

Company No. 2590621 (England and Wales)

**MERTON MUSIC FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 AUGUST 2003**



MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2003

CONTENTS

PAGES

Members of the board and professional advisers	1
Chairman's Report	2
Chief Executive's report	3
Trustees' annual report	4 to 8
Independent auditors' report	9 to 10
Statement of financial activities (including income and Expenditure account)	11
Balance sheet	12
Notes to the financial statements	13 to 21

The following pages do not form part of the financial statements

Detailed statement of financial activities (including Income and expenditure account)	23 to 24
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MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

MEMBERS OF THE BOARD AND PROFESSIONAL ADVISERS

The Board of Trustees	D R Hewitt J R Mander D J Merriman W I Newman H C Wilson
Company Number	2590621
Charity Number	1004122
Company Secretary	J R Mander
Registered 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 138 Cheapside London EC2V 6BB

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

CHAIRMAN'S REPORT

YEAR ENDED 31 AUGUST 2003

In an organisation primarily concerned with youth music and the arts, it is perhaps inevitable that change and progress will form a major feature of any annual report.

The young person's first public performance, whether it be in a choir, guitar ensemble or orchestra, is always a significant event – an event always much admired by proud relatives and friends. Yet, in a blink of an eye, it seems that these timorous pupils suddenly develop into mature, proficient and sensible young men and women. That these young men and women of Merton Music Foundation are asked to perform at prestigious venues year after year, is an indication of the dedication and expertise of the Foundation's tutors and directors.

A highlight of this last year was the "Making Waves" concert at the Royal Albert Hall, where I had the pleasure of hosting the Mayor of Merton. It was a delight to receive from her a letter stating her gratitude at being invited to attend a *".....spectacular entertainment of London's finest young musicians, singers and dancers"*. The event arose out of co-operation between neighbouring music services in Hounslow, Richmond, Sutton, Kingston and Merton. This joint production had the added benefit of providing students and staff with valuable further opportunities of professional and social interaction.

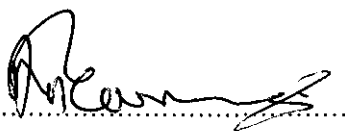
Changes also occurred within the administrative element of the Foundation. Early in the year, all management staff attended a time away on their first Planning Conference. This provided a forum not only to undertake analysis of current business operations, but also to consider and formulate objectives for the future. This proved to be an extremely valuable and successful time.

With the encouragement of increasing student rolls and reorganisation of administration, additional office space has been created by imaginative use of former tuition space – without increasing rental liability.

During the last year, it was good to welcome Hugh Wilson to the Board of Trustees. Hugh, a chartered accountant by profession, brings with him vast experience as a finance director in industry, and also as finance administrator within the charitable field. Thus we are sure to be putting this experience to good use within the work and planning of the Foundation.

The work and influence of the Foundation in fulfilling its charitable objectives continues to grow, but John Mander as Chief Executive has more to say on this in his report.

I would not wish this opportunity to pass without expressing my sincere gratitude to my colleague Trustees, John Mander and his Assistant Directors, Co-ordinator, staff and tutors for yet another year in which their varied contributions have led to the continued success of Merton Music Foundation. I am sure that this gratitude is shared by many parents.



David Merriman
Chairman
Merton Music Foundation
12th January 2004

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

CHIEF EXECUTIVE'S REPORT

YEAR ENDED 31 AUGUST 2003

Merton Music Foundation is an educational charity with a national reputation for its work in music education. Over the last twelve years, MMF has established itself as a quality music education provider through its long-term commitment to students, schools and communities across South West London.

We feel passionately about the importance of music in a child's education. Over recent years, studies have shown that music has a profound effect on children's intellectual and creative development. For those of us who are deeply involved in the teaching of music, it is apparent what an important role the arts, specifically music, play in the educational development of children.

As a Music Service, we subscribe to the belief that:

"Music touches all people, of all ages. It is a discipline which integrates intellectual, physical and aesthetic development. Through engagement in music, everyone can develop creativity, understanding, co-ordination, confidence and spiritual awareness. Making music requires individuals to collaborate, co-operate, listen to and hear each other, take risks, communicate clearly and develop individual responsibility and professional attitudes."

