

Company No. 2590621 (England and Wales)

**MERTON MUSIC FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 AUGUST 2002**

Accounts

Charity Number 1004122



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MERTON MUSIC FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2002

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MERTON MUSIC FOUNDATION

MEMBERS OF THE BOARD AND PROFESSIONAL ADVISERS

The Board of Members

J R Mander
D R Hewitt
D J Merriman
W I Newman

Company number

2590621

Charity number

1004122

Company Secretary

J R Mander

Registered office

MMF Office
Chaucer Centre
Canterbury Road
Morden
Surrey
SM4 6PX

Auditors

Windsor Stebbing Marsh
Chartered Accountants & Registered Auditors
Pinnacle House
17-25 Hartfield Road
Wimbledon
London
SW19 3SE

Bankers

Lloyds TSB Bank plc
83 High Street
Walton-on-Thames
Surrey
KT12 1DU

Solicitors

Bates, Wells and Braithwaite
137 Cheapside
London
EC2V 6BB

MERTON MUSIC FOUNDATION

TRUSTEES ANNUAL REPORT

YEAR ENDED 31 AUGUST 2002

The Trustees have pleasure in presenting their report and the financial statements of the charity for the year ended 31 August 2002.

INTRODUCTION

Merton Music Foundation (MMF) exists to advance music education for the public of the London Borough of Merton. Formed in 1991, the MMF administers and co-ordinates the provision of music tuition and youth music activities for over 2,000 young people and adults. In addition to this, the MMF also supports the development of music education in schools and provides a wide range of music making opportunities, including concert performances, workshops, projects and courses.

The Foundation is strongly committed to providing opportunities for all young people to play musical instruments, especially those that would otherwise be denied the opportunity through lack of financial means or access to a musical instrument.

LEGAL STATUS

The Merton Music Foundation is a Registered Charity and is Limited by Guarantee. The Board of Directors are the Board of Trustees.

OBJECTIVES OF THE MERTON MUSIC FOUNDATION

To improve music education opportunities for young people and adults through enhancing performance and personal achievement, working in partnership with key organisations in the local community, professional musicians and arts organisations.

To maintain and promote the importance of providing quality music education services for parents, schools/colleges and the local community.

To support individuals in receiving an instrumental music education that is on an equal opportunities basis regardless of financial means or social background.

To develop a music education and training infrastructure in partnership with key organisations in the local community.

To invest in the development of young musicians, to operate systems that support the delivery of MMF's objectives and to ensure the continued quality, awareness and relevance of our services to the needs of our clients.

ORGANISATION

The charity's board meets from time to time to manage the affairs of the charity. The day-to-day operations of the charity are undertaken by its employees.

INVESTMENT POWERS AND RESTRICTIONS

Under the Memorandum and Articles of Association, the charity has the power to make any investments which the Trustees see fit.

The grant from the Government's Department for Education and Employment 'Standards Fund' is specifically allocated to the expansion and development of the Foundation's services.

MERTON MUSIC FOUNDATION

TRUSTEES ANNUAL REPORT (CONTINUED)

YEAR ENDED 31 AUGUST 2002

REVIEW OF DEVELOPMENTS, ACTIVITIES AND ACHIEVEMENTS

Instrumental Music Programme

Our Instrumental Music Programme continues to form the backbone of the charity's operations. The number of pupils receiving music tuition increased during the year with over 5,000 music lessons provided for children and adults. Clarinet, trumpet, guitar, violin, percussion and piano/keyboard remain popular with pupils. The provision of tuition for less popular instruments like lower brass and lower strings remain areas for further development. The increase in take up has largely been due to the popularity of the charity's new start-up initiative, which has subsidised the cost of tuition with a 50% reduction in the first term of learning, followed by a 25% reduction during the subsequent term. For 2002/2003 we are keen to add a further initiative that will increase the numbers learning shortage instruments such as bassoon, french horn and viola.

Trust Fund Remission Scheme

Over 250 children benefited from remission support during the 2001/2002 financial year. The fund, which is an integral part of the charity's operations, aims to provide remission support for young people from disadvantaged backgrounds. Financial assistance towards the cost of music tuition and membership of Merton Youth Music is available to families on low incomes. The charity also supports 'special' cases such as children who are underachieving at school, disaffected or have other special needs.

