

BRITISH RECORD INDUSTRY TRUST
(A company limited by guarantee)

Company registration no. 2372740
Charity registration no. 1000413

Report and financial statements
for the year ended 31 December 2005



British Record Industry Trust

Report and financial statements 2005

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Trustees' report

The trustees present their report and the audited financial statements for the year ended 31 December 2005.

Name and registered office of the charity

The full name of the charity is the British Record Industry Trust and its registered office and principal operating address is Riverside Building, County Hall, Westminster Bridge Road, London SE1 7JA.

Constitution

The trust was formed as a company limited by guarantee on 17 April 1989.

Registered with the Charity Commission – Registered Number 1000413.

Trustees

The trustees who served during the year and to the present are:

Sam Alder	
Tim Bowen	(Appointed 17 February 2005)
Paul Burger	
Greg Castell	(Resigned 6 July 2005)
Andrew Cleary	
John Craig	(Chairman)
Rob Dickins CBE	
Lucian Grainge	(Resigned 6 July 2005)
Peter Jamieson	
David Kassner	(Appointed 17 November 2005)
Jonathan Morrish	
Nick Phillips	(Appointed 17 February 2005)
Tony Wadsworth	

Method of election of trustees

A trustee may be appointed by resolution of the members of the trust. The trust's Articles of Association require there to be not less than two nor more than twelve members of the trust at any point in time.

Investment powers

The Memorandum and Articles of Association of the trust permit wide powers of investment, with no specific stipulations as to the nature of investments made.

Trustees' report (cont'd)**Auditors**

PricewaterhouseCoopers LLP
First Point
Buckingham Gate
Gatwick, RH6 0PP

Bankers

Coutts & Co
440 Strand
London WC2R 0QS

Investment Managers

Coutts & Co	Kleinwort Benson
440 Strand	10 Fenchurch Street
London WC2R 0QS	London EC3M 3LB

Solicitors

Olswang
90 High Holborn
London WC1V 6XX

Objects and activities

The object of the trust, as set out in the Memorandum and Articles of Association, is the promotion of such exclusively charitable objects as the trust may from time to time see fit.

The mission of the trust, as defined in its Mission Statement, is to encourage young people in exploration and pursuit of educational, cultural or therapeutic benefits emanating from music. This mission statement has not altered during the year under review.

Trustee meetings are held during the year to consider grants and applications for funding, to review the financial performance of the investment portfolio and to monitor the administration of the charity.

Organisation

The trust operates from Riverside Building, County Hall, Westminster Bridge Road, London SE1 7JA. It holds a 50% share in Music Industry Trusts Limited, a fund-raising company.

Review of the developments, activities and achievements during the year

During the year, the trustees have made payments to twelve organisations to further the stated aims of the trust. Grants payable in the year range from £63 to £500,000 (2004 - £1,500 to £340,000) and totalled £1,120,613 (2004 - £669,000).

Details of grants payable are given in note 6 to the accounts.

Review of transactions and financial position

The trust continues to be funded principally by BRIT Awards Limited and Music Industry Trusts Limited. The BRIT Awards Limited contributed £800,000 in the year (2004 - £1,000,000).

During the year the trust contributed £310,700 (2004 - £259,000) to the cost of running the BRIT School for Performing Arts and Technology. This is a non fee-paying school jointly funded by the government and other sponsors. The school had its first intake of students in September 1991 and provides a curriculum of academic and performing arts subjects for its students.

The trust donated a further £809,913 (2004 - £410,000) to other projects during the year.

The trust is run from the offices of the British Phonographic Industry Limited which also provides staff to administer the trust. No charge is made in respect of this service. The British Phonographic Industry Limited recharges the trust with expenses incurred specifically on its behalf. The trustees do not receive remuneration for their services.

The surplus for the year was £319,718 (2004 - £602,672). At the year end, £312,952 (2004 - £22,759) was transferred to the Designated Fund. At 31 December 2005 the balance on the Designated Fund was £3,903,331 (2004 - £3,133,536) and on General Reserves £309,186 (2004 - £759,263).

Trustees' report (cont'd)

Availability and adequacy of assets of each of the funds

The trust has no legally binding charitable commitments. An ongoing commitment to fund the BRIT School for Performing Arts and Technology exists, which will be met out of future income (see note 16).

Reserves policy

The trust's main source of funding is the BRIT Awards. This income is primarily distributed between the BRIT School for Performing Arts and Technology and Nordoff-Robbins Music Therapy, although smaller donations are also made to a number of other good causes. The trustees have no direct control over the funding received from the BRIT Awards.