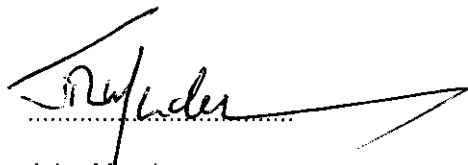
[Music Education Council Manifesto for the Millennium]

Music Services like MMF have a key role in supporting and extending school music provision. We provide access to regular instrumental tuition; support curriculum delivery in our schools; provide live music experiences to capture and inspire potential musicians; offer instrumental hire and loan, and run music festivals, workshops and training events. All of these activities make us ideally placed to deliver on the Government's priorities of increasing access, broadening opportunities, ensuring quality and developing coherent routes for progression in children's learning.

Over the past three years, with the combination of increased support and manifesto pledges, the Government has begun the process of making changes to music education in this country. With their manifesto pledge that "over time, every primary school child that wants to should have the opportunity of learning a musical instrument", we look forward to a future that sees a significant increase in support for music-making in our schools.

With the introduction of the Government's proposed 'Wider Opportunities' initiative on the horizon many more children should, we hope, have the chance to access what until now has been a far from level playing field of opportunity. However, for this initiative really to make a difference, it will be important that Wider Opportunities is both properly funded and closely linked to consistent National Curriculum provision in our schools. At the moment, we have some way to go in both of these important areas.

Our charity is very much looking forward to working closely with partners in both the formal and informal sectors. The challenges that lay ahead will include encouraging the development of a new regional strategy that will deliver Wider Opportunities in our schools. In supporting this new initiative, we will be working closely with leading music education bodies, schools and the local education authorities to provide increased numbers of children with access to music education. All this with the general objective of increasing the opportunity for children to have access to learning a musical instrument that leads to enhanced education opportunities for young people in our schools.



John Mander
Chief Executive
Merton Music Foundation
12th January 2004

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES' ANNUAL REPORT *(continued)*

YEAR ENDED 31 AUGUST 2003

The Trustees, who are also Directors for the purposes of the Companies Act, have pleasure in presenting their report and the financial statements of the charity for the year ended 31 August 2003.

INTRODUCTION

Merton Music Foundation (MMF) exists to advance music education for the public of the London Borough of Merton and surrounding areas. 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.

During 2002/2003 our main programmes of activity included the provision of:

- Instrumental and vocal music tuition;
- Borough wide bands, orchestras, choirs and ensembles;
- Curriculum and project development in schools;
- Professional development and training for teachers.

LEGAL STATUS

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

OBJECTIVES OF THE MERTON MUSIC FOUNDATION

To advance music education within a framework of the arts for the benefit of the public of the London Borough of Merton and elsewhere.

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 Skills 'Standards Fund' is specifically allocated to the expansion and development of the Foundation's services.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES' ANNUAL REPORT *(continued)*

YEAR ENDED 31 AUGUST 2003

REVIEW OF DEVELOPMENTS, ACTIVITIES AND ACHIEVEMENTS

This year has been a rewarding twelve months for the MMF with over 8,500 young people and adults involved in the charity's four programmes of activity.

Instrumental Music Programme

Highlights of the year:

- The number of tuition hours in Merton schools continued to increase and reached 454 hours per week;
- The number of pupils receiving music/vocal tuition increased to 1,450 students;
- Over the year 5,530 music lessons were delivered in schools and at the Music Centre;
- The differential between girls and boys learning to play a musical instrument surpassed our objective of 60% - 40%, with 52% girls and 48% boys now learning a musical instrument;
- 49% of those learning were taught on an individual basis in either 20 or 30 minute individual lessons. 25% of those learning an instrument were taught in groups of three or more;
- 240 children benefited from the MMF's Trust Fund with remitted tuition places;
- The number of instruments on hire increased to 328 during the year providing much needed additional funds to support the charity's Trust Fund remission scheme.

Merton Youth Music

Highlights of the year:

- 17 ensembles were provided for musicians to perform in. This included 3 orchestras, 2 concert bands, 2 jazz orchestras, 2 choirs and 8 smaller ensembles;
- Current membership of Merton Youth Music reached 350 with total membership of ensembles reaching 495;
- A new style 'Play Day' was launched on Saturday 15th February following a successful grant application to Making Music.
- Our bands, orchestras, choirs and ensembles were involved in 17 concerts during the year. In addition to our normal programme of Music Centre school based concerts these included:
 - Secombe Theatre, Sutton - In Celebration of Christmas (30th November 2002);
 - Sacred Heart Church, Wimbledon - Mayor's Carol Service in aid of local charities (18th December 2002);
 - Driftbridge Hotel, Epsom - Merton Youth Jazz Orchestra hosted a joint concert with the Kingston Youth Big Band (30th March 2003);
 - Royal Albert Hall - South West London Music Services 'Making Waves' Concert (19th March 2003);

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES' ANNUAL REPORT *(continued)*

YEAR ENDED 31 AUGUST 2003

- New Malden Methodist Church - Merton Youth Orchestra Concert (24th March 2003);
- Epsom Playhouse - 'Just Bands' 2003 Concert;
- Wimbledon Tennis Championships 2003 - Performances by the Merton Youth Concert Band (3rd July) and Merton Youth Jazz Orchestra (4th July);
- Ashcroft Theatre, Fairfield Halls Croydon MMF Gala Concert (13th July 2003).