Instrumental Loan

To help finance the charity's 'Trust Fund' scheme the MMF provides an extensive instrumental loan service for its customers. A small number of instruments were added during the year through purchase and donation. We also loaned 72 instruments at nil cost to children receiving Trust Fund assistance, out of a total of 361 instruments currently on loan. The stock, which is in need of refurbishment, received a much needed injection of funding from the National Foundation for Youth Music with repairs undertaken from a grant of £9,999. Funding was given to MMF to repair instruments in return for a donation of 20% of the repaired value of instruments into an on-line 'Swap Shop'. The first Swapping Day took place in Woking on 12th April 2002 and was attended by Michael Kamen, well known film composer and also music director of H.M. The Queen's Golden Jubilee Pop Concert. In addition to receiving grant funding from Youth Music for repairs, we were also able to swap a number of unused instruments in return for much needed woodwind and brass instruments.

Merton Youth Music

Merton Youth Music is a programme of ensemble activities provided by Merton Music Foundation. At present some 300 young people are members of Merton Youth Music attending ensembles on Saturday mornings, and Monday and Wednesday evenings. The MMF provides 3 orchestras, 2 concert bands, 2 jazz orchestras, 2 choirs and various smaller ensembles for members to play in. Current total membership of ensembles is in excess of 400, with several of the Foundation's senior groups having established national reputations for the quality of their concert performances. During 2001/2002, senior members of our Youth Jazz Orchestra toured Italy as part of a special seven day Youth Music tour.

Training and Advice

Over the past year our training programme has gone from strength to strength with 78 schools using the Foundation's services in the London Boroughs of Merton and Sutton.

During the year MMF provided:

- Advice on all aspects of music education;
- Professional development for teachers;

MERTON MUSIC FOUNDATION

TRUSTEES ANNUAL REPORT (CONTINUED)

YEAR ENDED 31 AUGUST 2002

- Termly meetings for teachers involved in Music Education to share expertise and information;
- ICT music advice and technical support;
- Publications, leaflets and reports on Music Education;
- Regular newsletters and information on services offered by the MMF.

Project Development

The MMF continues to be committed to providing quality live music opportunities for children in schools. In line with the National Curriculum, MMF has developed a programme of music making initiatives that bring live music within the experience of thousands of Merton children. Supported jointly by the Government's Standards Fund and Merton LEA, the MMF has introduced live music projects to over 6,800 young people in Merton schools. The MMF aims to continue this important initiative supporting the majority of schools in Merton with a borough-wide programme of live music-making events.

Forest of Dreams Project

Two performances at Wimbledon Theatre on 11th and 12th July marked the final performances in a four-month collaboration between children and teachers, and artists from World Muzik Makers and Curious Opera Group. 300 children from 11 Merton schools worked with professional artists to create and perform new works as part of the borough's Forest of Dreams Project. This high profile music project explored themes from the 'Forest of Dreams' through the media of African drumming and creative opera. Linked to the Commonwealth Institute's Spirit of Friendship initiative, the project provided schools with a tremendous creative stimulus for composition work culminating in a once-in-a-lifetime opportunity for children to perform at Wimbledon Theatre.

Thursday 11th July 2002

World Muzik Makers, Abbotsbury Primary School, Beecholme Primary School, Cricket Green School, Dundonald Primary School, Priory C of E Primary School and St Mark's Primary School

Friday 12th July 2002

Curious Opera Group, Bond Primary School, Merton Park Primary School, Morden Primary School, Pelham Primary School and St John Fisher Primary School

Instrumental Workshops

Instrumental workshops given by MMF staff have also contributed to increasing access to live music making for children in Merton schools. Unlike some organisations that offer similar sessions, MMF instrumental workshops are designed to provide an emphasis on educational content with lively entertainment and audience involvement. Content is carefully tailored to meet the individual needs of the schools visited, with professional musicians selected to work alongside MMF instrumental staff to provide performances of the highest quality.