As a result of the uncertainty in their long term funding, the trustees have determined that it is prudent to maintain reserves to enable them to provide long term support to both the BRIT School for Performing Arts and Technology and Nordoff-Robbins Music Therapy, together with other appropriate good causes.

In previous years the trustees have held back a proportion of otherwise distributable income with a view to establishing a reasonable and realistic level of reserves. This process will continue until an acceptable level of reserves is reached. Currently the trustees believe that the trust requires, as a minimum, an amount equal to five years expenditure as reserves, given expected long term investment returns in order to satisfy their long term funding objectives should income from the BRIT Awards cease. This will be the subject of regular review.

The trustees will establish the level of reserves outlined above over a longer term period, by balancing the trust's yearly income and expenditure as they deem necessary.

This reserves policy was adopted on 13 November 2002 and is reviewed by the trustees on an annual basis for continued appropriateness. The trustees will determine this according to the trust's forecasts of future income levels and expenditure, future needs, contingencies and risks, the likelihood of these needs arising and the trustees' ability to meet them.

Grant making policy

The trust has a long standing relationship with a number of entities that receive funding each year. In addition the trust will also consider grants to other charitable organisations that fit the mission statement of the trust.

Future plans and subsequent events

The current financial objective of the trust is to continue to increase the Designated Fund in order to provide sufficient income to meet commitments to the trust's beneficiaries.

The trust expects to continue to receive income from current fund-raising events.

Consideration of risks

The trustees have considered the major risks to which the trust is exposed. The trust is small, with few transactions and the trustees have adopted suitable internal controls to minimise the risks to which the charity is exposed. Investment decisions have been delegated to independent investment managers, whose performance is reviewed quarterly.

Trustees' report (cont'd)**Investments**

The trust's investments have been acquired in accordance with the trustees' powers as set out in the Memorandum and Articles of Association. The trust's investment policy is for total gross returns with no investment restrictions. The investment performance for 2005 was 16.8%, this was lower than the expected charity return of 20.7%.

Compliance with regulations

These financial statements comply with current statutory requirements, the requirements of the trust's Articles of Association and the requirements of Charities SORP 2000.

This report has been prepared in accordance with the special provisions relating to small companies under Section 246 of the Companies Act 1985.

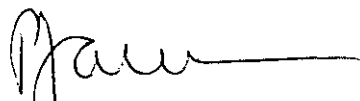
Statement of trustees' responsibilities

United Kingdom company law requires the directors of a charity (namely the trustees) to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity as at the end of the financial year and of the incoming resources and application of resources for that period. In preparing those financial statements, the trustees confirm that they have:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Prepared the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the trustees



Peter Jamieson
Trustee

21 September 2006

Independent auditors' report to the members of British Record Industry Trust

We have audited the financial statements of the British Record Industry Trust for the year ended 31 December 2005, which comprise of the statement of financial activities, the income and expenditure account, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies therein.

Respective responsibilities of directors and auditors

The trustees are also directors of the British Record Industry Trust for the purposes of company law. As described in the statement of trustees' responsibilities, the trustees are responsible for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the charitable company's members as a body in accordance with Section 234 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you in 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 trustees' report is not consistent with the financial statements, 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 directors' remuneration and transactions is not disclosed.

Basis of audit 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 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.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 December 2005 and of its net incoming resources, including its income and expenditure account, for the year then ended and;
- have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

20 October 2006

**Income and expenditure account
for the year ended 31 December 2005**

	Note	2005		2004	
		£	£	£	£
Income			927,244		1,110,293
Administrative expenses					
Grants payable	6	1,120,613		669,000	
General administration costs		61,672		56,414	
			(1,182,285)		(725,414)
Operating (loss)/surplus	9		(255,041)		384,879
Interest receivable	3		12,897		10,695
Investment income	4		77,585		70,588
Realised gains/(losses) on investment assets held for charitable use			39,901		(21,171)
(Loss)/surplus on ordinary activities before and after taxation			(124,658)		444,991

Detailed analysis of income and expenditure is provided in the statement of financial activities. All income and expenditure is derived from continuing operations.

