

MERTON MUSIC FOUNDATION

COMPANY LIMITED BY GUARANTEE

Trustees' Annual Report and Accounts

For the year ended 31 August 2004

Company No. 2590621 (England and Wales)
Charity No. 1004122

A Registered Charity



MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2004

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MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

MEMBERS OF THE BOARD, PROFESSIONAL ADVISERS AND STAFF

MEMBERS OF THE BOARD

Trustees	D R Hewitt J R Mander D J Merriman W I Newman H C Wilson
Chair of trustees	D J Merriman
Company number	2590621
Charity number	1004122
Company secretary	J R Mander
Registered office	Chaucer Centre Canterbury Road Morden Surrey SM4 6PX
Telephone	020 8640 5446
Fax	020 8646 6990
E-mail	admin@mmf.org.uk
Website	www.mmf.org.uk

PROFESSIONAL ADVISERS

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

MEMBERS OF THE BOARD, PROFESSIONAL ADVISERS AND STAFF

SENIOR MANAGEMENT TEAM

Chief Executive	John Mander
Associate Director (Client Services)	Martin Stuart (Also Honorary Secretary to the Board of Trustees)
Associate Director (Business Services)	Peter Woodings

INSTRUMENTAL CO-ORDINATORS

Brass	Norma Whitson
Percussion	James Heywood (From January 2004)
Strings	Deborah Parsons (From January 2004)
Woodwind	Emily Baker (September – December 2003) Sara Grint (From January 2004)

ADMINISTRATION

Business Operations Manager	Robert Soper
Administrator (Finance)	Julie Raper
Administrator (Services)	Kathleen Doherty
Administrator (Music Centre)	Sheila-Mary Marett (September – December 2003) Mavis Howard-Jones (From March 2004)
Assistant Administrator	Ann Weston

MERTON MUSIC FOUNDATION IS A MEMBER OF

Federation of Music Services
National Association of Music Educators
Music Education Council
Schools Music Association.

SUPPORTED BY

London Borough of Merton
Department for Education and Skills

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

CHAIR'S STATEMENT

YEAR ENDED 31 AUGUST 2004

The tuition of pupils, the introduction of music and drama to young children, the presentation of termly concerts, and the excitement of travelling on European tours are all readily recognizable facets of the public face of Merton Music Foundation (MMF). A Foundation which, I am pleased to report, continues to grow in influence and status year by year.

Behind all this obvious activity, which brings immense satisfaction and enjoyment to many, whether "beginner" or established player or singer, is the administration of the Foundation, an administration which works to ensure everything "happens" - and happens efficiently.

It is not very often that reference is made in reports like this to an organisation's administration. It is however the vital backbone to any commercial or charitable structure. A backbone which ensures that all parts of the "body" function correctly and efficiently. In essence, it is crucial to its well being.

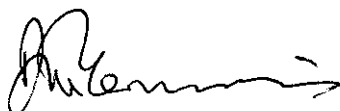
Although the administration team at MMF is small, it very effectively manages a current pupil roll of just under 2000, deals with all the registrations and records for Music Centre activities on Monday and Wednesday evenings and Saturday mornings, together with a host of other responsibilities. So, firstly, I want to take perhaps this all too rare opportunity to put on record the thanks of the trustees to those who work tirelessly, frequently behind the scenes, to ensure that the reputation of MMF remains at the pinnacle of music service provision.

As the report from our Chief Executive, John Mander, will show, this past year has been another one full of wonderful music-making - both here and abroad.

Distinct from the direct day-to-day administration is the role my colleague trustees and I have in endeavouring to ensure that the aims and objectives of the Foundation are fulfilled. This involves a broad spectrum of responsibilities including checking compliance with charity law, undertaking business planning, analysing financial trends and setting future targets.

If all this sounds somewhat distant from the Foundation's core objective of bringing music to young and disadvantaged people in the London Borough of Merton, then in a sense it shows that all is working as it should. It is because time and energy has been spent, particularly this last year, on things "behind the scenes", that Music Merton Foundation finds itself in a strong and healthy condition. This, coupled with continuing cooperation with the local authority, and the recognition by national Government that music plays an important role in educational and social development, are factors which begin to indicate the start of a new phase for MMF.