'Music Matters'

MMF's newsletter 'Music Matters' received funding from London Arts and London Education Arts Partnership. This annual publication provides the latest advocacy information on important issues relating to music education in the UK and abroad, as well as keeping readers up to date with the latest news on the charity's programmes. The publication is also available electronically at the MMF's website at www.mmf.org.uk

MERTON MUSIC FOUNDATION

TRUSTEES ANNUAL REPORT (CONTINUED)

YEAR ENDED 31 AUGUST 2002

RESULTS

The results for the year and the charity's financial position at the end of the year are shown in the attached financial statements.

THE TRUSTEES

The Trustees who served the charity during the period were as follows:

J R Mander
D R Hewitt
D J Merriman
W I Newman

TRUSTEES' RESPONSIBILITIES

Company law requires 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 at the end of the year and of the incoming and outgoing resources for the year then ended.

In preparing those financial statements, the Trustees are required to select suitable accounting policies and then apply them consistently, making judgements and estimates that are reasonable and prudent. The Trustees must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue its activities.

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

RESERVES POLICY

The Trustees have reviewed the charity's needs for reserves. The Trustees believe that the minimum level of reserves should be the equivalent of three months' operating costs and that such reserves should be built up over a three year period to the desired level in stages consistent with the charity's overall financial position and its need to maintain and develop its charitable activities. As unrestricted reserves are limited, the level of reserves generated will need to be regularly monitored and reviewed by the Trustees.

RISK ASSESSMENT

The Trustees are responsible for the management of the risks faced by the charity. Detailed considerations of risk are delegated to the Chief Executive, who is assisted by senior management staff. Risks are identified and assessed, and controls established, throughout the year. A formal review of the charity's risk management processes is undertaken on an annual basis. The Trustees confirm that the major risks to which the charity is exposed, as identified by the Trustees, have been reviewed and systems have been established to mitigate those risks.

MERTON MUSIC FOUNDATION

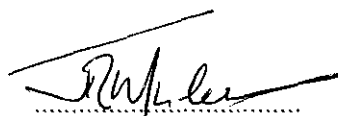
TRUSTEES ANNUAL REPORT (CONTINUED)

YEAR ENDED 31 AUGUST 2002

AUDITORS

A resolution to re-appoint Windsor Stebbing Marsh as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed by order of the Trustees


.....
J R Mander
Company secretary

Approved by the Trustees on 13th January 2003.

MERTON MUSIC FOUNDATION

CHIEF EXECUTIVE'S REPORT

YEAR ENDED 31 AUGUST 2002

Welcome to our Annual Report and Accounts for 2001/2002. Our mission as a charity is to ensure that music makes a vital contribution to the educational and personal development of young people and adults. Besides developing specific musical skills, involvement in music making, either individually or in a group, helps to develop confidence, concentration, self-discipline and the many other essential qualities needed for life. Similarly performing as part of our youth bands, choirs and ensembles helps to develop social skills, a sense of identity and the ability to work with others.

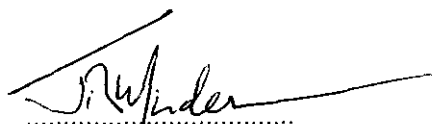
2001/2002 was a highly successful year for Merton Music Foundation. In addition to continuing with our normal programme of music making, we were able to create a new series of performance opportunities for Merton schools with several hundred children performing for the first time at Wimbledon Theatre. This was a landmark activity for MMF, with children from all parts of the borough taking part in a three-day series of youth music-making events as part of our 2002 Festival of Youth Music.

We were particularly pleased that the role of music in supporting young people's educational and personal development was strongly endorsed during the year by the Department for Education and Skills. The Government has indicated that over the next three years it wants to see an increasingly diverse and exciting range of musical opportunities flourishing in our schools and communities, delivered by providers like Merton Music Foundation. We look forward to being at the forefront of these developments working closely with the Department for Education and Skills to develop a coherent strategy for delivering these new opportunities in our schools.

Once again, we are proud to work closely with our various partners to provide sustained educational opportunities across a wide range of music areas, including instrumental and vocal tuition, education projects in schools, professional development for teachers and borough wide orchestras, bands, choirs and ensembles.

Our thanks must go to the committed and enthusiastic tutors and administrative staff who have continued to support our charitable activities. We must also thank parents, schools and the many other people who have contributed so much to the charity's work during the past twelve months.

