 form part of these accounts.

BALANCE SHEET
31 July 2007

	Note	31 July 2007 £	31 July 2006 £
FIXED ASSETS			
Tangible assets	7	-	-
CURRENT ASSETS			
Debtors	8	45,920	61,059
Other investments	9	6,500	3,362
Cash at bank and in hand		74,641	87,680
		127,061	152,101
CREDITORS: amounts falling due within one year	10	119,733	154,170
NET CURRENT ASSETS/(LIABILITIES)		7,328	(2,069)
TOTAL ASSETS LESS CURRENT LIABILITIES		7,328	(2,069)
RESERVES			
Revenue reserves – unrestricted income funds		7,328	(2,069)
		7,328	(2,069)

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

The notes on pages 11 to 15 form part of these financial statements.

These financial statements were approved by the Board on 27 November 2007 and signed on its behalf by

S Cuthbertson
Chairman

D Knapman
Hon Treasurer

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 July 2007

1. ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005), the Companies Act 1985 and Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in March 2005.

The Directors have reviewed the forecasts for MKCO Ltd for the remainder of the 2007 – 2008 financial period and are content that the company will be able to meet its liabilities as they fall due. Accordingly these accounts have been prepared on a going concern basis.

(b) Company status

The charity is a company limited by guarantee. The members of the company are the Patrons of Milton Keynes City Orchestra. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £10 per member of the charity.

(c) Fund Accounting

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

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds is charged against the specific fund.

Investment income is allocated to the appropriate fund.

(d) Incoming resources

All incoming resources are included in the SOFA when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. No amounts are included in the financial statements for services donated by volunteers.

(e) Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of the resources.

(i) Fundraising costs

Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of charitable activities.

(i) Governance costs

Governance costs are the costs associated with the governance arrangements which relate to the general running of the charity as opposed to those costs associated with fundraising or charitable activity.

(iii) Support costs

Support costs comprise the costs of those staff engaged in management, finance and administration, together with common services, accommodation and communications costs. These are allocated across the categories of fundraising costs, charitable expenditure and governance costs, on the basis of estimated time spent on each activity.

(f) Tangible Fixed Assets

Depreciation is provided at rates calculated to write off the cost of each asset, less its estimated residual value, in equal instalments over its expected useful life. The rates of depreciation are as follows:

Office equipment	2 to 4 years
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NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Year ended 31 July 2007

1. ACCOUNTING POLICIES (continued)

(g) **Investments**

Current asset investments are stated at their market value at the balance sheet date.

2. FUNDS

As at 31 July 2007 all assets and liabilities are unrestricted general funds.

3. VOLUNTARY INCOME

	Year ended 31 July 2007 £	13 months ended 31 July 2006 £
Core Funding Grants		
Arts Council England, South East	-	31,309
Milton Keynes Council	15,580	15,580
Gift-aided income	18,766	12,702
Donations	14,878	1,676
	<u>49,224</u>	<u>61,267</u>

4. ACTIVITIES FOR GENERATING FUNDS

	Year ended 31 July 2007 £	13 months ended 31 July 2006 £
Programme sales	2,382	3,133
Programme advertising	80	1,300
Sponsorship	20,471	30,000
	<u>22,933</u>	<u>34,433</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Year ended 31 July 2007

5. CHARITABLE ACTIVITIES

	Year ended 31 July 2007 £	13 months ended 31 July 2006 £
INCOME		
Concert income	87,233	71,447
Other engagements	44,166	32,241
Other Grants		
Eastern Orchestral Board	8,020	5,375
Abbey Charity	4,000	-
Old Possum's Practical Trust	28,000	-
Arts Council England, South East – "Grants for the Arts"	55,000	32,640
Milton Keynes Arts Education Forum	-	2,700
Milton Keynes Community Foundation	7,500	12,200
Milton Keynes Arts Association	-	1,200
Stantonbury Campus	-	6,000
Other education grants	2,529	3,600
Milton Keynes Theatre Local Network Fund	5,100	-
	<u>241,548</u>	<u>172,403</u>
EXPENDITURE		
Musicians	127,173	130,720
Hire of concert hall	21,611	24,643
Marketing	16,110	20,761
Other engagements	26,671	28,840
Other expenses	18,592	15,419
	<u>210,157</u>	<u>220,383</u>
Support costs	84,279	91,342
	<u>294,436</u>	<u>311,725</u>
NET RESOURCES EXPENDED	<u>(52,888)</u>	<u>(139,322)</u>

6. TOTAL RESOURCES EXPENDED

	2007 £	2006 £
Included in total resources expended:		
Depreciation	-	-
Emoluments paid to employees	65,605	65,623
Employer's National Insurance	5,598	6,344
Audit fee	1,800	1,700
	<u>72,803</u>	<u>73,667</u>