I hope this recognition by central Government will translate into more certainty and continuity with regard to the issue of government funding. Although the MMF has achieved significant growth in recent years, a resolution to the issue of future funding would enable the Foundation to develop even broader strategies for the future and thereby extend its positive and creative influence even further.



David Merriman
Chair of Trustees
Merton Music Foundation
10 January 2005

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

CHIEF EXECUTIVE'S REPORT

YEAR ENDED 31 AUGUST 2004

Welcome to our 2003-2004 financial report and audited accounts. The year has been a positive one for Merton Music Foundation with the charity undergoing rapid growth throughout the year.

Merton Music Foundation is an educational charity with a national reputation for its work in music education. Over the past thirteen years, MMF has established itself as one of the foremost music service providers for young people, schools and communities across South West London.

As a charity we feel passionately about the importance of music featuring as an entitlement in children's education. Over recent years, numerous studies have shown that music can make a vital contribution to children's intellectual and creative development. For those of us who are deeply involved in music education, it is vital that this awareness is kept alive and promoted as a fundamental philosophy for education in our schools.

Over the past four years the Government has begun the process of developing this vision by 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"* and the more recent launch of the Music Manifesto, we could be looking towards a future that would see a significant increase in support for music-making in our schools.

Much of our work during 2003-2004 has focused on preparing the ground for the Government's proposed 'wider opportunities' initiative. Since January 2004 we have started the long-term process of preparing the way for this by employing three new instrumental teachers to work with our staff to pilot a series of wider opportunities initiatives across the borough. These new projects will provide an essential blue print for schools to adopt 'wider opportunities' work beyond 2007.

With the long term development of 'wider opportunities' on the horizon we are looking forward to working with partners in both the formal and informal sectors to support this new strategic work. The challenges that lie ahead will include encouraging the development of a new regional strategy that will deliver and support 'wider opportunities' programmes in our schools. In preparing for this we will be working closely with other similar charities, music education bodies, schools and the local education authority to provide an infrastructure that will ensure that increased numbers of children have access to music-making opportunities in the coming years.

For 2003-2004, we have decided to adopt a different structure for our annual report and accounts, focusing much more on activities and performance with reference to our strategic plan and the objectives that it sets out. An overview of the year along with our priorities for the coming year can be found under the section titled 'Review of Developments, Activities and Achievements' within our trustees' annual report.

To conclude, I personally would like to thank my fellow board of trustees and the staff team at MMF for all of the hard work, skill and commitment invested in Merton Music Foundation over the past twelve months. The considerable growth witnessed over the last year has placed us in a strong position to deliver on our charitable objective of *"advancing music education within a framework of the arts for the benefit of the public of the London Borough of Merton and elsewhere"*.



John Mander
Chief Executive
Merton Music Foundation
10 January 2005

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT

YEAR ENDED 31 AUGUST 2004

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 2004.

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 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 is 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 COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31 AUGUST 2004

REVIEW OF DEVELOPMENTS, ACTIVITIES AND ACHIEVEMENTS

For this year the focus and structure of this report is to present our activities and performance with reference to our strategic plan and the objectives that it sets out. Following our first business planning conference in January 2003, MMF has organised its work around five strategic objectives for the 2003-2004 year. These have remained constant and have provided a framework for planning across the organisation and, subsequently, reviewing our performance and achievement, as in this report. In addition, and in recognition of the developing sector that we now operate in, we have also set ourselves eleven core strategic targets for the year being reported on. These eleven commitments fall within the five strategic objectives and each has been identified as a priority in the narrative that follows.

OBJECTIVE 1:

Delivering our charitable objectives more effectively

This year has been a rewarding twelve months for Merton Music Foundation with over 4,000 young people and adults involved in the charity's four programmes of activity.

During 2003/2004 our 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.

Priority: Increasing user participation

Instrumental and vocal music tuition

- ⌘ The number of tuition hours in Merton schools continued to increase and reached 667 hours per week.
- ⌘ The number of pupils receiving music/vocal tuition increased to over 1500 students.
- ⌘ Over the year 9,500 music lessons were delivered in schools and at the Music Centre.
- ⌘ 231 children benefited from the MMF's Trust Fund with remitted tuition places.
- ⌘ The number of instruments on hire increased to 384 during the year providing much needed funds to support our 'Trust Fund' remission scheme.