As we move into the charity's twelfth year, the challenge for the future is to see music provision in the London Borough of Merton move from a period of under funding to a position where access to well-resourced music education is a right for all young people. With the Government now recognising the importance of music services like MMF, and welcome new support being received from Merton Local Education Authority, we can now look forward to a future of growth and development as a charity. A future that will ensure that we are able to provide, support and promote the highest standards of musical diversity and quality opportunities for our schools.



John Mander
Chief Executive
Merton Music Foundation
13th January 2003

MERTON MUSIC FOUNDATION

CHIEF EXECUTIVE'S REPORT

YEAR ENDED 31 AUGUST 2002

Building on the successes of last year, it is good to report that Music in Merton continues to thrive. After the intense difficulties of the late 1990's, there is now a sense of renewed optimism amongst the Trustees, as they begin to see rewards in terms of increased enrollments.

Although increases in membership numbers are the foundation stone for any organisation, it is not only the increase in numbers that has been encouraging. The skills and professionalism of the young singers and players continues to develop. This has been ably demonstrated as the various groups perform high quality music at concerts, Wimbledon Tennis and other venues.

The standard of playing is being ever notched upwards, as pupils continue to respond to the challenges set by the Foundation's much valued and dedicated tutors and musical directors.

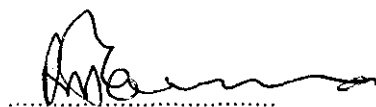
Amidst all this musical activity, the Music Centre at Canterbury Road continues to perform an additional vital ingredient - in broadening social interaction between all the young people associated with MMF. I sense that similar opportunities might not readily arise elsewhere, which enable friendships to be established, and bridges formed, in some cases crossing cultural, race, age and religious backgrounds.

In my visits to the Music Centre, I always leave with the impression that the young people scurrying about between their various groups want to be there - in a safe environment, and one that is both challenging yet friendly.

Schools and teachers within the Borough have continued to benefit from high quality input from the Chief Executive, John Mander, as he provides in service training and encourages interest in wider areas of the arts, such as world music, opera and performing arts.

Other music services and organisations are increasingly calling upon the skills and expertise of the Foundation's Chief Executive, Directors and Staff. Although this is both encouraging and rewarding, it inevitably highlights the constraints (in terms of personnel resources, time and finances) within which the Trust currently operates.

The Trustees' objective in the coming year is to seek ways of being able to broaden areas of responsibility, to enable growth to occur and visions for new developments to become reality. Financial resources are inevitably constrained, but this will be the challenge for 2003.



David Merriman
Chairman of Trustees
Merton Music Foundation
13th January 2003

MERTON MUSIC FOUNDATION

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (CONTINUED)

YEAR ENDED 31 AUGUST 2002

We have audited the financial statements on pages 10 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 12 to 13.

RESPECTIVE RESPONSIBILITIES OF THE TRUSTEES AND THE AUDITORS

The Trustees' (who also act as Directors for the charitable activities of the company) responsibilities for preparing the Trustees Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Trustees Annual Report is not consistent with the financial statements, if the charity 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 Trustees' remuneration and transactions with the charity is not disclosed.

We are not required to consider whether the statement in the Trustees Annual Report concerning the major risks to which the charity is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the charity's risk management and control procedures.

We read the Chief Executive's Report and the Trustees Annual Report and consider whether they are consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards 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 in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity'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 of the charity's state of affairs as at 31 August 2002 and of its incoming resources and application of resources in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

13/01/03

Pinnacle House
17-25 Hartfield Road
Wimbledon
London

Windsor Stebbing Marsh

WINDSOR STEBBING MARSH
Chartered Accountants
& Registered Auditors

MERTON MUSIC FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND EXPENDITURE ACCOUNT)

YEAR ENDED 31 AUGUST 2002

	Note	Total Funds 2002 £	Total Funds 2001 £
INCOMING RESOURCES			
Donations	2	1,806	2,035
Income resources from operating activities			
Grants receivable	3	212,301	147,417
Activities in furtherance of the charity's objective	4	327,306	292,151
Investment income	5	348	1,494
TOTAL INCOMING RESOURCES		541,761	443,097
RESOURCES EXPENDED			
Charitable expenditure:			
Costs of activities in furtherance of charity's objective	6	278,447	210,135
Management and administration	7	243,986	242,012
TOTAL RESOURCES EXPENDED	8	522,433	452,147
NET INCOMING/(OUTGOING) RESOURCES FOR THE YEAR	9	19,328	(9,050)
Balances brought forward		30,995	40,045
Balances carried forward		50,323	30,995

All movements are in Unrestricted Funds

The charity has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the charity are classed as continuing.

