

MERTON MUSIC FOUNDATION

COMPANY LIMITED BY GUARANTEE

Trustees' Report and Financial Statements

For the year ended 31 August 2005

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



A Registered Charity

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2005

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MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

MEMBERS OF THE BOARD, PROFESSIONAL ADVISERS AND STAFF

MEMBERS OF THE BOARD

Trustees	Mr J R Mander Mrs D R Hewitt Mr D J Merriman Mr W I Newman Mr H C Wilson
Company Number	2590621
Registered Charity Number	1004122
Company Secretary	Mr J R Mander
Registered Office	MMF 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 Woodhouse Davies and Martin 137-141 High Street New Malden Surrey KT3 4HA

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

MEMBERS OF THE BOARD, PROFESSIONAL ADVISERS AND STAFF

SENIOR MANAGEMENT TEAM

Chief Executive	John Mander
Associate Director (Curriculum)	Soo Beer (From April 2005)
Associate Director (Client Services)	Martin Stuart
Associate Director (Business Services)	Peter Woodings

INSTRUMENTAL CO-ORDINATORS

Brass	Norma Whitson
Percussion	James Heywood
Strings	Deborah Parsons
Woodwind	Sara Grint

ADMINISTRATION

Business Operations Manager	Robert Soper (September – December 2004) Julee Awoonor-Gordon (April 2005 onwards)
Administrator (Finance)	Julie Raper Mavis Howard-Jones (From November 2004)
Administrator (Services)	Kathleen Doherty
Administrator (Music Centre)	Mavis Howard-Jones (September – October 2004) Hannah Morris (From November 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 2005

The word "inspiring" is not perhaps the first adjective that springs to mind when confronted with a document headed "Report and Financial Statements"!

Financial illustrations, administrative and statutory explanations are of course essential ingredients of such reports, but perusal of these in isolation fail to capture the true spirit and inspiration of any organisation - and Merton Music Foundation is no exception.

The Trustees of the Foundation are privileged to experience the broadest possible workings of MMF. From seeing the establishment of junior music groups, unravelling the intricacies of Company and Charity Law and receiving reports of successful international tours, to dealing with human resource matters. Through all these it is evident that "inspiration" is indeed at the heart of what has driven MMF over the last year.

It is inspiration that is imparted from tutors to pupils, from fellow player to fellow player and, significantly, from John Mander as Chief Executive, the Senior Management Team, Coordinators and Administrative Team - such genuine inspiration, filtering as it does, throughout the whole Foundation.

I am delighted to report that growth has continued to occur throughout many areas of the Foundation's work. At the beginning of the calendar year Julie Awoonor-Gordon was welcomed as Business Operations Manager followed by Soo Beer as our new Associate Director (Curriculum).

July 2005 saw the completion of a very successful tour to France and Switzerland, which included performances in prestigious venues. As the final part of the financial year was approaching so Merton Youth Jazz Orchestra were competing in National Competitions which would ultimately lead them to win their sector and perform at The Royal Albert Hall.

A wonderful landmark occurred in May when The Worshipful Mayor of Merton, Councillor Judy Saunders, appointed Merton Music Foundation as the sole beneficiary of the Mayor's Charity during her year of office. This appointment is a great privilege, and there is no doubt that the profile of the Foundation and the value of its work are being significantly enhanced as a result.

The value of music education is now well endorsed by Central Government, but now that it is indicating the likely implementation of radical changes in the structure and funding of local education services, so there is inevitable concern at how music services such as MMF will be fully resourced.

I am delighted to report that this financial year has been one of marked growth and success. I trust that notwithstanding the prospect of fundamental changes in the funding of local education services in the future, the inspirational successes in music and the performing arts in Merton can be maintained and developed.



David Merriman
Chair of Trustees
Merton Music Foundation
9 January 2006

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

CHIEF EXECUTIVE'S REPORT

YEAR ENDED 31 AUGUST 2005

It was a positive year for Merton Music Foundation with considerable expectations and challenges placed upon the charity. Much of our work during the year focused on preparing the way for the Government's 'wider opportunities' initiative and the development of our management in readiness for the increased expectations and workload that the initiative will bring in future years.