Borough wide bands, orchestras, choirs and ensembles

- ⌘ 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 356 with total membership of ensembles reaching 475.
- ⌘ Another 'Play Day' was held during October with a popular 'Hands on Session' for beginners held during December 2003. Many of the players who attended have gone on to learn musical instruments.
- ⌘ Our bands, orchestras, choirs and ensembles gave 18 concerts during the year with musicians from three of our Merton Youth Music groups touring Spain in July 2004.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31 AUGUST 2004

Curriculum and project development in schools

- ✎ Over 2,500 Merton children were involved in the programme during the 2003-2004 financial year.
- ✎ 19 instrumental workshop visits were provided free of charge for schools.
- ✎ 400 children from 21 schools took part in the 'Music for Life' project with The Voices Foundation at the Fairfield Halls, Croydon.

Professional development and training for teachers

- ✎ 86 schools used the Foundation's training services in the London Boroughs of Merton and Sutton, 40 of these schools were from the London Borough of Sutton.
- ✎ 250 teachers received training during the year.
- ✎ 6 Professional Development courses for teachers.
- ✎ 3 termly meetings for Primary Music Co-ordinators to share expertise and information.
- ✎ 3 termly meetings for Heads of Music and music teachers from secondary schools in Merton and Sutton LEAs (joint LEA meetings).
- ✎ 30 teachers received training through the charity's 'Music for Life' project, which included a special professional development strand for participating schools.

OBJECTIVE TWO:

Sustaining and enhancing the quality of our services

Priority: Measuring outcomes and success

A review of customer quality assurance was undertaken during the year with a revised questionnaire issued to clients in July 2004. Results on the whole show a consistent picture with an increase in the rating of the charity's ensemble provision.

MMF QUALITY SURVEYS: 2001 – 2004

% who rated performance Good or Excellent

	2004	2003	2002	2001
Instrumental/Vocal Tuition	80	80	83	84
MMF Ensemble Provision	96	92	87	78
Administration (MMF)	80	80	80	78
Administration (school)	50	52	60	57
Information/Advice	67	67	67	66
Number of forms returned	254	283	272	297
% of total sent out	20	23	24	26

A questionnaire specifically targeted at schools will be issued during the 2004-2005 year. Progress reporting to parents was also reviewed during the year with a revised report issued during the summer term through the charity's administration instead of the previous route through schools.

Priority: Responding to feedback

MMF has done much over the year to develop its customer service relations with the general public, and regards complaints as an opportunity to learn more about the views and experiences of people who are affected by what we do. This information is important and helps us to further improve the

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31 AUGUST 2004

services that we provide. For 2004-2005 we will be looking at the possibility of recording the number and nature of complaints from children, young people and adults and noting how the problems have been rectified by our administration.

OBJECTIVE THREE:

Developing our marketing and communications

During 2003-2004 MMF has been developing its approach to developing marketing and communications. Within MMF's business plan, strategic marketing is seen as one of the key drivers for change to assist MMF to achieve its charitable objectives.

The aim of this strategy is to support the achievement of MMF's objectives by:

- ✎ Better understanding the needs of its customers.
- ✎ Taking a systematic approach to policy development and business planning.
- ✎ Developing medium-and long-term co-ordinated strategies that engage and influence the behaviours of our customers, and
- ✎ Evaluating the impact that these strategies have on our intended audience.

Priority: Raising public awareness of MMF

The first stage of a marketing strategy was developed last year at our business Planning Conference. The strategy co-ordinates our communications based upon our agreed priorities for the development of our charitable programmes.

During the 2003-2004 year this included:

- ✎ Updating our website with new information pages and facilities for the public that include online donations and payments for concert recordings, publications and services.
- ✎ Issuing publications, including a guide to the charity's four programmes of services.
- ✎ Publishing our annual charity reports electronically.
- ✎ Publishing 'Music Matters', our annual advocacy magazine.