The notes on pages 12 to 19 form part of these financial statements.

MERTON MUSIC FOUNDATION

BALANCE SHEET

YEAR ENDED 31 AUGUST 2002

	Note	£	2002 £	£	2001 £
FIXED ASSETS					
Tangible assets	10		15,968		16,726
CURRENT ASSETS					
Debtors	11	6,600		5,202	
Cash at bank and in hand		118,376		92,001	
		124,976		97,203	
CREDITORS: Amounts falling due within one year	12	(90,621)		(82,934)	
NET CURRENT ASSETS			34,355		14,269
TOTAL ASSETS LESS CURRENT LIABILITIES			50,323		30,995
NET ASSETS			50,323		30,995
FUNDS					
Unrestricted:					
Designated funds	13		4,249		4,047
Other charitable funds			46,074		26,948
TOTAL FUNDS			50,323		30,995

These financial statements were approved by the members of the committee on the 13th January 2003 and are signed on their behalf by:


J R MANDER


D J MERRIMAN

The notes on pages 12 to 19 form part of these financial statements.

MERTON MUSIC FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2002

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2000).

The financial statements have been prepared in accordance with the applicable accounting standards and the Companies Act 1985.

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

Grants receivable

Grants receivable and local authority fees are credited to the Statement of Financial Activities in the year in which they are received. Deferred income represents amounts received for future periods and is released to incoming resources in the period for which it has been received.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Music and instruments	-	25% reducing balance basis per annum
Office equipment	-	25% reducing balance basis per annum
Computer equipment	-	25% reducing balance basis per annum

Pension costs

Teaching staff employed by the charity are eligible for membership of the Teachers' Pension Scheme, which is a national, statutory contributory, unfunded defined benefit scheme administered by the Teachers' Pension Agency, an executive agency of the Department for Education and Employment. Pension costs are assessed in accordance with the advice of the Government Actuary.

Contributions are paid in accordance with the rules of the Teachers' Pension Agency.

The charity has also arranged a defined contribution pension scheme for those members of staff who are not eligible to join the Teachers Pension Scheme. The assets of this scheme are held separately from those of the charity, being invested with Scottish Equitable plc. Pension costs charged in the Statement of Financial Activities represent the contributions payable by the charity in the year.

MERTON MUSIC FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2002

1. ACCOUNTING POLICIES *(continued)*

Taxation

As the company is a registered charity, it is exempt from corporation tax on its charitable activities.

Gift Aid Donations are received net of tax and credited to the appropriate fund in the year received. The tax credit recoverable from the Inland Revenue is also credited to the appropriate fund when received. No provision needs to be made for the tax recoverable in respect of the period 6 April 2002 to 31 August 2002.

Incoming resources

Incoming resources represent tuition fees rendered during the year. Donations and other income are included in the year in which they are received.

As the company's principal activity is to provide music education, it is exempt from Value Added Tax and does not recover Value Added Tax on its expenditure.

Resources expended

Resources expended are recognised in the year in which they are incurred. Resources expended include attributable Value Added Tax which cannot be recovered.

Unrestricted funds

Unrestricted funds are donations and other incoming resources receivable or generated for the objects of the charity without further specified purpose and are available as general funds.

Designated funds

These are funds which have been set aside out of unrestricted funds by the Trustees for specific purposes, which are used for the expansion and development of the charity's services.

Development fund

These funds are monies received from the Government's Department for Education and Employment 'Standard Fund' to help with the expansion and development of the Foundation's services.

