

THE LOAN FUND FOR MUSICAL INSTRUMENTS
TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

The Loan Fund for Musical Instruments

Patron

H.R.H. THE PRINCE OF WALES, KG, KT, GCB, PC

Vice-Presidents

DAME JANET BAKER, CH, DBE

DANIEL BARENBOIM LEVON CHILINGIRIAN, OBE

NICHOLAS DANIEL SIR ANDREW DAVIS, CBE

BERNARD HAITINK, Hon. CH, Hon. KBE

SIR ROGER NORRINGTON, CBE

SIR SIMON RATTLE, CBE

Trustees

THE ARTS COUNCIL OF ENGLAND

THE MUSICIANS' UNION

THE ROYAL SOCIETY OF ARTS

RODNEY SLATFORD, OBE, FRNCM, HON RCM

THE WORSHIPFUL COMPANY OF MUSICIANS

HELEN FAULKNER

Registered Charity Number

277909

Executive Committee of the Trustees

Chris Walters – Representative, Musicians' Union, Trustee

Levon Chilingirian OBE – Representative, Worshipful Company of Musicians, Trustee

Rodney Slatford, OBE, FRNCM, Hon. RCM, Trustee

Helen Faulkner, Trustee

Secretary to the Trustees

Hugh Lloyd

Independent Examiner

Cara Turtington FCA DChA
Saffery Champness LLP
71 Queen Victoria Street
London
EC4V 4BE

Bankers

Child & Co Bankers
1 Fleet Street
London EC4Y 1BD

Investment managers

Cazenove Capital Management
Schroder & Co. Ltd
1 London Wall Place
London
EC2Y 5AU

Website: www.lfmi.org.uk

1, Speed Highwalk, Barbican,
LONDON, EC2Y 8DX

THE LOAN FUND FOR MUSICAL INSTRUMENTS

Forty first Annual Report of the Executive Committee of the Trustees For the year ended 31 March 2021

The Trustees present their Annual Report for the year ended 31 March 2021, together with the financial statements of the Trust.

The financial statements comply with current legal requirements, the Charities Act 2011, Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

Constitution and Aims

The sole aim of the Fund, set up under a Trust Deed in 1979, is to help talented young professional musicians to purchase instruments of the quality they need. Although the Fund is now widely known among such players, additional publicity for its activities is always very welcome.

Organisation

The Fund is administered through the Executive Committee. Each of the four founding organisations is entitled to appoint a trustee. These organisations are: The Worshipful Company of Musicians, The Musicians' Union, The Arts Council and the Royal Society of Arts. With the exception of the Arts Council of England, which has resiled from appointing such a representative and the Royal Society of Arts, the remaining founding trustees have each nominated an individual as a trustee. The power to appoint new trustees is vested in the existing trustees at the time.

All trustee representatives or individual trustees are members of the Executive Committee, which meets three times a year. The Trust is managed through the offices of the Worshipful Company of Musicians.

Ave Atque Vale

Diane Widdison, The Musicians Union appointee resigned on 31st December 2020 and was replaced by Chris Walters. Petronella Burton-Brown, the WCOM appointee resigned on 14th June 2021 and was replaced by Levon Chilingarian OBE. Geoff Parkin resigned on 11th June 2021, as did the Chairman, Robert Montgomery on 14th June.

As at the date of the signing of the 2021 Report and accounts, the Executive Committee was as shown on page 2.

Trustees' responsibilities in relation to the financial statements

Law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the charity's financial activities during the year and of its financial position at the end of the year. In preparing those financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

THE LOAN FUND FOR MUSICAL INSTRUMENTS

Annual Report continued

The trustees are responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Reserves and Investment Policy

Reserves are invested in the Cazenove Charity Multi-Asset Fund. In normal times, the trustees endeavour to maintain a balance between invested funds, on which they aim to obtain a market return, and funds lent to borrowers where the interest rate will be below the market rate, so that there are sufficient funds to make appropriate loans and grants, while maintaining the value of the portfolio so that it can be available for future generations. In addition the Trustees are prepared to add 1% of any capital gains of the portfolio to the money available for grants. In the short term, the Fund has resources to meet applications for loans and satisfy most of the appropriate applications for grants. The Loan Fund does not normally own instruments, but following the end of a 10 year part-ownership scheme which the player did not want to continue, it currently has a cello by Giovanni Grancino in New York seeking a buyer.