OBJECTIVE FOUR:

Achieving a sustainable financial future

MMF manages its financial affairs through a financial plan that relates resource requirements to its ongoing business plan. This plan is also used to prepare more detailed annual budgets, which are monitored by the Chief Executive through regular performance reports from its administrative systems.

Financial risks are monitored through internal controls on financial systems backed up by internal auditing and a wider risk management process agreed by the trustees. The key measure of our financial performance is the comparison of incoming resources with our expenditure. This is kept in check by the use of regular Management Reports that are produced from a new accounting system introduced during the financial year.

We are planning a continued sustainable growth until 2007 when the government's 'wider opportunities' strategy will become more widely available to primary schools. With the introduction of the new strategy, staff costs will increase as will potentially income from schools using the MMF's services.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31 AUGUST 2004

From our current financial position we plan to seek additional public grant funding and private income to meet stepped targets that will put our finances in a balanced position by 2007.

Priority: 2003/04 financial performance

The past year has seen a good all-round financial performance, supporting the drive of our three year financial plan.

Priority: Achieving increased 'true cost' recovery from our clients

MMF's business strategy over the next three years is based on the premise that charitable income should not be used to subsidise services that the state has a statutory duty to provide or a desire to see delivered. With the expected priority being on the development of 'wider opportunities' over the next three years we will be looking to the local authority and/or Government to help offset these new costs. In addition to increased grant support from the state we will also be seeking funding from the local authority to replace grants cut in the 1990s thereby placing MMF on a more equal footing with other charitable music services in the country.

Taking a gradualist approach we will also be increasing our staffing to provide training and co-ordination for this new programme of activity. Starting with two pilots during the 2004-05 year we will be gradually increasing these in number until we have reached our target with a trained workforce able and ready to lead on this important new initiative.

Priority: Increasing voluntary donations and reaching income targets

This year we have raised just over £3,000 in voluntary donations from members of the general public. Overall, this was a good performance with net income increasing by 200 per cent over last year. We are determined to build on this success in the years to come with the development of charitable giving online, raised awareness of the charity's financial assistance programmes and increased profile of the charity through company giving. We are also specifically looking for funding to increase our old and dilapidated stock of musical instruments in preparation for supporting schools wishing to take up 'wider opportunities' programmes from 2007.

Priority: Managing risk more effectively

During 2003/04 progress was made in developing an approach to managing risk within the organisation. Ten key risk headings were identified with areas such as:

- ✂ **Mission/Objectives** – Checks on activities, plans not compatible with Memorandum and Articles.
- ✂ **Law & Regulations** - Health & Safety, SORP Compliance, Education Acts.
- ✂ **Governance & Management** – Communications problems, management team effectiveness.
- ✂ **External Factors** - Acts of God/adverse weather, loss of DfES grants/changes to their use.
- ✂ **Operational** – Reputation of the charity, adverse impact on services, public relations issues.
- ✂ **Personnel** - Difficulties recruiting/training, staff unavailable for extended period.
- ✂ **Environmental** - Lease development, accommodation problems.
- ✂ **Technological** - Failure of key software, failure of hardware.
- ✂ **Academic** - Performance of service/results/expectations.
- ✂ **Financial** - Financial controls, audit compliance, tax compliance.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31 AUGUST 2004

These are being incorporated into our business plan and attention is being given to mitigating them during the course of the year. We are also considering undertaking a review of our existing risk management processes by independent management professionals. This will result in an action plan to further support MMF in establishing robust, comprehensive and effective risk management processes across the organisation.

Trustees at a meeting in January 2004 also spent time identifying the key risks facing the organisation and have taken steps to address them through delegating responsibilities through the Business Operations Manager who monitors them as part of his job and reports back to the trustees at board meetings.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31 AUGUST 2004

OBJECTIVE FIVE:

Organising in ways to help us achieve our objectives

Priority: Continuing to develop and modernise our infrastructure

Throughout 2003-2004 there has been a continuing emphasis on modernisation of the charity to ensure that it remains 'fit for purpose'. This has included reviews of the job specifications of certain senior management staff as well as all members of the administrative staff. As a result some employees have been re-graded to reflect additional responsibilities taken on during their service for MMF. As mentioned above we are also considering undertaking a review by an independent management consultant to look at the efficiency of our management structure with the aim of achieving a more strategic approach to service development and the dissemination of best practice standards across the organisation.