2. DONATIONS

	Total Funds 2002	Total Funds 2001
	£	£
Donations	<u>1,806</u>	<u>2,035</u>

MERTON MUSIC FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2002

3. GRANTS RECEIVABLE

	Total Funds 2002	Total Funds 2001
	£	£
Music Education Services	198,102	147,417
Instrumental music	9,999	-
Project development	2,000	-
Advocacy	2,200	-
	<u>212,301</u>	<u>147,417</u>

4. ACTIVITIES IN FURTHERANCE OF THE CHARITY'S OBJECTIVE

	2002	2001
	£	£
Tuition fees	262,660	260,031
Hire of instruments	19,496	16,857
Music centre subscriptions	16,835	14,022
Concert and tour income	22,833	-
Other income	1,027	282
Sale of instruments	-	100
Instrument repairs	299	139
Instruments - replacements	300	720
Fees - inset	3,856	-
	<u>327,306</u>	<u>292,151</u>

5. INVESTMENT INCOME

	2002	2001
	£	£
Bank interest receivable	<u>348</u>	<u>1,494</u>

MERTON MUSIC FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2002

6. COSTS OF ACTIVITIES IN FURTHERANCE OF CHARITY'S OBJECTIVE

	Total Funds 2002 £	Total Funds 2001 £
Provision of charitable services:		
Tutor fees	205,969	193,940
Advertising	316	2,013
Materials	4,688	1,985
Project development	29,424	8,225
Repairs to instruments	11,101	1,617
Tour and concert costs	24,021	(541)
Conference fees	672	573
Motor and travel expenses	315	399
Depreciation of musical instruments	1,941	1,924
	<u>278,447</u>	<u>210,135</u>

Analysis of provision of charitable services:

	Depreciation £	Other costs £	Total 2002 £	Total 2001 £
Tutor fees	-	205,969	205,969	193,940
Advertising	-	316	316	2,013
Materials	-	4,688	4,688	1,985
Project development	-	29,424	29,424	8,225
Repairs to instruments	-	11,101	11,101	1,617
Tour and concert costs	-	24,021	24,021	(541)
Conference fees	-	672	672	573
Motor and travel expenses	-	315	315	399
Depreciation of musical instruments	1,941	-	1,941	1,924
	<u>1,941</u>	<u>276,506</u>	<u>278,447</u>	<u>210,135</u>

7. MANAGEMENT AND ADMINISTRATION

	Total Funds 2002 £	Total Funds 2001 £
Salaries	151,838	148,514
Office costs	81,678	83,149
Accountancy and audit fees	3,350	3,350
Bookkeeping and financial advice	4,759	4,028
Professional and legal fees	1,244	245
Bank fees	406	429
Bad debts written off	711	2,297
	<u>243,986</u>	<u>242,012</u>

MERTON MUSIC FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2002

8. TOTAL RESOURCES EXPENDED

	Staff costs £	Depreciation £	Other costs £	Total Funds 2002 £	Total Funds 2001 £
Direct charitable expenditure	—	1,941	276,506	278,447	210,135
Management and administration	151,838	3,382	88,766	243,986	242,012
	<u>151,838</u>	<u>5,323</u>	<u>365,272</u>	<u>522,433</u>	<u>452,147</u>

The aggregate payroll costs were:

	2002 £	2001 £
Wages and salaries	134,213	132,343
Social security costs	9,408	9,712
Other pension costs	8,217	6,459
	<u>151,838</u>	<u>148,514</u>

No employee received remuneration of more than £50,000.

No remuneration or reimbursed expenses were paid to any of the Trustees during the year. (2001 £Nil).

Professional indemnity and liability insurance is provided for the staff and Trustees at a cost of £735.

Particulars of employees:

The average number of staff employed by the charity during the financial year amounted to:

	2002 No.	2001 No.
Number of employees	<u>8</u>	<u>9</u>

MERTON MUSIC FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2002

9. NET INCOMING/(OUTGOING) RESOURCES FOR THE YEAR

This is stated after charging:

	2002 £	2001 £
Staff pension contributions	5,196	3,594
Depreciation	5,323	5,576
Auditors' remuneration - as auditors	<u>3,350</u>	<u>3,350</u>