We have started this process by developing a new management structure that will see our four Strategic Coordinators working closely with the recently appointed Associate Director (Curriculum) who is responsible for music development in our primary schools. This has been a key appointment for MMF with the post holder given responsibility for the coordination and development of this important area of the charity's operations. A significant landmark during the year was the piloting of two wider opportunities initiatives in our primary schools. This ground breaking work demonstrated the potential of this new type of teaching and the benefits it can bring to children's learning. Following on the success of these pilots, plans are now underway to provide two further initiatives for 2005-2006, which will see eight schools receive wider opportunities programmes, four delivered by instrumental staff from MMF and four with vocal programmes delivered by the Voices Foundation. This second programme aims to provide schools with a music curriculum that embeds effective teaching and learning through in-school support and in-depth professional development provided by the Voices Foundation through their in-service training course for music curriculum leaders.

Undoubtedly one of the highlights of the year was when over 275 Merton children appeared at the Royal Albert Hall as part of 'Making Waves 2005'. This large scale joint production with the music services of Hounslow, Kingston, Richmond and Sutton saw over 1,000 young people take part in performances of 'Babel' by composer Pete Churchill, and in a massed concert band and joint orchestra in what must have been one of the most inspirational nights of music making in London in recent years. The event was made possible with the support of Artsology, a new partnership charity, jointly founded by Merton Music Foundation, Richmond Music Trust and Sutton Youth Music Supporters Association. Another major achievement of the year was the Merton Youth Jazz Orchestra reaching the National Festival of Music for Youth and receiving a 'highly commended' award. Further accolades followed with MYJO receiving an invitation to the Music for Youth Schools Proms at the Royal Albert Hall in November 2005.

The year also saw exciting developments with the launch of our new website which aims to provide improved information on the charity's operations and new innovations such as online registrations for our training courses, online payments of fees and the ordering of goods celebrating the work of the Foundation. This new facility has been welcomed by the general public with many new visitors to the website enquiring about the MMF's work and the availability of places in our youth music programme.

We are delighted this year to be chosen by The Worshipful Mayor of Merton, Councillor Judy Saunders, to be the Mayor's Charity for 2005/06. This recognition is of great significance for the charity in helping to raise the profile of the Foundation and the value of its work in the London Borough of Merton.

As for the future, Merton Music Foundation like many organisations has signed up to the aspirations of the Government's Music Manifesto which aims to bring together the considerable 'good-will' that is now out there. With their pledge that "*over time, every primary school child that wants to should have the opportunity of learning a musical instrument*", we hope that in the coming years that the Government will be able to match this enthusiastic rhetoric with the much needed funding that is required to deliver wider opportunities entitlement in this borough. How this will be channelled to music services like the MMF remains the key question.



John Mander
Chief Executive
Merton Music Foundation
9 January 2006

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT

YEAR ENDED 31 AUGUST 2005

The trustees, who are also directors for the purposes of the Companies Act, present their report and the financial statements of the charity for the year ended 31 August 2005.

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. The company's charitable objectives are regulated by its Memorandum and Articles of Association.

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 2005

REVIEW OF DEVELOPMENTS, ACTIVITIES AND ACHIEVEMENTS

The following review provides an overview of our developments, activities and achievements with reference to our strategic plan and the objectives that it sets out. MMF has organised its work around five strategic objectives providing a framework for planning across the organisation and reviewing our performance and achievements. In addition we have also set ourselves nine core strategic targets for the year being reported on. These 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 5,000 young people and adults taking part in the charity's four programmes of activity.

Priority: Increasing user participation

Programme 1: Instrumental and vocal music tuition

- ✎ The number of tuition hours in Merton schools continued to increase and reached 498 hours per week.
- ✎ The number of pupils receiving music/vocal tuition reached 1,500 students.
- ✎ Over the year over 10,000 music lessons were delivered in schools and at the Music Centre.
- ✎ 317 children benefited from support from the MMF's Trust Fund and/or schools providing remitted tuition places.
- ✎ The number of instruments on hire levelled to 384 during the year providing much needed funds to support our 'Trust Fund' remission scheme.