On the technical front, resources have been committed to bring about significant improvements to the Foundation's IT infrastructure with the installation of new Pentium 4 computers and a dedicated server to replace its ageing computer system, the roll-out of broadband connections to the internet and the development of the MMF's own intranet for staff use. During 2003-2004 we have also introduced a new database system to manage the charity's operations and a new integrated finance system to help improve the charity's financial controls and monitoring systems.

Priority: Strategic performance

A good deal of progress has been made in developing quality controls and performance targets through the charity's three-year business plan. The Foundation's Associate Directors are responsible for ensuring that the MMF achieves its strategic objectives for the year. They are responsible for developing, co-ordinating and facilitating performance management across the organisation, providing appropriate scrutiny and challenge to current practices, overseeing and supporting the development of standards and ensuring compliance with requirements laid down by the trustees. This represents a significant investment for the organisation, ensuring that we can continue to achieve high levels of performance and continue to build further on our strengths, while also being focused on identifying and addressing any areas of work that need to be improved.

Priority: Building on MMF's reputation as a first-class employer

MMF has long had a reputation as a first-class employer with a workforce that is both dedicated and extremely hard-working. Many members of the staff have been with the charity since its founding in the early 1990s. During 2003-2004 we have seen the charity expand with the number of employees increasing from 8 to 12. Over the next three years we expect to see this figure increase again with the addition of extra staff required to support the development of the 'wider opportunities' programme. This continued growth of the workforce and the increasing diversity in music service provision present challenges for the management of human resources.

To help prepare for this MMF is considering undertaking a review of its commitment as an employer with the aim of the charity successfully achieving the status of Investors in People. This will hopefully reflect the organisation's commitment to its workforce through the recognition of quality employment practices, all of which are focused on the delivery of high-quality, safe services for children, young people and adults.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31 AUGUST 2004

LOOKING TOWARDS THE FUTURE

We are proud of the achievements of MMF in 2003/2004. However, we do look to improve our services constantly. This includes developing best practice across all aspects of our work so that we properly support and deliver services for children, young people and adults.

To help do this we have prioritised a series of core strategic commitments for the year 2004/2005. These are:

Raising the profile of MMF

- ✎ To implement a whole-organisation marketing strategy to support our funding requirements and to enhance our position of influence in music education policy development. (Deadline April 2005)
- ✎ To lobby elected representatives and senior officers in the London Borough of Merton to re-invest in the future of young people in Merton by resourcing the MMF at a level equivalent to music services in other local authorities. (Deadline December 2004)

Increasing Service User Participation

- ✎ To increase the number of students using our Merton Youth Music Programme and receiving tuition from the Foundation's Instrumental Music Programme through improved advertising and publicity literature. (Deadline August 2005)
- ✎ To plan to provide a joint concert with music services from Hounslow, Kingston, Richmond and Sutton at the Royal Albert Hall in April 2005 for Youth Music musicians and secondary schools. (Deadline April 2005)
- ✎ To offer members of Merton Youth Music a French/Swiss Concert Tour during July 2005. (Deadline July 2005)

Developing our Operational Structure

- ✎ To appoint a new associate director responsible for curriculum advice and professional development. This person will also be responsible for the development and overview of the new 'wider opportunities' programme. (Deadline August 2005)

To position MMF as an employer of choice

- ✎ To begin the process of seeking an Investors in People award for MMF. This standard is based on four key principles for people development:
 - Commitment - to help employees achieve business goals and targets.
 - Planning - to review training and development needs required in context of the business.
 - Action - assuring relevant steps are taken to meet training and development needs.
 - Evaluation - measuring the outcomes of training and development for individuals and the organisation. (Deadline July 2005)

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31 AUGUST 2004

Achieving financial income targets

- ✎ To achieve increased true cost recovery from partner organisations, local authorities and schools. 'True cost' recovery from our partner agencies will have been achieved in line with the targets set out in the 2004/05 budget. (Deadline April 2005)
- ✎ To achieve our targets for raising voluntary income as set out in the budget for 2004/2005. We will have identified and taken advantage of opportunities for joint fundraising with partner charities. (Deadline August 2005)