Statement of financial activities
Year ended 31 December 2005

	Note	Unrestricted funds		Total 2005	Total 2004
		General fund £	Designated fund £	£	£
Income and expenditure					
Incoming resources:					
Donations receivable	1, 5	927,244	-	927,244	1,110,293
Interest receivable	3	12,897	-	12,897	10,695
Investment income	4	77,585	-	77,585	70,588
Total incoming resources		<u>1,017,726</u>	<u>-</u>	<u>1,017,726</u>	<u>1,191,576</u>
Resources expended:					
Direct charitable expenditure:					
Grants payable	6	1,120,613	-	1,120,613	669,000
Other charitable expenditure	7	26,320	-	26,320	26,403
Other expenditure:					
Management and administration of the charity	8	7,918	27,434	35,352	30,011
Total resources expended		<u>1,154,851</u>	<u>27,434</u>	<u>1,182,285</u>	<u>725,414</u>
Net (outgoing)/ incoming resources before transfers (net income for the year)					
		(137,125)	(27,434)	(164,559)	466,162
Transfers between funds	2	(312,952)	312,952	-	-
Net (outgoing)/incoming resources for the year		<u>(450,077)</u>	<u>285,518</u>	<u>(164,559)</u>	<u>466,162</u>
Other recognised gains and losses					
Realised gains/(losses) on investment assets held for charitable use	12	-	39,901	39,901	(21,171)
Unrealised gains on investment assets held for charitable use	12	-	444,376	444,376	157,681
Net movements in funds		<u>(450,077)</u>	<u>769,795</u>	<u>319,718</u>	<u>602,672</u>
Unrestricted funds brought forward at 1 January		<u>759,263</u>	<u>3,133,536</u>	<u>3,892,799</u>	<u>3,290,127</u>
Unrestricted funds carried forward at 31 December	15	<u>309,186</u>	<u>3,903,331</u>	<u>4,212,517</u>	<u>3,892,799</u>

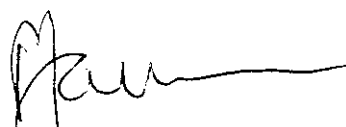
All activities derive from continuing operations.

Balance sheet
At 31 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Investment in associated entity	11	1	1
Investments	12	<u>3,603,331</u>	<u>3,133,536</u>
		3,603,332	3,133,537
Current assets			
Debtors	13	128,252	104,725
Cash at bank and in hand		<u>1,226,919</u>	<u>750,765</u>
		1,355,171	855,490
Creditors: amounts falling due within one year	14	<u>(745,986)</u>	<u>(96,228)</u>
Net current assets		<u>609,185</u>	<u>759,262</u>
Total assets less current liabilities		<u>4,212,517</u>	<u>3,892,799</u>
Unrestricted funds			
General fund	15	309,186	759,263
Designated fund	15	<u>3,903,331</u>	<u>3,133,536</u>
		<u>4,212,517</u>	<u>3,892,799</u>

These accounts have been prepared in accordance with the special provisions relating to small companies under Section 246 of the Companies Act 1985.

Approved by the trustees and signed on their behalf on 21 September 2006



Peter Jamieson
Trustee

Notes to the accounts

Year ended 31 December 2005

1. Accounting policies

The financial statements are prepared in accordance with the SORP 2000, the Charities Act, the Companies Act and with applicable accounting standards. The particular accounting policies adopted by the trustees are described below.

Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of investments to market value.

Income

All income is recognised in the statement of financial activities when the conditions for receipt have been met and there is reasonable assurance of receipt.

Donations receivable

Donations are generally accounted for in the year to which they relate. Sundry donations are accounted for when received.

Interest receivable

Interest receivable is accounted for in relation to the period that the interest accrues.

Investment income

Investment income is accounted for when received.

Direct charitable expenditure

Direct charitable expenditure includes all expenditure directly related to the objects of the charity and comprises the following:

Grants payable

Grants payable are accounted for when the trustees have accepted a legal or moral obligation to make the grant.

Other expenditure for charitable purposes

Other expenditure for charitable purposes comprises sundry expenses related to the support of music education and is accounted for when payable.

Other expenditure

Management and administration

Management and administration costs represent expenditure incurred in the management of the charity's assets, organisation and administration and compliance with constitutional and statutory requirements.

Fund accounting

The charity maintains various types of unrestricted fund as follows:

Designated funds are amounts that have been put aside at the discretion of the trustees, and comprise an investment fund to provide enough annual income to meet the charity's fixed annual commitments.

General funds represents funds that are expendable at the discretion of the trustees in the furtherance of the objects of the charity. Such funds may be held in order to finance both working capital and capital investment.