The average number of employees in the period was 3 (2006 – 3). No trustee received remuneration or payment for expenses.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Year ended 31 July 2007

7. TANGIBLE FIXED ASSETS

	Office equipment £
<u>Cost</u>	
At beginning of the year	5,695
At 31 July 2007	<u>5,695</u>
<u>Accumulated depreciation</u>	
At beginning of the year	5,695
Charge for the year	-
At 31 July 2007	<u>5,695</u>
<u>Net book value</u>	
At 31 July 2007	<u>-</u>
At 31 July 2006	<u>-</u>

8. DEBTORS

	31 July 2007 £	31 July 2006 £
Trade debtors	12,786	26,472
Others	33,134	34,587
	<u>45,920</u>	<u>61,059</u>

9. OTHER INVESTMENTS

	Listed Investment £
Market value at 1 August 2006	3,362
Revaluation of investment	3,138
Market value at 31 July 2007	<u>6,500</u>

The investment was donated to the company during the year ended 30 June 2002, when its value was £7,800.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 July 2007 £	31 July 2006 £
Trade creditors	15,545	51,963
Deferred income	94,327	88,574
Other	9,861	13,633
	<u>119,733</u>	<u>154,170</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Year ended 31 July 2007

11. CAPITAL

The company is limited by guarantee and has no share capital. The liability of members is limited to £10 each.

12. OPERATING LEASE COMMITMENTS

The amounts payable in the next year in respect of the operating lease for rental of office premises are shown below analysed according to the expiry date of the lease:

	31 July 2007	31 July 2006
	£	£
One year	-	-
Between two and five years	3,000	3,000
	<u>3,000</u>	<u>3,000</u>

13. CAPITAL COMMITMENTS

At 31 July 2007, no capital expenditure had been authorised nor had any been contracted for.

14. RELATED PARTY TRANSACTIONS

There were no Related Party Transactions in the year. (2005/6 £Nil)

15. TRUSTEE REMUNERATION

No trustee was remunerated for their role as trustee, nor was any trustee reimbursed for any expenses.

DETAILED INCOME AND EXPENDITURE ACCOUNT

Year ended 31 July 2007

	Year ended 31 July 2007	13 months ended 31 July 2006
Number of MKCO concerts	13	14
Number of other orchestra engagements	5	9
	£	£
REVENUE		
Sale of tickets	85,907	69,745
Programme sales	2,382	3,133
Programme advertising	80	1,300
Sponsorship	20,471	30,000
Commission on ticket sales	1,326	1,702
Grants:		
Arts Council England	55,000	63,949
Abbey Charity	4,000	
Milton Keynes Council	15,580	15,580
Eastern Orchestral Board (Orchestras Live)	8,020	5,375
Milton Keynes Community Foundation	7,500	12,200
Milton Keynes Arts Education Forum	-	2,700
Milton Keynes Arts Association	-	1,200
Old Possums	28,000	-
Stantonbury Campus	-	6,000
Other education grants	2,529	3,600
Milton Keynes Theatre	-	5,000
Local Network Fund	5,100	-
Other engagements	44,166	32,241
	<u>280,061</u>	<u>253,725</u>
DIRECT COSTS		
Soloists	3,400	4,600
Orchestra fees and expenses	93,330	93,568
Orchestra parts, instruments	2,819	5,018
Education fund costs	27,624	29,998
Hire of halls	21,611	22,278
Marketing and publicity	16,110	20,761
Programme costs	4,425	2,394
Sundry concert expenses	3,367	4,367
Other engagement costs	26,671	28,840
Irrecoverable input VAT	10,800	8,559
	<u>210,157</u>	<u>220,383</u>
	69,904	33,342
ADMINISTRATIVE EXPENSES		
Management fees and salaries	71,439	76,369
Administration and establishment costs	20,455	28,104
Audit and accountancy fees	1,800	2,900
Professional fees – VAT assistance	-	50
Office Equipment	5,271	-
Bank charges and credit card commission	1,488	1,335
	<u>100,453</u>	<u>108,758</u>
DEFICIT ON ORDINARY ACTIVITIES	(30,549)	(75,416)
OTHER INCOME		
Interest receivable and similar income	3,156	3,894
Gift aided income	18,766	12,702
Donations	14,878	1,676
Royalties	8	1
	<u>36,808</u>	<u>18,273</u>
REVALUATION OF INVESTMENTS	6,259	(57,143)
	<u>3,138</u>	<u>(1,213)</u>
SURPLUS/(DEFICIT) FOR THE PERIOD	<u>9,397</u>	<u>(58,356)</u>

This page does not form part of the Statutory Accounts.