Managing risk

- ✎ During the course of 2004-2005 we will be further refining our approach to organisational risk. This will be established with roles, responsibilities and processes all defined. The latter will also be documented, integrating risk management into our business planning for 2005-2008. (Deadline July 2005)

Providing safer care for our clients

- ✎ We already have established good practice in respect of promoting safer care. However, we recognise the need to be constantly vigilant and to be continuously improving our practice as a children's charity. Therefore, during 2004/2005 we will be reinforcing our approach to safer care through the development and implementation of an organisation-wide child protection policy and ensuring enhanced Criminal Records Bureau checks for all staff working for the charity. (Including trustees). (Deadline April 2005)

RESERVES POLICY

The trustees have recently reviewed the charity's needs for reserves and agreed a reserves policy for the next three years. This timescale is linked with the Government's Standards Fund, which has been extended until at least 2008. The trustees believe that the minimum level of reserves that the charity holds should continue to be the equivalent of three months' operating costs. The trustees feel that this is a prudent amount to hold in the eventuality of loss of grant support from central Government. Whilst such reserves would not replace the grant, they would enable the charity to continue to maintain some of its charitable objectives whilst diversifying its operations to secure new funding sources. At a time when the charity's operations are in demand more than ever, there is a need that such reserves should be built up in line with the charity's overall financial position. As such, the level of reserves required will 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:

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

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31 AUGUST 2004

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.

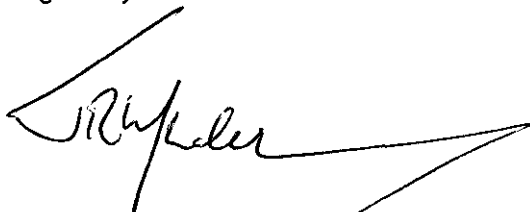
RISK ASSESSMENT

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 10 January 2005

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

YEAR ENDED 31 AUGUST 2004

We have audited the financial statements on pages 17 to 26, which have been prepared under the historical cost convention and the accounting policies set out on pages 19 to 21.

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 page 14.

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 read the other information contained in the Trustees' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or apparent material inconsistencies with the financial statements.

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 2004

OPINION

In our opinion the financial statements give a true and fair view of the charity's state of affairs as at 31 August 2004 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

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

.....16/2/05

WINDSOR STEBBING MARSH
Chartered Accountants
& Registered Auditors

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND EXPENDITURE ACCOUNT)

YEAR ENDED 31 AUGUST 2004

	Note	Total Funds 2004 £	Total Funds 2003 £
INCOMING RESOURCES			
Donations		3,280	1,091
Income resources from operating activities			
Grants receivable	2	251,757	235,783
Activities in furtherance of the charity's objective	3	442,319	349,300
Investment income	4	3,894	1,160
TOTAL INCOMING RESOURCES		701,250	587,334
RESOURCES EXPENDED			
Charitable expenditure:			
Costs of activities in furtherance of charity's objective	5	601,014	503,330
Management and administration	6	55,984	45,513
TOTAL RESOURCES EXPENDED	7	656,998	548,843
NET INCOMING RESOURCES FOR THE YEAR	8	44,252	38,491
Balances brought forward		88,815	50,323
Balances carried forward		<u>133,067</u>	<u>88,814</u>

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 19 to 26 form part of these financial statements.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

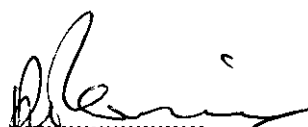
BALANCE SHEET

31 AUGUST 2004

	Note	£	2004 £	£	2003 £
FIXED ASSETS					
Tangible assets	9		43,055		16,416
CURRENT ASSETS					
Debtors	10	83,847		8,360	
Cash at bank and in hand		113,652		170,462	
		197,499		178,822	
CREDITORS: Amounts falling due within one year	11	(107,487)		(106,424)	
NET CURRENT ASSETS			90,012		72,398
TOTAL ASSETS LESS CURRENT LIABILITIES			133,067		88,814
NET ASSETS			133,067		88,814
FUNDS					
Unrestricted:					
Designated funds	13		-		4,249
Other charitable funds			133,067		84,565
TOTAL FUNDS	14		133,067		88,814

These financial statements were approved by the members of the committee on 10th January 2005 and are signed on their behalf by:


J R MANDER


D J MERRIMAN

The notes on pages 19 to 26 form part of these financial statements.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2004

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 2004

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 2004 to 31 August 2004.

