

THE LOAN FUND FOR MUSICAL INSTRUMENTS

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

The Loan Fund for Musical Instruments

Vice-Presidents

DAME JANET BAKER, CH, DBE
DANIEL BARENBOIM LEVON CHILINGIRIAN, OBE
NICHOLAS DANIEL SIR ANDREW DAVIS, CBE
SIR ROGER NORRINGTON, CBE
SIR SIMON RATTLE, OM 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
CATHERINE YATES

Registered Charity Number
277909

Executive Committee of the Trustees

Helen Faulkner, Chairman & Trustee

Chris Walters – Representative, Musicians' Union, Trustee

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

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

Catherine Yates

Secretary to the Trustees

Hugh Lloyd

Independent Examiner

Alex Spofforth FCA
Spofforth Partners Limited
Chartered Accountants
Byne Cottage, Manley's Hill
Storrington, West Sussex
RH20 4BN

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

**Forty second Annual Report of the
Executive Committee of the Trustees
For the year ended 31 March 2023**

The Trustees present their Annual Report for the year ended 31 March 2023, 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.

Trustees

As at the date of the signing of the 2023 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.

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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 own instruments, however it owned a cello by Grancino which was the result of a previous arrangement for part-ownership. This instrument was sold for £211,917 resulting in a net profit over the book valuation of £68,127.

Following a suspension of loan and grant-making during the first year of the Covid-19 pandemic, the Fund resumed its activity in 2021-22. Activity has since shown a gradual return to pre-pandemic levels. During 2022-23 the Fund paid grants of £47,955 (2021-22, £53,685). A total of 30 eligible applications were considered for grants of which 23 (2021-22, 21) were successful. 3 loans totalling £50,400 were awarded (2021-22, £14,000 to 3 individuals).

By the end of the year the Fund's investments, managed by Cazenove stood at £1,556,834 (£1,533,965 in 2022). Net assets were £1,858,491 (£1,917,294 in 2022). Total income was £68,298 (£62,556 in 2022).

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 original activity was the lending of money to young professional musicians under the age of thirty six, for the purchase of an appropriate and specific instrument. This continues with loans made over a period of up to five years. The interest rate is currently at 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.

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Annual Report continued

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

Applicants apply on a standard form, from which the Committee reaches a decision. In some cases it is felt that a loan is more appropriate than a grant. Not all grants and loans are taken up and there is sometimes a considerable gap between an offer being made and a grant or loan being paid.

The Grant Scheme was introduced in 2004 and to date over £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 maintained the rate at 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.

The Fund has in place a formal Equality, Diversity and Inclusion policy. This states that LFMI is committed to encouraging equality, diversity and inclusion and opposes all forms of prejudice and discrimination. LFMI seeks to play an active role in creating a more diverse and inclusive music industry. Our aim is to be truly representative of all sections of society in our board of trustees and the musicians we assist.

We are currently looking at a more effective method of collecting and analysing anonymised data from applicants.



Helen Faulkner
Chair
13th November 2023

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 2023.

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').

We 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

Our 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

We have completed my examination. We 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.

We 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.

Spofforth Partners Limited
Chartered Accountants
Byne Cottage
Manley's Hill, Storrington
West Sussex RH20 4BN

THE LOAN FUND FOR MUSICAL INSTRUMENTS**Date:****STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2023**

	Notes	Unrestricted Funds	
		2023	2022
		£	£
Income			
Donations		230	273
Investment income	2	65,142	59,103
Loan interest		2,926	3,180
Income for charitable application		68,298	62,556
Expenditure			
Cost of raising funds:			
Investment management fees		3,573	3,594
Charitable activities:			
Grants	3	47,955	53,685
Administration expenses		13,790	13,430
Office expenses		909	878
Governance costs			
Independent examination		1,200	2,060
Professional Fees		1,170	227
Total expenditure		68,597	73,874
Recognised (losses)/gains on investments	5	(126,631)	52,183
Gain on sale of asset - Grancino Cello	6	68,127	-
Net (expenditure)/income and net movement in funds		(58,803)	40,865
Fund balance brought forward at 1 April 2022		1,917,294	1,876,429
Fund balance carried forward at 31 March 2023		1,858,491	1,917,294

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

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BALANCE SHEET AT 31 MARCH 2023