10. TANGIBLE FIXED ASSETS

	Music and instruments £	Office equipment £	Computer equipment £	Total £
COST				
At 1 September 2001	19,471	10,185	29,976	59,632
Additions	<u>1,992</u>	<u>1,313</u>	<u>1,260</u>	<u>4,565</u>
At 31 August 2002	<u>21,463</u>	<u>11,498</u>	<u>31,236</u>	<u>64,197</u>
DEPRECIATION				
At 1 September 2001	13,702	6,837	22,367	42,906
Charge for the year	<u>1,941</u>	<u>1,165</u>	<u>2,217</u>	<u>5,323</u>
At 31 August 2002	<u>15,643</u>	<u>8,002</u>	<u>24,584</u>	<u>48,229</u>
NET BOOK VALUE				
At 31 August 2002	<u>5,820</u>	<u>3,496</u>	<u>6,652</u>	<u>15,968</u>
At 31 August 2001	<u>5,769</u>	<u>3,348</u>	<u>7,609</u>	<u>16,726</u>

11. DEBTORS

	2002 £	2001 £
Trade debtors	2,678	2,750
Other debtors	<u>3,922</u>	<u>2,452</u>
	<u>6,600</u>	<u>5,202</u>

12. CREDITORS: Amounts falling due within one year

	2002 £	2001 £
Trade creditors	4,774	4,541
Taxation and social security	3,062	3,020
Accruals	<u>82,785</u>	<u>75,373</u>
	<u>90,621</u>	<u>82,934</u>

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13. DESIGNATED FUNDS

Movement in resources:

	Balance at 1 September 2001 £	New designations £	Utilised/ Released £	Balance at 31 August 2002 £
Grants receivable	<u>4,047</u>	<u>212,301</u>	<u>(212,099)</u>	<u>4,249</u>

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Development fund £	General fund £	Total Funds 2002 £	Total Funds 2001 £
Fund balances at 31 August 2002 are represented by:				
Unrestricted funds				
Fixed assets	-	15,968	15,968	16,726
Other net current assets	<u>4,249</u>	<u>30,106</u>	<u>34,355</u>	<u>14,269</u>
	<u>4,249</u>	<u>46,074</u>	<u>50,323</u>	<u>30,995</u>
Total funds	<u>4,249</u>	<u>46,074</u>	<u>50,323</u>	<u>30,995</u>

15. RELATED PARTY TRANSACTIONS

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

16. COMPANY LIMITED BY GUARANTEE

The liability of the members is limited. Every member undertakes to contribute an amount not exceeding £1 to the assets of the company, in the event of the company being wound up whilst they are a member, or within one year after ceasing to be a member, for the payment of the debts and liabilities of the company contracted before ceasing to be a member.

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17. PENSION COSTS

Under the Teachers' Pension Scheme, teachers' contributions, on a pay-as-you go basis, and employer's contributions are credited to the Exchequer. An annual account, the Teachers Pension Account, is kept of receipts and expenditure. Any excess of income over expenditure is deemed to be invested in Government securities. Notional interest on the deemed investment is added to the Account, and the resultant balance is known as the Notional Fund. Expenditure debited to the Account excludes the cost of pension increases paid under the Pension (Increases) Act.

Every 5 years the Government Actuary conducts an actuarial review of the scheme, using normal actuarial principles. The cost of pension increases is excluded from the valuation and consequently neither teachers nor employers contribute to this added value, which is met directly by the Exchequer. The last valuation of the Teachers' Pension Scheme was for the period 1 April 1991 - 31 March 1996. The Government Actuary's report of June 1999 revealed that the total liabilities of the scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £65,670 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £61,710 millions. The Government Actuary concluded, in his supplementary report of March 2000 specifying an alternative pattern of employers' supplementary contributions, that the deficiency of £3,960 millions could be eliminated by supplementary contributions of 0.4% of pay from 1 April 2000 to 31 March 2002, and of 1.35% from 1 April 2002 to 31 March 2040. The financial assumptions in the Government Actuary report were that prices would increase by 5% and salaries by 6.5%, and the rate of return on investments would be 8.5%.

The Government Actuary will produce a report on the 2001 scheme valuation at the end of 2002. Because the contribution rate set at the valuation will, for the first time, include the cost of pension increases, as well as taking account of developments - such as changes in mortality assumptions - since the 1996 valuation, the employer contribution rate, applicable from 1 April 2003, is likely to be in the 13-14% range.

Staff who are not eligible to join the Teachers' Pension Scheme are eligible for participation in a defined contribution scheme. The charity contributes 3% of pensionable salary.