Incoming resources

Incoming resources represent tuition fees and income from concerts and tours, hire of instruments, subscriptions, inset and others 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.

Expenditure for charitable purposes

This year the charity changed the presentation of direct charitable expenditure in the financial statements.

Direct charitable expenditure includes all expenditure directly related to the objects of the charity and comprises of the costs of providing instrumental tuition, tours and concert performances and education and community projects undertaken by the charity and is accounted for when payable. Certain other costs, which are attributable to more than one activity, are apportioned across cost categories on the basis of an estimate of the proportion of time spent by staff on those activities.

Management and administration

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

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2004

1. ACCOUNTING POLICIES *(continued)*

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.

2. GRANTS RECEIVABLE

	Unrestricted Funds	Total Funds 2004	Total Funds 2003
	£	£	£
Music Education Services	236,909	236,909	233,783
Instrumental music	14,848	14,848	2,000
	<u>251,757</u>	<u>251,757</u>	<u>235,783</u>

3. ACTIVITIES IN FURTHERANCE OF THE CHARITY'S OBJECTIVE

	2004	2003
	£	£
Tuition fees	346,197	293,188
Hire of instruments	20,117	20,116
Music centre subscriptions	19,747	17,999
Concert and tour income	48,477	11,678
Other income	4,750	1,362
Instrument repairs	-	210
Instruments - replacements	210	1,012
Fees - inset	2,821	3,735
	<u>442,319</u>	<u>349,300</u>

4. INVESTMENT INCOME

	2004	2003
	£	£
Bank interest receivable	<u>3,894</u>	<u>1,160</u>

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2004

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

	Total Funds 2004 £	Total Funds 2003 £
Provision of charitable services:		
Instrumental tuition	265,907	239,262
Youth music programme	125,414	113,143
Tours and concerts	74,775	31,198
Schools: professional advice and support	20,507	10,646
CPD training	17,014	15,926
Project development	41,836	47,985
Instrument hire and repair	55,561	45,170
	<u>601,014</u>	<u>503,330</u>

Analysis of provision of charitable services:

	Staff Costs £	Other Direct Costs £	Dep'n £	Allocated Support Costs £	Total 2004 £	Total 2003 £
Instrumental tuition	26,476	226,692	-	12,739	265,907	239,262
Youth music programme	51,522	68,862	-	5,030	125,414	113,143
Tours and concerts	24,477	46,261	-	4,037	74,775	31,198
Professional advice and support to Schools	11,295	8,797	-	415	20,507	10,646
CPD training	14,519	-	-	2,495	17,014	15,926
Project development	28,279	10,557	-	3,000	41,836	47,985
Instrument hire and repair	33,251	3,248	8,035	11,027	55,561	45,170
	<u>189,819</u>	<u>364,417</u>	<u>8,035</u>	<u>38,743</u>	<u>601,014</u>	<u>503,330</u>

6. MANAGEMENT AND ADMINISTRATION

	Staff Costs £	Other Direct Costs £	Dep'n £	Allocated Support Costs £	Total 2004 £	Total 2003 £
Salaries	27,357	-	-	-	27,357	23,265
Pension Costs	1,328	-	-	-	1,328	977
Accountancy fees	-	665	-	-	665	1,723
Audit fees	-	4,465	-	-	4,465	3,350
Bookkeeping	-	5,696	-	-	5,696	4,695
Professional and legal fees	-	45	-	-	45	15
Bank charges	-	1,680	-	-	1,680	403
Sundries	-	35	-	-	35	172
Depreciation	-	-	6,317	-	6,317	2,965
Profit on disposal of office equipment	-	(109)	-	-	(109)	-
Allocated support costs	-	-	-	8,505	8,505	7,948
	<u>28,685</u>	<u>12,477</u>	<u>6,317</u>	<u>8,505</u>	<u>55,984</u>	<u>45,513</u>