Training and Advice

Highlights of the year:

- 79 schools used the Foundation's training services in the London Boroughs of Merton and Sutton;
- Numbers of Sutton teachers using our training programme increased for the second year running;
- 175 teachers received training during the 2002-2003 financial year;
- 15 teachers received training through the charity's 'Junkbeatz' project, which included a special professional development strand for participating schools.

During the year we provided:

- 7 Professional Development courses for teachers;
- 6 termly meetings for Primary Music Co-ordinators to share expertise and information (3 for Merton LEA and 3 for Sutton LEA);
- 3 termly meetings for Heads of Music and music teachers from secondary schools in Merton and Sutton LEAs (joint LEA meetings);
- ICT music advice and technical support;
- Publications, leaflets and reports on Music Education for schools;
- Telephone advice on various aspects of music education.

Project Development

Highlights of the year:

- Over 4,500 Merton children were involved in the programme during the 2002-2003 financial year;
- 48 schools took up invitations to participate in projects/workshops;
- 30 curriculum projects were provided free of charge for schools;

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES' ANNUAL REPORT *(continued)*

YEAR ENDED 31 AUGUST 2003

- 180 children from 6 schools took part in the 'Junkbeatz' Performance Project with Weapons of Sound at the Ashcroft Theatre, Fairfield Halls, Croydon. Again provided free of charge;
- 18 instrumental workshop visits were provided free of charge for schools;
- 22 children from 3 Secondary Schools took part in the Action Dog Productions project that finished with a performance at the 'Making Waves' concert at the Royal Albert Hall on the 19th March 2003;
- MMF successfully attracted funding from London Arts/London Education Arts Partnership to publish another edition of 'Music Matters'. Edition 4 of the newsletter was published in May 2003;
- New leaflets were produced for schools on the charity's operations. These included leaflets on resourcing, professional development, working with professional artists and music advocacy. The latter was also published on the MMF's website at www.mmf.org.uk

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.

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:

D R Hewitt
J R Mander
D J Merriman
W I Newman
H C Wilson

H C Wilson was appointed as a Trustee on 1 January 2003.

RETIREMENT OF TRUSTEES

In accordance with the Articles of Association, H C Wilson will retire from the board and, being eligible, will stand for re-appointment.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES' ANNUAL REPORT *(continued)*

YEAR ENDED 31 AUGUST 2003

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.

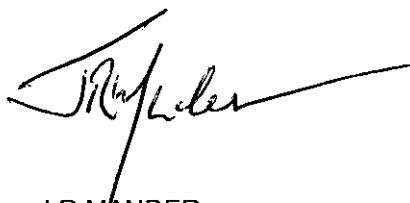
RISK ASSESSMENT

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.

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 12 January 2004

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

YEAR ENDED 31 AUGUST 2003

We have audited the financial statements on pages 11 to 21 which have been prepared under the historical cost convention and the accounting policies set out on pages 13 to 14.

This report is made solely to the charity'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 charity'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 charity and the charity'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 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 pages 7 to 8.

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 United Kingdom 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.

**MERTON MUSIC FOUNDATION
COMPANY LIMITED BY GUARANTEE**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS *(continued)*

YEAR ENDED 31 AUGUST 2003

OPINION

In our opinion the financial statements give a true and fair view of the charity's state of affairs as at 31 August 2003 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.



WINDSOR STEBBING MARSH
Chartered Accountants
& Registered Auditors

Pinnacle House
17-25 Hartfield Road
Wimbledon
London
SW19 3SE

12/2/04

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND EXPENDITURE ACCOUNT)

YEAR ENDED 31 AUGUST 2003

	Note	Total Funds 2003 £	Total Funds 2002 £
INCOMING RESOURCES			
Donations	2	1,091	1,806
Income resources from operating activities			
Grants receivable	3	235,783	212,301
Activities in furtherance of the charity's objective	4	349,300	327,306
Investment income	5	1,160	348
TOTAL INCOMING RESOURCES		587,334	541,761
RESOURCES EXPENDED			
Charitable expenditure:			
Costs of activities in furtherance of charity's objective	6	271,079	278,447
Management and administration	7	277,764	243,986
TOTAL RESOURCES EXPENDED	8	548,843	522,433
NET INCOMING RESOURCES FOR THE YEAR	9	38,491	19,328
Balances brought forward		50,323	30,995
Balances carried forward		88,814	50,323

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 20 form part of these financial statements.