Programme 2: Borough wide bands, orchestras, choirs and ensembles

- ✎ The Foundation's mid week and Saturday music centres continue to provide an important focus for our 'out of school' activities. 17 music groups were provided during the year for musicians to perform in. These included 3 orchestras, 2 concert bands, 2 jazz orchestras, 2 choirs and 5 smaller ensembles. The year also saw the launch of two new groups for young children – 'String Busters' and 'Young Music Makers'. Current membership of Merton Youth Music reached 360 with total membership of ensembles reaching 498.
- ✎ Another 'Play Day' was held during September 2004 - many of the players who attended have gone on to learn musical instruments including 'endangered species' instruments like the oboe, french horn and bassoon.
- ✎ Throughout the year the Foundation continued to support a busy programme of concerts at various locations. Our bands, orchestras, choirs and ensembles gave 24 concerts during the year with highlights including the Merton Youth Jazz Orchestra (MYJO) and the Merton Youth Concert Band (MYCB) performing at the Royal Albert Hall as part of 'Making Waves 2005'. MYJO during the year also reached the National Festival of Music for Youth achieving a 'Highly Commended' Award at the Adrian Boult Hall in Birmingham. MYCB and MYJO also appeared at the Wimbledon Tennis Championships and members of MYJO toured France and Switzerland during July 2005. Other notable events included The Mayor of Merton's Carol Concert, a special big band dinner and dance to raise funds for our 2005 Youth Music Tour and our 2005 Gala concert, which ended the year on a high note at the Fairfield Halls, Croydon.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31 AUGUST 2005

Programme 3: Curriculum and project development in schools

- ✎ Promoted by the charity 'Artsology' and in partnership with Hounslow Music Service, Kingston Music and Arts Service, Richmond Music Trust and Sutton Youth Music Service, the Foundation participated in a major project designed to celebrate the universal nature of music. The project titled 'Making Waves' incorporated a 'groove' oratorio called 'Babel', which was written by composer Pete Churchill and performed by a choir of 700 voices, big band and orchestra. The work also featured the internationally renowned jazz saxophonist Stan Sulzmann. A series of workshops took place at the Merton Music Foundation with choirs from local primary and secondary schools including Hollymount Primary School, Holy Trinity CE Primary School, Merton Park Primary School, The Priory CE Primary School, Wimbledon Chase Primary School, Wimbledon Park Primary School and Ricards Lodge High School. The event culminated in an amazing concert at the Royal Albert Hall on 25 April 2005. The Foundation plans to continue participating in partnership work like this for further large scale events.

Programme 4: Professional development and training for teachers

The Foundation's training services continued to be in demand during the year

- ✎ 66 schools used our services in the London Boroughs of Merton and Sutton; 25 of these were schools from the London Borough of Sutton.
- ✎ 159 teachers received training during the year.
- ✎ 6 Professional Development courses were provided for teachers.
- ✎ 3 termly meetings were held for Music Co-ordinators to share expertise and information.
- ✎ 3 termly meetings were held for Heads of Music and music teachers from secondary schools in Merton and Sutton LEAs (joint LEA meetings).
- ✎ 4 teachers received specialist training through the Voices Foundation Local Advisory Teachers scheme.

OBJECTIVE TWO:

Sustaining and enhancing the quality of our services

Priority: Measuring outcomes and success

A review of customer quality assurance was undertaken with a revised questionnaire issued to clients in July 2005. Results overall show a consistent picture with an increase in the rating of the charity's ensemble provision.

MMF QUALITY SURVEYS: 2001 – 2005

% who rated performance Good or Excellent

	2001/02	2002/03	2003/04	2004/05
Instrumental/Vocal Tuition	84	83	75	77
MMF Ensemble Provision	87	78	79	86
Administration (MMF)	78	80	76	75
Administration (school)	57	60	41	41
Information/Advice	66	67	63	69
Number of forms returned	297	272	283	288
% of total sent out	26	24	23	20

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31 AUGUST 2005

OBJECTIVE THREE:

Developing our marketing and communications

With the loss of our Business Operations Manager in December 2004 much of the planned work in this important area of development was postponed until the new manager was in post in April 2005. We intend during the 2005-2006 financial year to revisit this important area and agree a new business plan for the period from April 2005 – March 2008. The plan will need to take into account the issues of the future of the Music Services Standards Fund grant, wider opportunities funding from the government and development plans for our four programmes for the next three years. A key focus for this will be our priority of public relations and improved communications.

Priority: Raising public awareness of MMF

During 2004-2005 this included:

- ✎ Successfully updating our website with new information pages, improved photo gallery and facilities for the public that include online payment facilities for lessons fees, concert recordings, publications and souvenir photographs.

For 2005-2006 we aim to extend this further with the

- ✎ Issue of a guide to the charity's four programmes of services.
- ✎ New leaflets on our Music Centre activities and tuition in schools.
- ✎ Publishing extracts of our annual charity reports electronically.
- ✎ Reintroducing our annual advocacy magazine 'Music Matters'.

OBJECTIVE FOUR:

Achieving a sustainable financial future

Merton Music Foundation 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 our accounting system.