	Notes	£	2023	£	£	2022	£
Fixed assets investments							
Listed	5		1,556,834			1,533,965	
Cash			510			-	
			<u>1,557,344</u>			<u>1,533,965</u>	
Current assets							
Musical Instrument – Grancino Cello	6	-		143,790			
Debtors	7	360		-			
Loans made for Musical Instruments		132,050		125,126			
Cash at bank and in hand		58,817		106,526			
Charities Official Investment Fund		<u>111,120</u>		<u>10,033</u>			
		302,347		385,475			
Current liabilities							
Creditors: Amounts falling due within one year							
Sundry creditors		<u>1,200</u>		<u>2,146</u>			
		1,200		2,146			
Net current assets			<u>301,147</u>			<u>383,329</u>	
Net assets			<u>1,858,491</u>			<u>1,917,294</u>	
Funds							
Unrestricted			<u>1,858,491</u>			<u>1,917,294</u>	
			<u>1,858,491</u>			<u>1,917,294</u>	

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



Helen Faulkner
Chair
13th November 2023

The notes on pages 10 to 12 form part of these financial statements.

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

	2023		2022	
	£	£	£	£
Net cash inflow/(outflow) from operating activities (see A below)		60,812		(51,137)
Cash flows from lending activities:				
Issue of new loans to young musicians	(50,400)		(14,000)	
Repayment of young musicians' loans	43,476		42,876	
		(6,924)		28,876
Increase/(decrease) in cash and cash equivalents (See B below)		<u>53,888</u>		<u>(22,261)</u>
A Reconciliation of net (expenditure) or income for the year to net cash flow				
Net (expenditure)/income for the year		(58,803)		40,865
(Decrease) in creditors		(946)		(2,784)
Increase in debtors		(360)		-
(Additions) to investments		(149,500)		(37,035)
Losses/(gains) on investments		126,631		(52,183)
Sale of instrument		211,917		-
Gain on sale of instrument		(68,127)		-
Net cash inflow/(outflow) from operating activities		<u>60,812</u>		<u>(51,137)</u>
B Analysis of changes in cash and cash equivalents				
Balance at 1 April 2022		116,559		138,820
Net cash inflow/(outflow)		<u>53,888</u>		<u>(22,261)</u>
Balance at 31 March 2023 (See C below)		<u>170,447</u>		<u>116,559</u>
C Cash and cash equivalents				
Cash with brokers		510		-
Cash at bank		58,817		106,526
Charities Official Investment Fund		<u>111,120</u>		<u>10,033</u>
Balance at 31 March 2023		<u>170,447</u>		<u>116,559</u>

THE LOAN FUND FOR MUSICAL INSTRUMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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. 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 2023

2 Investment income

	2023 £	2022 £
Income from investment portfolio	63,142	59,078
Deposit interest on managed funds	2,000	25
	<u>65,142</u>	<u>59,103</u>

3 Grants

	2023 £	2022 £
Grants	<u>47,955</u>	<u>53,685</u>

During the year grants were made to 18 individuals (2022: 21 individuals).

4 Staff costs and trustees' remuneration

The Fund is being administered by The Worshipful Company of Musicians and has no employees (2022: nil).

The trustees, who are the key management personnel, were not paid but they or their representatives were reimbursed expenses of £111 (2022: £54) during the year. Meeting expenses were incurred totalling £109 (2022: £56).

5 Listed investment

	2023 £	2022 £
Market Value 1 April 2022	1,533,965	1,444,747
Additions	149,500	37,035
Realised/unrealised investment (losses)/gains	(126,631)	52,183
Market value 31 March 2023	<u>1,556,834</u>	<u>1,533,965</u>
Historical cost 31 March 2023	<u>1,438,001</u>	<u>1,288,502</u>

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

	2023 £	2022 £
UK Unit Trusts	<u>1,556,834</u>	<u>1,533,965</u>
Market value at 31 March 2023	<u>1,556,834</u>	<u>1,533,965</u>

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

6 Musical Instrument (Grancino Cello)

	£
Cost at 31 March 2022	143,790
Sale Proceeds	(211,917)
Profit on sale	<u>68,127</u>

Since March 2019, the Trustees had been committed to selling the cello and it was expected to raise an amount significantly in excess of its book value. However, given the time that it took to sell such an instrument no increase in value was recognised in the financial statements. The cello was finally sold in November 2022.

7 Debtors

	2023 £	2022 £
Interest receivable	<u>360</u>	<u>-</u>
	360	-

8 Commitments

At 31 March 2023, the cash at bank, other deposit accounts and cash held by brokers totalling £169,433 are stated before deducting:

- (a) Loans of £nil (2022: £8,500) already approved by the trustees but not yet advanced.
- (b) Grants of £27,783 (2022: £22,889) approved by the trustees but not yet paid.
- (c) Applications for loans and grants still awaiting examination.

9 Related Party Transactions

The trustees, who are the key management personnel, were not paid but they or their representatives were reimbursed expenses of £111 (2022: £54) during the year. Meeting expenses were incurred totalling £109 (2022: £56).

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