Investments in associated entities

The investment in the trust's associate is stated at cost less provision for any impairment. Music Industry Trusts Limited is not consolidated since the British Record Industry Trust does not have control of the entity. The Trust exerts significant influence, along with the other 50% shareholder.

Notes to the accounts

Year ended 31 December 2005

1. Accounting policies (continued)

Investments

All other investments are stated at market value. Realised and unrealised gains and losses are shown separately in the appropriate section of the statement of financial activities.

Charitable commitments

Commitments that are legally binding on the trustees are accounted for as resources expended in the statement of financial activities. Activities that are to be wholly financed from future income do not form part of such designation and are disclosed in a note to the accounts.

2. Status of funds and members' liability

All funds held by the charity are unrestricted.

The designated fund was set up in 1994 with an initial sum of £850,000 and a long term goal to provide a capital base to generate enough annual income to meet the charity's fixed annual commitments. The transfers into the designated funds of £100,000 into in the year ended 31 December 1998, £303,232 in the year ended 31 December 1999, £80,767 in the year ended 31 December 2000, £592,454 in the year ended 31 December 2001, £720,440 in the year ended 31 December 2002, £124,965 in the year ended 31 December 2003, £22,759 in the year ended 31 December 2004 and £312,952 in the year ended 31 December 2005 were made to achieve that goal.

The liability of the members is limited but every member undertakes to contribute to the assets of the trust in the event of the same being wound up while he is a member, or within one year after he ceases to be a member, for payment of debts and liabilities the trust contracted before he ceases to be a member of costs, charges and expenses of winding up and for the adjustment of the rights of the contributions among themselves, such amounts as may be required not exceeding £1. At 31 December 2005 there were 11 members.

3. Interest receivable

	2005 £	2004 £
Bank interest	12,897	10,695

4. Investment income

	2005 £	2004 £
Income from UK listed investments	77,585	70,588

Notes to the accounts
Year ended 31 December 2005

5. Donations receivable

	2005 £	2004 £
Music Industry Trusts Limited donation	104,850	89,257
BRIT Awards Limited donation	800,000	1,000,000
Nordoff-Robbins Music Therapy – Woman of the Year	22,309	9,647
Sundry	85	11,389
	<u>927,244</u>	<u>1,110,293</u>

6. Grants payable

	2005 £	2004 £
Grants to institutions:		
Save the Children	500,000	-
BRIT School for the Performing Arts & Technology	310,700	259,000
Nordoff-Robbins Music Therapy	249,850	340,000
Drugscope	20,000	20,000
BRIT School Bursary	15,000	15,000
Release	5,000	5,000
Enterprise Through Music	5,000	-
Roundhouse Trust	5,000	-
Two Moors Festival	5,000	-
Irene Taylor Trust	3,500	-
Get Sorted	1,500	-
Sinfonietta Productions	63	1,500
Chicken Shed	-	15,000
Community Music	-	5,000
British Performing Arts Medicine Trust	-	2,500
Access to Music	-	2,000
Making Music	-	2,000
LIPA – Make It Break It	-	2,000
	<u>1,120,613</u>	<u>669,000</u>

Notes to the accounts
Year ended 31 December 2005

7. Other charitable expenditure

	2005 £	2004 £
Music education support	26,320	26,403
These costs consist of:		
Consultancy fees	26,320	26,403

8. Management and administration of the charity

	2005 £	2004 £
Investment management fees	27,434	22,926
Audit and accountancy fees	3,800	3,000
Bank charges	271	409
Sundry	3,847	3,676
	<u>35,352</u>	<u>30,011</u>

9. Operating (loss)/surplus

	2005 £	2004 £
Net incoming resources for the year are stated after charging:		
Auditors' remuneration - Audit	2,900	2,500

10. Information regarding trustees and employees

No trustee or person related or connected by business to them received any emoluments from the charity in either the current or the preceding year. No trustee received reimbursement for individual expenses incurred for services provided to the charity.

Mr Jamieson was a director of BRIT Awards Limited during the year, which has donated £800,000 (2004 - £1,000,000) to the trust in the year.

Messrs Alder and Jamieson were directors of Music Industry Trusts Limited, an associated entity of the trust, during the year, which has donated £104,850 (2004 - £89,257) to the trust in the year.

Mr Craig was a director of the BRIT School for the Performing Arts and Technology during the year, which has received grants of £310,700 (2004 - £259,000) from the trust in the year.

Mr Alder was a director of Nordoff-Robbins Music Therapy during the year, which has received a grant of £249,850 (2004 - £340,000) from the trust and donated £22,309 (2004 - £9,647) to the trust in the year.