With the Government's 'wider opportunities' strategy expected to become more widely available to schools from 2007 we are actively seeking funding to cover the costs of increased staffing costs incurred by this major initiative. From our current financial position, we plan to seek this additional funding, either from the local authority in terms of grant funding or from charges to schools to recover the costs of delivering wider opportunities work. With this in mind, we aim to set stepped targets that will put our finances in a balanced position by 2008.

Priority: 2004-2005 financial performance

The past year has seen an increased demand on our services with good all-round financial performance supporting the drive of our three-year financial plan. The year has seen increased costs of 8%, with 6% representing increased staffing costs supporting the charitable work of the Foundation.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31 AUGUST 2005

This is summarised in the charts below.

INCOME

Chart removed – available in version filed with the Charity Commission

EXPENDITURE

Chart removed – available in version filed with the Charity Commission

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

MMF's business strategy over the next three years will continue to be based on the premise that charitable income should not be used to subsidise services that the local authority or schools have a 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 schools and/or the Government to help offset these additional costs. The other key drive will focus on seeking funding from the local authority to replace grants that were cut in 1996, enabling the Foundation to operate on an equal footing with other music services in the country.

Priority: Increasing voluntary donations and reaching income targets

Overall, this was a good year for charitable giving with donations increasing over the previous year. We are determined to build on this success with the development of charitable giving online, raised awareness of the charity's financial assistance programmes and increased profile of the charity's work through company giving. Next year will also see the Merton Music Foundation as the sole beneficiary of proceeds from The Mayor of Merton's Charity. All monies received from this fund raising cause will be used to benefit our charitable objectives for the year, in particular our support for children in special schools.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31 AUGUST 2005

Priority: Managing risk more effectively

Further progress has been made in developing an approach to managing risk within the organisation. Ten key risk headings have been 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.

Each of these is being incorporated into our business plan with attention being given to mitigating them during the course of the year. The Chief Executive is now responsible for monitoring them as part of his job and reports back to the trustees on key issues at board meetings.

OBJECTIVE FIVE:

Organising in ways to help us achieve our objectives

Priority: Continuing to develop our infrastructure

Throughout the year there has been a continuing emphasis on the development of the charity to ensure that it remains 'fit for purpose'. This has included further reviews of job specifications for senior management staff and the appointment of a new Business Operations Manager to replace the previous post holder who left in December 2004.

On the technical front, resources have been committed to improve the Foundation's IT infrastructure with rebuilds to our older Pentium computers, an improved telephone system and a networked photocopier for the main office. For 2005-2006, we aim to upgrade our server to provide remote working facilities for our employees to improve operational communications.

Priority: Strategic performance

Quality control and performance targets remain a concern for the trustees. 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. Following the appointment of our new Associate Director (Curriculum), we now have one full time employee who has the time to undertake this in the curriculum areas of our work. Quality control of our instrumental and vocal programmes remains an issue with both Associate Directors on part time contracts. With reduced grants from the local authority, further funding is required for this to change.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31 AUGUST 2005

RESERVES POLICY

The trustees have reviewed the charity's needs for reserves and agreed a reserves policy in line with the guidance issued by the Charity Commission. It is the policy of the charity to seek to maintain unrestricted funds, which are the free reserves of the charity. Reserves will be built up at a level, which equates to at least 1-month's unrestricted expenditure and over time the charity seeks to build up reserves 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:

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

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.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31 AUGUST 2005

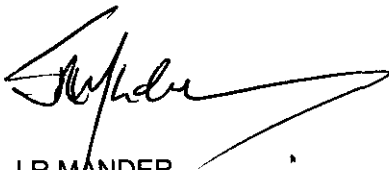
RISK ASSESSMENT

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 9 January 2006

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

YEAR ENDED 31 AUGUST 2005

We have audited the financial statements on pages 15 to 24, which have been prepared under the historical cost convention and the accounting policies set out on pages 17 to 18.

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 11.

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 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 2005

OPINION

In our opinion the financial statements give a true and fair view of the charity's state of affairs as at 31 August 2005 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.

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

6/3/06



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 2005

	Note	Total Funds 2005 £	Total Funds 2004 £
INCOMING RESOURCES			
Donations		18,088	3,280
Income resources from operating activities			
Grants receivable	2	241,387	251,757
Activities in furtherance of the charity's objective	3	424,943	442,319
Investment income	4	5,274	3,894
TOTAL INCOMING RESOURCES		689,692	701,250
RESOURCES EXPENDED			
Charitable expenditure:			
Costs of activities in furtherance of charity's objective	5	654,438	601,014
Management and administration	6	56,839	55,984
TOTAL RESOURCES EXPENDED	7	711,277	656,998
NET (OUTGOING)/INCOMING RESOURCES FOR THE YEAR	8	(21,585)	44,252
Balances brought forward		133,067	88,815
Balances carried forward		111,482	133,067

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 17 to 24 form part of these financial statements.