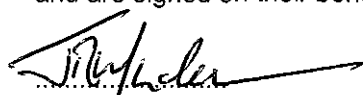
MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

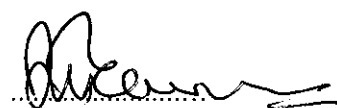
BALANCE SHEET

31 AUGUST 2003

	Note	£	2003 £	£	2002 £
FIXED ASSETS					
Tangible assets	10		16,416		15,968
CURRENT ASSETS					
Debtors	11	8,360		6,600	
Cash at bank and in hand		170,462		118,376	
		178,822		124,976	
CREDITORS: Amounts falling due within one year	12	(106,424)		(90,621)	
NET CURRENT ASSETS			72,398		34,355
TOTAL ASSETS LESS CURRENT LIABILITIES			88,814		50,323
NET ASSETS			88,814		50,323
FUNDS					
Unrestricted:					
Designated funds	14		4,249		4,249
Other charitable funds			84,565		46,074
TOTAL FUNDS			88,814		50,323

These financial statements were approved by the members of the committee on the 12/1/2004 and are signed on their behalf by:


J R MANDER


D J MERRIMAN

The notes on pages 12 to 20 form part of these financial statements.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2003

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) 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 period to which they relate. Deferred income represents amounts received in respect of future periods.

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

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

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 Foundation in the year.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2003

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 2003 to 31 August 2003.

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 'Standards Fund' to help with the expansion and development of the Foundation's services.

2. DONATIONS

	Total Funds 2003 £	Total Funds 2002 £
Donations	<u>1,091</u>	<u>1,806</u>

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2003

3. GRANTS RECEIVABLE

	Total Funds 2003 £	Total Funds 2002 £
Music Education Services	233,783	198,102
Instrumental music	2,000	9,999
Project development	-	2,000
Advocacy	-	2,200
	<u>235,783</u>	<u>212,301</u>

4. ACTIVITIES IN FURTHERANCE OF THE CHARITY'S OBJECTIVE

	2003 £	2002 £
Tuition fees	293,188	262,660
Hire of instruments	20,116	19,496
Music centre subscriptions	17,999	16,835
Concert and tour income	11,678	22,833
Other income	1,362	1,027
Instrument repairs	210	299
Instruments - replacements	1,012	300
Fees - inset	3,735	3,856
	<u>349,300</u>	<u>327,306</u>

5. INVESTMENT INCOME

	2003 £	2002 £
Bank interest receivable	<u>1,160</u>	<u>348</u>

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2003

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

	Total Funds 2003 £	Total Funds 2002 £
Provision of charitable services:		
Tutor fees	228,399	205,969
Advertising	397	316
Materials	3,470	4,688
Project development	23,878	29,424
Repairs to instruments	2,175	11,101
Tour and concert costs	6,661	24,021
Conference fees	773	672
Motor and travel expenses	2,818	315
Depreciation of musical instruments	2,508	1,941
	<u>271,079</u>	<u>278,447</u>

Analysis of provision of charitable services:

	Depreciation £	Other costs £	Total 2003 £	Total 2002 £
Tutor fees	-	228,399	228,399	205,969
Advertising	-	397	397	316
Materials	-	3,470	3,470	4,688
Project development	-	23,878	23,878	29,424
Repairs to instruments	-	2,175	2,175	11,101
Tour and concert costs	-	6,661	6,661	24,021
Conference fees	-	773	773	672
Motor and travel expenses	-	2,818	2,818	315
Depreciation of musical instruments	2,508	-	2,508	1,941
	<u>2,508</u>	<u>268,571</u>	<u>271,079</u>	<u>278,447</u>

7. MANAGEMENT AND ADMINISTRATION

	Total Funds 2003 £	Total Funds 2002 £
Salaries	176,165	151,838
Office costs	91,689	81,678
Accountancy and audit fees	5,073	3,350
Bookkeeping and financial advice	4,710	4,759
Professional and legal fees	-	1,244
Bank fees	403	406
Bad debts written off	(276)	711
	<u>277,764</u>	<u>243,986</u>