In 2020, due to Covid-19, the value of the invested portfolio fell from £1,417,366 on 12 February 2020 to £1,206,555 on 31 March 2020. To protect the future of the Fund, the trustees then decided that, although existing offers of loans or grants would be honoured, (subject to any conditions attached by the Committee,) no new applications for grants or loans would be considered until the trustees could see the way forward. The Committee next met on 16 February 2021, to consider applications, by which time the value of the Fund, which is managed by Cazenove, had recovered to £1,477,445. On 31 March 2021 the value of the investment portfolio was £1,444,747.

As at 31 March 2021 net assets were £1,876,429 (£1,623,748) During the year the Fund received a dividend of £58,281 (£59,192), which is 4% of the value of the portfolio, smoothed out over the previous 3 years. Together with loan interest and donations received, this gave total income of £61,165 (£63,433). During the year, offers of grants totalling £25,198 were made.

Risk Management

The Fund does not regard itself as exposed to any material risks.

Public Benefit

The Executive Committee has addressed the matter of the public benefit provided by the Fund, and believe that this is inherent, in that, subject to the rules, any professional musician may apply to the Fund for help in obtaining a suitable instrument with which to pursue his or her career. The financial help given to professional musicians to enable them to purchase high quality instruments helps to improve the standard of public concerts.

Review of activities

The Fund's main activity is the lending of money to young professional musicians under the age of thirty six, for the purchase of an appropriate and specific instrument, over a period of up to five years, currently at 2.5% APR. Repayments are made monthly. Usually up to about 70 % of the cost of the agreed instrument is lent. Applicants have to give references, as well as demonstrating their professional career and their ability to repay. Most of the applications are in respect of string instruments, where the amount borrowed has normally been between £5,000 and £30,000. There are some fine contemporary makers and the Fund is keen to encourage British luthiers.

In addition the Fund considers applications for grants of up to one-third of the value of an instrument costing not more than £15,000 to students who have reached the third year of their full-time studies or until two years after graduating. Prudent management of the Fund's financial resources usually allows annual grant offers of £45,000, but as reported above, from March 2020 until February 2021 the Fund

THE LOAN FUND FOR MUSICAL INSTRUMENTS

decided not to make offers of grants and loans until the financial situation was clearer.

Annual Report continued

Applicants apply on a standard form, from which the Committee reaches a decision on the appropriateness of the application. During the year no offers of loans were made (17 in 2019/20 totalling £120,588). 17 grant applications were received from which £25,198 offers were made. Not all offers result in a loan or grant being taken up.

The Grant Scheme was introduced in 2004 and to date some £800,000 has been paid out. When the scheme was first introduced, concern was expressed in the Executive Committee as to whether all the students we helped would go on to play professionally. The three research exercises we have carried out on grantees since 2004 have shown that the majority do. In the extensive survey we carried out in 2016, the 148 grantees from 2005-2012 were identified on the internet and contacted. 128 replied to say that they were still in the music business, most with mixed careers involving playing and teaching.

Although the Fund is seldom able to award the total amount requested, and indeed encourages applicants to look elsewhere as well, we believe the Fund's imprimatur is a valuable recommendation to other funding sources. In making loans, in addition to weighing the suitability of the instrument under consideration, the Executive Committee, mindful of its responsibilities not to overburden applicants by adding onerous interest to student debt payments, has reduced the rate to 2.5% APR. Probably as a result of the high level of debt held by musicians leaving their conservatoires, the size, although not the number, of individual loans applied for has reduced in recent years. Most are in the area of £10,000.

In recent years, in order to help the funds go further, the trustees have, where the applicants' circumstances are appropriate, offered a loan instead of the grant requested. It goes without saying that if the Fund had more money available it could be of increased help to professionals in acquiring a suitable instrument with which to pursue their careers. The cost of string instruments continues to rise, as it does for wind and brass. Top quality flutes now cost over £10,000 and oboes not much less.

The effect of Covid-19 on the chances for those studying to enter the music profession has been disastrous. Young musicians graduate with increasingly onerous levels of debt to which must be added the uncertainty as to what jobs there will be in the post Covid-19 era. Interest holidays have been granted where asked for, but the Fund is not in a position to forgo interest due. It is noteworthy that borrowers have continued to honour their commitments, and to repay promptly. While the number and amounts of applications for grants or loans cannot be forecast, in general the Fund is able to advance money for appropriate loans without a problem, although the demand for grants exceeds the money available.

With the recovery in the investment portfolio, the Trust believes that normal activity can resume. In 2021 the Trustees met in February and will also have meetings in June and November to consider applications.



Helen Faulkner
Chair
25th October 2021

THE LOAN FUND FOR MUSICAL INSTRUMENTS

INDEPENDENT EXAMINER'S REPORT TO THE TRUSTEES

I report to the trustees on my examination of the accounts of the Loan Fund for Musical Instruments (the Trust) for the year ended 31 March 2021.