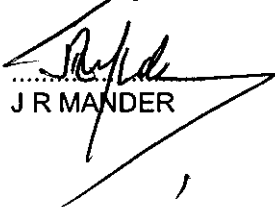
MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

BALANCE SHEET

31 AUGUST 2005

	Note	£	2005 £	£	2004 £
FIXED ASSETS					
Tangible assets	9		40,587		43,055
CURRENT ASSETS					
Stocks	10	360		—	
Debtors	11	10,994		83,847	
Cash at bank and in hand		214,915		113,652	
		226,269		197,499	
CREDITORS: Amounts falling due within one year	12	(155,374)		(107,487)	
NET CURRENT ASSETS			70,895		90,012
TOTAL ASSETS LESS CURRENT LIABILITIES			111,482		133,067
NET ASSETS			111,482		133,067
FUNDS					
Other charitable funds	14		111,482		133,067
TOTAL FUNDS			111,482		133,067

These financial statements were approved by the members of the committee on the 9th January 2006 and are signed on their behalf by:


J R MANDER


D J MERRIMAN

The notes on pages 17 to 24 form part of these financial statements.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2005

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

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

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

The charity contributes to the Teachers Pension Scheme on behalf of the teaching staff and also contributes to defined contribution pension schemes which have been arranged by four members of staff, who are not eligible to join the Teachers' Pension Scheme.

Pension costs charged in the Statement of Financial Activities represent the contributions payable by the charity in the year.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2005

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 tuitions, 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.

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.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2005

2. GRANTS RECEIVABLE

	Total Funds 2005 £	Total Funds 2004 £
Music Education Services	241,387	236,909
Instrumental music	-	14,848
	<u>241,387</u>	<u>251,757</u>

3. ACTIVITIES IN FURTHERANCE OF THE CHARITY'S OBJECTIVE

	2005 £	2004 £
Tuition fees	357,540	346,197
Hire of instruments	18,994	20,117
Music centre subscriptions	21,678	19,747
Concert and tour income	21,673	48,477
Other income	1,197	4,750
Instrument repairs	71	-
Instruments - replacements	-	210
Fees - inset	3,790	2,821
	<u>424,943</u>	<u>442,319</u>

4. INVESTMENT INCOME

	2005 £	2004 £
Bank interest receivable	<u>5,274</u>	<u>3,894</u>

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

	Total Funds 2005 £	Total Funds 2004 £
Provision of charitable services:		
Instrumental Tuition	285,219	265,907
Youth Music Programme	155,992	125,414
Tours and Concerts	53,230	74,775
Schools: Professional Advice and Support	23,916	20,507
CPD Training	17,859	17,014
Project Development	61,831	41,836
Instrument Hire and Repair	56,391	55,561
	<u>654,438</u>	<u>601,014</u>

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2005

5. COSTS OF ACTIVITIES IN FURTHERANCE OF CHARITY'S OBJECTIVE *(continued)*

Analysis of provision of charitable services:

	Staff Costs	Other Direct Costs	Dep'n	Allocated Support Costs	Total 2005	Total 2004
	£	£	£	£	£	£
Instrumental Tuition	36,208	233,934	-	15,077	285,219	265,907
Youth Music Programme	61,914	90,632	-	3,446	155,992	125,414
Tours and Concerts	26,232	23,552	-	3,446	53,230	74,775
Professional advice and support to schools	17,347	6,569	-	-	23,916	20,507
CDP Training	15,705	-	-	2,154	17,859	17,014
Project Development	39,140	20,537	-	2,154	61,831	41,836
Instrument Hire and Repair	34,561	4,919	8,295	8,616	56,391	55,561
	<u>231,107</u>	<u>380,143</u>	<u>8,295</u>	<u>34,893</u>	<u>654,438</u>	<u>601,014</u>