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2003

8. TOTAL RESOURCES EXPENDED

	Staff costs £	Depreciation £	Other costs £	Total Funds 2003 £	Total Funds 2002 £
Direct charitable expenditure	—	2,508	268,571	271,079	278,447
Management and administration	176,165	5,284	96,315	277,764	243,986
	<u>176,165</u>	<u>7,792</u>	<u>364,886</u>	<u>548,843</u>	<u>522,433</u>

The aggregate payroll costs were:

	2003 £	2002 £
Wages and salaries	153,138	134,213
Social security costs	10,908	9,408
Other pension costs	12,119	8,217
	<u>176,165</u>	<u>151,838</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 in their capacity as Trustees (2002 - £Nil).

Professional indemnity and liability insurance is provided for the Trustees at a cost of £1,103 (2002 - £735).

Particulars of employees:

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

	2003 No	2002 No
Number of employees	<u>10</u>	<u>8</u>

	2003 £	2002 £
Other costs:		
Premises	292,850	267,512
Legal and professional	9,783	9,353
Other	62,253	88,407
	<u>364,886</u>	<u>365,272</u>

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2003

9. NET INCOMING RESOURCES FOR THE YEAR

This is stated after charging:

	2003 £	2002 £
Staff pension contributions	12,119	5,196
Depreciation	5,473	5,323
Loss on disposal of charitable purposes fixed assets	2,319	—
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 2002	21,463	11,498	31,236	64,197
Additions	4,210	672	3,358	8,240
Disposals	—	(638)	(18,734)	(19,372)
At 31 August 2003	<u>25,673</u>	<u>11,532</u>	<u>15,860</u>	<u>53,065</u>
DEPRECIATION				
At 1 September 2002	15,643	8,002	24,584	48,229
Charge for the year	2,508	1,022	1,943	5,473
On disposals	—	(556)	(16,497)	(17,053)
At 31 August 2003	<u>18,151</u>	<u>8,468</u>	<u>10,030</u>	<u>36,649</u>
NET BOOK VALUE				
At 31 August 2003	<u>7,522</u>	<u>3,064</u>	<u>5,830</u>	<u>16,416</u>
At 31 August 2002	<u>5,820</u>	<u>3,496</u>	<u>6,652</u>	<u>15,968</u>

11. DEBTORS

	2003 £	2002 £
Trade debtors	5,394	2,678
Other debtors	2,966	3,922
	<u>8,360</u>	<u>6,600</u>

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2003

12. CREDITORS: Amounts falling due within one year

	2003	2002
	£	£
Trade creditors	19,413	4,774
Taxation and social security	3,885	3,062
Accruals	83,126	82,785
	<u>106,424</u>	<u>90,621</u>

13. COMMITMENTS UNDER OPERATING LEASES

At 31 August 2003 the charity had annual commitments under non-cancellable operating leases as set out below.

	Assets other than land and buildings	
	2003	2002
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>1,336</u>	<u>-</u>

14. DESIGNATED FUNDS

	Balance at 1 September 2002 £	New designations £	Movement in resources: Utilised/ Released £	Balance at 31 August 2 003 £
Grants receivable	<u>4,249</u>	<u>235,783</u>	<u>(235,783)</u>	<u>4,249</u>

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2003

15. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Total Funds 2003 £	Total Funds 2002 £
Fund balances at 31 August 2003 are represented by:		
Unrestricted funds		
Fixed assets	16,416	15,968
Other net current assets	72,399	34,355
	88,815	50,323
Total funds	88,815	50,323

16. RELATED PARTY TRANSACTIONS

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

17. 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.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2003

18. 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 (including the cost of pensions increases). With effect from 1 April 2001, the Account is credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

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 actuarial review of the Teachers' Pension Scheme was for the period 1 April 1996 - 31 March 2001, and made the following assumptions. The balance in the Account as at 31 March 2001 shall be such that, in the current review, the value of the scheme assets equals the value of the scheme liabilities. The scheme assets consist of the notional investments and the future contributions in respect of existing members. Thus, the balance in the Account as at 31 March will be determined as the difference between the value of the scheme liabilities and the value of future contributions.

The Government Actuary's report of March 2003 revealed that the total liabilities of the scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £142,880 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £142,880 millions.

The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 7%.

Three members of staff who are not eligible to join the Teachers' Pension Scheme participate in a defined contribution scheme to which the Foundation contributes.