Respective Responsibilities of trustees and examiner

As the charity trustees of the Trust you are responsible for the preparation of the accounts in accordance with the requirements of the Charities Act 2011 ('the Act').

I report in respect of my examination of the Trust's accounts carried out under section 145 of the 2011 Act and in carrying out my examination I have followed all the applicable Directions given by the Charity Commission under section 145(5)(b) of the Act.

Basis of independent examiner's report

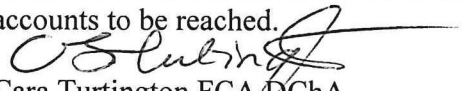
My examination was carried out in accordance with the general Directions given by the Charity Commission. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit and consequently no opinion is given as to whether the accounts present a 'true and fair view' and the report is limited to those matters set out in the statement below.

Independent examiner's statement

I have completed my examination. I confirm that no material matters have come to my attention in connection with the examination giving me cause to believe that in any material respect:

1. accounting records were not kept in respect of the Trust as required by section 130 of the Act; or
2. the accounts do not accord with those records; or
3. the accounts do not comply with the applicable requirements concerning the form and content of accounts set out in the Charities (Accounts and Reports) Regulations 2008 other than any requirement that the accounts give a 'true and fair view' which is not a matter considered as part of an independent examination.

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.


Cara Turlington FCA/DChA
Saffery Champness LLP, Chartered Accountants
71 Queen Victoria Street, London, EC4V 4BE

Date: 4 November 2021

THE LOAN FUND FOR MUSICAL INSTRUMENTS

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Unrestricted Funds	
		2021	2020
		£	£
Income			
Donations		267	279
Investment income	2	58,281	59,192
Loan interest		2,617	3,962
Income for charitable application		<u>61,165</u>	<u>63,433</u>
Expenditure			
Cost of raising funds:			
Investment management fees		3,258	3,307
Charitable activities:			
Grants	3	28,052	29,270
Advertising		-	312
Administration expenses		13,351	11,768
Office expenses		385	2,926
Amounts written off		-	-
Governance costs			
Independent examination		1,630	1,560
Accountancy		-	1,600
Total expenditure		<u>46,676</u>	<u>50,743</u>
Recognised gains/(losses) on investments	5	<u>238,192</u>	<u>(152,422)</u>
Net income/(expenditure) and net movement in funds		252,681	(139,732)
Fund balance brought forward at 1 April 2020		1,623,748	1,763,480
Fund balance carried forward at 31 March 2021		<u>1,876,429</u>	<u>1,623,748</u>

The Statement of Financial Activities contains all recognised gains and losses for the year. All activities are continuing

THE LOAN FUND FOR MUSICAL INSTRUMENTS

BALANCE SHEET AT 31 MARCH 2021

	Notes	£	2021 £	£	2020 £
Fixed assets investments					
Listed	5		1,444,747		1,206,555
Cash			35		35
			<u>1,444,782</u>		<u>1,206,590</u>
Current assets					
Musical Instrument – Grancino Cello	6	143,790		143,790	
Debtors –					
Loans made for Musical Instruments		154,002		134,941	
Cash at bank and in hand		91,766		92,994	
Charities Official Investment Fund		47,019		46,963	
Other debtors and prepayments		-		-	
		<u>436,577</u>		<u>418,688</u>	
Current liabilities					
Creditors: Amounts falling due within one year					
Trade creditors		3,330		-	
Sundry creditors		1,600		1,530	
		<u>4,930</u>		<u>1,530</u>	
Net current assets			<u>431,647</u>		<u>417,158</u>
Net assets			<u>1,876,429</u>		<u>1,623,748</u>
Funds					
Unrestricted			<u>1,876,429</u>		<u>1,623,748</u>
			<u>1,876,429</u>		<u>1,623,748</u>

The financial statements on pages 7 to 12 were approved on behalf of the Trustees on
by:

2021



Helen Faulkner
Chair
25th October 2021

The notes on pages 9 to 12 form part of these financial statements.