6. MANAGEMENT AND ADMINISTRATION

	Staff Costs	Other Direct Costs	Dep'n	Allocated Support Costs	Total 2005	Total 2004
	£	£	£	£	£	£
Salaries	27,723	-	-	-	27,723	27,357
Pension Costs	1,081	-	-	-	1,081	1,328
Accountancy fees	-	470	-	-	470	665
Audit fees	-	4,465	-	-	4,465	4,465
Bookkeeping	-	5,040	-	-	5,040	5,696
Professional and legal fees	-	2,769	-	-	2,769	45
Bank charges	-	1,742	-	-	1,742	1,680
Sundries	-	129	-	-	129	35
Depreciation	-	-	5,235	-	5,235	6,317
Profit on disposal of office equipment	-	-	-	-	-	(109)
Allocated support costs	-	-	-	8,185	8,185	8,505
	<u>28,804</u>	<u>14,615</u>	<u>5,235</u>	<u>8,185</u>	<u>56,839</u>	<u>55,984</u>

7. TOTAL RESOURCES EXPENDED

	Staff Costs	Other Direct Costs	Dep'n	Allocated Support Costs	Total Funds 2005	Total Funds 2004
	£	£	£	£	£	£
Direct charitable expenditure	231,107	380,143	8,295	34,893	654,438	601,014
Management and administration	28,804	14,615	5,235	8,185	56,839	55,984
	<u>259,911</u>	<u>394,758</u>	<u>13,530</u>	<u>43,078</u>	<u>711,277</u>	<u>656,998</u>

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2005

7. TOTAL RESOURCES EXPENDED *(continued)*

The aggregate payroll costs were:

	2005	2004
	£	£
Wages and salaries	215,305	186,375
Social security costs	15,925	14,470
Other pension costs	21,103	17,659
	<u>252,333</u>	<u>218,504</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 (2004 - £Nil).

Professional indemnity and liability insurance is provided for the trustees at a cost of £1,312 (2004 - £1,103).

Particulars of employees:

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

	2005	2004
	No	No
Number of employees	<u>13</u>	<u>12</u>

8. NET INCOMING RESOURCES FOR THE YEAR

This is stated after charging:

	2005	2004
	£	£
Staff pension contributions	21,103	17,659
Depreciation	13,529	14,352
Profit on disposal of charitable purposes fixed assets	-	(727)
Auditors' remuneration		
- as auditors	<u>4,465</u>	<u>4,465</u>

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2005

9. TANGIBLE FIXED ASSETS

	Music and instruments £	Office equipment £	Computer equipment £	Total £
COST				
At 1 September 2004	49,898	20,690	22,847	93,435
Additions	9,070	817	1,174	11,061
At 31 August 2005	58,968	21,507	24,021	104,496
DEPRECIATION				
At 1 September 2004	25,793	11,524	13,063	50,380
Charge for the year	8,294	2,496	2,739	13,529
At 31 August 2005	34,087	14,020	15,802	63,909
NET BOOK VALUE				
At 31 August 2005	24,881	7,487	8,219	40,587
At 31 August 2004	24,105	9,166	9,784	43,055

10. STOCKS

	2005 £	2004 £
Stock	360	—

11. DEBTORS

	2005 £	2004 £
Trade debtors	5,606	81,140
Other debtors	5,388	2,707
	10,994	83,847

12. CREDITORS: Amounts falling due within one year

	2005 £	2004 £
Trade creditors	11,004	30,972
Taxation and social security	5,972	4,834
Accruals	138,398	71,681
	155,374	107,487

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2005

13. COMMITMENTS UNDER OPERATING LEASES

At 31 August 2005 the charity had annual commitments under non-cancellable operating leases as set out below.

	Assets other than land and buildings	
	2005	2004
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>2,047</u>	<u>1,336</u>

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Total Funds 2005	Total Funds 2004
	£	£
Fund balances at 31 August 2005 are represented by:		
Unrestricted funds		
Fixed assets	40,587	43,055
Other net current assets	<u>70,895</u>	<u>90,012</u>
	<u>111,482</u>	<u>133,067</u>
Total funds	<u>111,482</u>	<u>133,067</u>

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.

The company is a member of Artsology; a charity registered in December 2004 and set up by Merton Music Foundation, Richmond Music Trust and Sutton Youth Music Supporters Association. J R Mander, who is a trustee of the charity, is also a trustee of Artsology. The company has incurred the set up costs of Artsology amounting to £1,548. During the year, the company purchased services at arm's length from Artsology totalling £4,000 and no amount is outstanding at the end of the year.

MERTON MUSIC FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2005

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

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 of 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. From 1 April 2003, the employer contribution rate is 13.5%.

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

18. CONTROL

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