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2004

7. TOTAL RESOURCES EXPENDED

	Staff Costs £	Other Direct Costs £	Dep'n £	Allocated Support Costs	Total Funds 2004 £	Total Funds 2003 £
Direct charitable expenditure	189,819	364,417	8,035	38,743	601,014	503,330
Management and administration	28,685	12,477	6,317	8,505	55,984	45,513
	<u>218,504</u>	<u>376,894</u>	<u>14,352</u>	<u>47,248</u>	<u>656,998</u>	<u>548,843</u>

The aggregate payroll costs were:

	2004 £	2003 £
Wages and salaries	186,375	153,138
Social security costs	14,470	10,908
Other pension costs	17,659	12,119
	<u>218,504</u>	<u>176,165</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 (2003 - £Nil).

Professional indemnity and liability insurance is provided for the trustees at a cost of **£1,313** (2003 - £1,103).

Particulars of employees:

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

	2004 No	2003 No
Number of employees	<u>12</u>	<u>8</u>

**MERTON MUSIC FOUNDATION
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2004

8. NET INCOMING RESOURCES FOR THE YEAR

This is stated after charging:

	2004 £	2003 £
Staff pension contributions	17,659	12,119
Depreciation	14,352	5,473
(Profit)/Loss on disposal of charitable purposes fixed assets	(727)	2,319
Auditors' remuneration - as auditors	<u>4,465</u>	<u>3,350</u>

9. TANGIBLE FIXED ASSETS

	Music and instruments £	Office equipment £	Computer equipment £	Total £
COST				
At 1 September 2003	25,673	11,532	15,860	53,065
Additions	24,650	9,158	7,286	41,094
Disposals	(425)	—	(299)	(724)
At 31 August 2004	<u>49,898</u>	<u>20,690</u>	<u>22,847</u>	<u>93,435</u>
DEPRECIATION				
At 1 September 2003	18,151	8,468	10,030	36,649
Charge for the year	8,035	3,056	3,261	14,352
On disposals	(393)	—	(228)	(621)
At 31 August 2004	<u>25,793</u>	<u>11,524</u>	<u>13,063</u>	<u>50,380</u>
NET BOOK VALUE				
At 31 August 2004	<u>24,105</u>	<u>9,166</u>	<u>9,784</u>	<u>43,055</u>
At 31 August 2003	<u>7,522</u>	<u>3,064</u>	<u>5,830</u>	<u>16,416</u>

10. DEBTORS

	2004 £	2003 £
Trade debtors	81,140	5,394
Other debtors	<u>2,707</u>	<u>2,966</u>
	<u>83,847</u>	<u>8,360</u>

**MERTON MUSIC FOUNDATION
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2004

11. CREDITORS: Amounts falling due within one year

	2004	2003
	£	£
Trade creditors	30,972	19,413
Taxation and social security	4,834	3,885
Accruals and deferred income	71,681	83,126
	<u>107,487</u>	<u>106,424</u>

12. COMMITMENTS UNDER OPERATING LEASES

At 31 August 2004 the charity had annual commitments under non-cancellable operating leases as set out below.

	Assets other than land and buildings	
	2004	2003
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>1,336</u>	<u>1,336</u>

13. DESIGNATED FUNDS

	Balance at 1 September 2003	Movement in resources:	
	£	Utilised/ Released	Balance at 31 August 2004
	£	£	£
Grants receivable	<u>4,249</u>	<u>(4,249)</u>	<u>-</u>

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Total Funds 2004	Total Funds 2003
	£	£
Fund balances at 31 August 2004 are represented by:		
Unrestricted funds		
Fixed assets	43,055	16,416
Other net current assets	90,012	72,399
	<u>133,067</u>	<u>88,815</u>
Total funds	<u>133,067</u>	<u>88,815</u>

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2004

15. RELATED PARTY TRANSACTIONS

During the year J R Mander was employed by the charity as Chief Executive Officer. J R Mander is also a member of the board of trustees.

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.

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 (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%.

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

18. CONTROL

The charity was under the control of the board of trustees throughout the current and previous year.