THE LOAN FUND FOR MUSICAL INSTRUMENTS

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

	2021		2020	
	£	£	£	£
Net cash inflow from operating activities (see A below)		17,889		12,746
Cash flows from lending activities:				
Issue of new loans to young musicians	(58,000)		(29,000)	
Repayment of young musicians' loans	<u>38,939</u>		<u>55,017</u>	
		(19,061)		26,017
(Decrease)/increase in cash and cash equivalents (See B below)		<u>(1,172)</u>		<u>38,763</u>
A Reconciliation of gain/(loss) for the year to net cash flow				
Net income/(expenditure) for the year		252,681		(139,732)
Decrease in debtors		-		26
Increase in creditors		3,400		30
(Gains)/losses on investments		<u>(238,192)</u>		<u>152,422</u>
Net cash inflow from operating activities		<u>17,889</u>		<u>12,746</u>
B Analysis of changes in cash and cash equivalents				
Balance at 1 April 2020		139,992		101,229
Net cash (outflow)/inflow		<u>(1,172)</u>		<u>38,763</u>
Balance at 31 March 2021 (See C below)		<u>138,820</u>		<u>139,992</u>
C Cash and cash equivalents				
Cash with brokers		35		35
Cash at bank		91,766		92,994
Charities Official Investment Fund		<u>47,019</u>		<u>46,963</u>
Balance at 31 March 2021		<u>138,820</u>		<u>139,992</u>

THE LOAN FUND FOR MUSICAL INSTRUMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at open market value, and in accordance with the Statement of Recommended Practice – Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (second edition), and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011.

The charity constitutes a public benefit entity as defined by FRS 102. The accounts are prepared in £.

The Trustees have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements with respect to a period of at least one year from the date of approval of these financial statements including considering the impact of Covid-19 on the charity's income, expenditure, investments and reserves; and its beneficiaries. They have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern.

Donations and similar income

Donations and similar income are included on the basis of amounts receivable in the year.

Interest and Investment Income

Loan repayments are calculated by formula based on rate of interest and constant monthly payments. The interest element of each loan is credited to the accumulated fund as the interest is earned.

Investment income is stated on an accruals basis.

Expenditure

Expenditure is included on an accruals basis.

Costs of raising funds comprise those costs directly attributable to managing the investment assets.

Grants awarded are charged in full to the SOFA when the offer is conveyed to the beneficiary, unless the offer is conditional and therefore recognised as expenditure when the conditions attached are fulfilled.

Grants approved by the trustees but not yet included in expenditure are disclosed in note 7.

Taxation

The charity is a registered charity and is not liable to income tax or corporation tax on its charitable activities.

Investments

Investments are stated at market value. Realised and unrealised gains and losses on investments are recognised in the Statement of Financial Activities in the period to which they relate.

Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

THE LOAN FUND FOR MUSICAL INSTRUMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2 Investment income

	2021 £	2020 £
Income from investment portfolio	58,191	58,772
Deposit interest on managed funds	90	420
	<u>58,281</u>	<u>59,192</u>

3 Grants

	2021 £	2020 £
Grants	<u>28,052</u>	<u>29,270</u>

During the year grants were made to 11 individuals (2020: 16 individuals).

4 Staff costs and trustees' remuneration

The Fund is being administered by The Worshipful Company of Musicians and has no employees (2020: nil).

The trustees, who are the key management personnel, were not paid but they or their representatives were reimbursed expenses of £nil (2020: £308) during the year. Meeting expenses were incurred totalling £32 (2020: £60).

5 Listed investment

	2021 £	2020 £
Market Value 1 April 2020	1,206,555	1,358,977
Realised/unrealised investment gains/(losses)	238,192	(152,422)
Market value 31 March 2021	<u>1,444,747</u>	<u>1,206,555</u>
Historical cost 31 March 2021	<u>1,253,605</u>	<u>1,253,605</u>

At the balance sheet date, the investment portfolio was invested as follows:

	2021 £	2020 £
UK Unit Trusts	<u>1,444,747</u>	<u>1,206,555</u>
Market value at 31 March 2021	<u>1,444,747</u>	<u>1,206,555</u>

At the balance sheet date, 100% of the investment portfolio was invested in Schroder Charity Multi-Asset Inc.

THE LOAN FUND FOR MUSICAL INSTRUMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

6 Musical Instrument (Grancino Cello)

	£
Cost at 31 March 2020 and 31 March 2021	<u>143,790</u>

Since March 2019, the Trustees have been committed to selling the cello and it is expected to raise an amount significantly in excess of its book value. However, given the time it is expected to take to sell such an instrument no increase in value has been recognised in these financial statements.

7 Commitments

At 31 March 2021, the cash at bank, other deposit accounts and cash held by brokers totalling £138,820 are stated before deducting:

- (a) Loans of £21,500 (2020: £80,500) already approved by the trustees but not yet advanced.
- (b) Grants of £23,146 (2020: £22,000) approved by the trustees but not yet paid.
- (c) Applications for loans and grants still awaiting examination.

8 Related Party Transactions

The trustees, who are the key management personnel, were not paid but they or their representatives were reimbursed expenses of £nil (2020: £308) during the year. Meeting expenses were incurred totalling £32 (2020: £60).

There are no related party transactions requiring disclosure other than the transactions referred to above.