The charity had no employees in either the current or the preceding year. The charity paid £2,750 (2004 - £3,000) for the purchase of directors liability insurance.

Notes to the accounts
Year ended 31 December 2005

11. Investment in associated entity

	2005 £	2004 £
At cost	<u>1</u>	<u>1</u>

The investment in an associated entity represents a 50% interest in the ordinary share capital of Music Industry Trusts Limited, a company incorporated in Great Britain. The remaining 50% interest in the ordinary share capital of Music Industry Trusts Limited is owned by Nordoff-Robbins Music Therapy.

Music Industry Trusts Limited donates its profits under the Gift Aid scheme to both the British Record Industry Trust and Nordoff-Robbins Music Therapy. As at the balance sheet date £105,000 (2004 - £90,000) is receivable by the trust. Details of the results for the year of Music Industry Trusts Limited and of its position as at 31 December 2005 are as follows:

	Music Industry Trusts Limited 31 December 2005 £	Music Industry Trusts Limited 31 December 2004 £
Extracts from the profit and loss account:		
Turnover	<u>382,892</u>	<u>359,803</u>
Profit before donations	<u>216,706</u>	<u>179,700</u>
Profit before and after taxation and retained for the year	<u>-</u>	<u>-</u>
Extracts from the balance sheet:		
Net assets	<u>2</u>	<u>2</u>

Notes to the accounts
Year ended 31 December 2005

12. Investments held as fixed assets

	2005 £	2004 £
Total investments		
Market value at 1 January	3,133,536	1,597,193
Realised gains/(losses) on investment assets held for charitable use, reinvested	39,901	(21,171)
Unrealised gains on investment assets held for charitable use	444,376	157,681
Capitalised income	12,952	22,759
Management fees	(27,434)	(22,926)
Capital addition	-	1,400,000
Market value at 31 December	<u>3,603,331</u>	<u>3,133,536</u>
Investments comprise the following:		
Investments listed on a stock exchange	3,414,304	2,512,399
Cash deposits held as part of investment portfolio	189,027	621,137
	<u>3,603,331</u>	<u>3,133,536</u>
Being at market value:		
Investment assets in the United Kingdom	2,760,202	2,235,052
Investment assets outside the United Kingdom	843,129	898,484
Total	<u>3,603,331</u>	<u>3,133,536</u>
Historical cost as at 31 December	<u>3,144,058</u>	<u>3,116,294</u>

Investments are revalued at mid-market value at the year end. The investment portfolios are managed by Coutts & Co and Kleinwort Benson who work to a brief of investment in moderate risk investments with the aim of producing a balance between income and capital growth. All investments are held within unrestricted funds.

Investments that comprise more than 5% of the portfolio at the year end are as follows:

	% of portfolio	Year end market value £
Investments		
Coutts Fund Managers Large American Series 2	7.0%	251,032
Coutts Fund Managers UK Large/Mid Series 2	17.7%	639,175

Notes to the accounts
Year ended 31 December 2005

13. Debtors

	2005 £	2004 £
Amounts owed by Music Industry Trusts Limited	105,000	90,000
Other debtors and prepayments	23,252	14,725
	<u>128,252</u>	<u>104,725</u>

14. Creditors: amounts falling due within one year

	2005 £	2004 £
Other creditors and accruals	745,986	96,228
	<u>745,986</u>	<u>96,228</u>

15. Analysis of assets and liabilities between funds

	Unrestricted funds		Total 2005	Total 2004
	General fund £	Designated fund £	£	£
Fixed assets				
Investment in associates	1	-	1	1
Investments	-	3,603,331	3,603,331	3,133,536
Current assets				
Debtors	128,252	-	128,252	104,725
Cash at bank and in hand	926,919	300,000	1,226,919	750,765
Current liabilities	(745,986)	-	(745,986)	(96,228)
	<u>309,186</u>	<u>3,903,331</u>	<u>4,212,517</u>	<u>3,892,799</u>

16. Charitable commitments

The charity has entered into an ongoing commitment with the BRIT School for the Performing Arts and Technology to provide £100,000 of funding in 2006, plus pound matched funding of amounts raised by various other organisations associated with the school up to a ceiling of £100,000. This commitment is not legally binding on the trustees.

17. Taxation

The Company has been exempted by the Inland Revenue from corporation tax on all its income on the basis that it is a registered charity and all its income will be applied for charitable purposes.