

THE LOAN FUND FOR MUSICAL INSTRUMENTS

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

The Loan Fund for Musical Instruments

Patron

H.M. THE KING

Vice-Presidents

DAME JANET BAKER, CH, DBE

DANIEL BARENBOIM LEVON CHILINGIRIAN, OBE

NICHOLAS DANIEL SIR ROGER NORRINGTON, CBE

SIR SIMON RATTLE, OM CBE

SIR ANDREW DAVIS, CBE (DECEASED 20TH APRIL 2024)

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

CATHERINE YATES

ANDREW MARRINER (APPOINTED 17TH JUNE 2024)

HELEN FAULKNER (RETIRED 17TH JUNE 2024)

Registered Charity Number

277909

Executive Committee of the Trustees

Chris Walters – Chairman, Representative, Musicians' Union, Trustee

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

Andrew Marriner (Appointed 17th June 2024)

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

Catherine Yates

Helen Faulkner (Retired 17th June 2024)

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 third Annual Report of the
Executive Committee of the Trustees
For the year ended 31 March 2024**

The Trustees present their Annual Report for the year ended 31 March 2024, 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 2024 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.

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.

During 2023-24 the Fund paid grants of £60,211 (2022-23, £47,955). A total of 33 eligible applications were considered for grants of which 28 (2022-23, 23) were successful. 8 loans totalling £118,745 were awarded (2022-23, £50,400 to 3 individuals).

By the end of the year the Fund's investments, managed by Cazenove stood at £1,647,838 (£1,556,834 in 2023). Net assets were £1,953,113 (£1,858,491 in 2023). Total income was £80,234 (£68,298 in 2023).

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. There are some fine contemporary makers and the Fund is keen to encourage British instrument makers.

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 between £45,000 and £60,000).

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Annual Report continued

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.

When the grant scheme was first introduced in 2004, 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. The interest rate on current loans is 5% APR, the rate was increased in 2023 to reflect the rise in global interest rates. 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.

Chris Walters
Chair
28th October 2024

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 2024.

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

Date: 29 October 2024

THE LOAN FUND FOR MUSICAL INSTRUMENTS
STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2024

	Notes	Unrestricted Funds	
		2024	2023
		£	£
Income			
Donations		-	230
Investment income	2	74,325	65,142
Loan interest		5,909	2,926
Income for charitable application		80,234	68,298
Expenditure			
Cost of raising funds:			
Investment management fees		3,738	3,573
Charitable activities:			
Grants	3	60,211	47,955
Administration expenses		14,320	13,790
Office expenses		1,029	909
Governance costs			
Independent examination		1,200	1,200
Professional Fees		-	1,170
Total expenditure		80,498	68,597
Recognised gains/(losses) on investments	5	94,886	(126,631)
Gain on sale of asset - Grancino Cello	6	-	68,127
Net income/(expenditure) and net movement in funds		94,622	(58,803)
Fund balance brought forward at 1 April 2023		1,858,491	1,917,294
Fund balance carried forward at 31 March 2024		1,953,113	1,858,491

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 2024

	Notes	£	2024	£	£	2023	£
Fixed assets investments							
Listed	5		1,647,838			1,556,834	
Cash			658			510	
			<u>1,648,496</u>			<u>1,557,344</u>	
Current assets							
Debtors	7	537		360			
Loans made for Musical Instruments		194,103		132,050			
Cash at bank and in hand		45,298		58,817			
Charities Official Investment Fund		<u>65,922</u>		<u>111,120</u>			
		305,860		302,347			
Current liabilities							
Creditors: Amounts falling due within one year							
Sundry creditors		<u>1,243</u>		<u>1,200</u>			
		1,243		1,200			
Net current assets			<u>304,617</u>			<u>301,147</u>	
Net assets			<u>1,953,113</u>			<u>1,858,491</u>	
Funds							
Unrestricted			<u>1,953,113</u>			<u>1,858,491</u>	
			<u>1,953,113</u>			<u>1,858,491</u>	

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

Chris Walters
Chair
28th October 2024

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

THE LOAN FUND FOR MUSICAL INSTRUMENTS

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2024

	2024		2023	
	£	£	£	£
Net cash inflow/(outflow) from operating activities (see A below)		3,484		60,812
Cash flows from lending activities:				
Issue of new loans to young musicians	(118,745)		(50,400)	
Repayment of young musicians' loans	<u>56,692</u>		<u>43,476</u>	
		(62,053)		(6,924)
(Decrease)/increase in cash and cash equivalents (See B below)		<u>(58,569)</u>		<u>53,888</u>
A Reconciliation of net (expenditure) or income for the year to net cash flow				
Net income/(expenditure) for the year		94,622		(58,803)
Increase/(decrease) in creditors		43		(946)
Increase in debtors		(177)		(360)
Disposal of/(Additions to) investments		3,882		(149,500)
(Gains)/losses on investments		(94,886)		126,631
Sale of instrument		-		211,917
Gain on sale of instrument		-		(68,127)
Net cash inflow/(outflow) from operating activities		<u>3,484</u>		<u>60,812</u>
B Analysis of changes in cash and cash equivalents				
Balance at 1 April 2023		170,447		116,559
Net cash (outflow)/inflow		<u>(58,569)</u>		<u>53,888</u>
Balance at 31 March 2024 (See C below)		<u>111,878</u>		<u>170,447</u>
C Cash and cash equivalents				
Cash with brokers		658		510
Cash at bank		45,298		58,817
Charities Official Investment Fund		<u>65,922</u>		<u>111,120</u>
Balance at 31 March 2024		<u>111,878</u>		<u>170,447</u>

THE LOAN FUND FOR MUSICAL INSTRUMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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 2024

2 Investment income

	2024 £	2023 £
Income from investment portfolio	68,968	63,142
Deposit interest on managed funds	5,357	2,000
	<u>74,325</u>	<u>65,142</u>

3 Grants

	2024 £	2023 £
Grants	<u>60,211</u>	<u>47,955</u>

During the year grants were made to 24 individuals (2023: 18 individuals).

4 Staff costs and trustees' remuneration

The Fund is being administered by The Worshipful Company of Musicians and has no employees (2023: nil).

The trustees, who are the key management personnel, were not paid but they or their representatives were reimbursed expenses of £59 (2023: £111) during the year. Meeting expenses were incurred totalling £92 (2023: £109).

5 Listed investment

	2024 £	2023 £
Market Value 1 April 2023	1,556,834	1,533,965
(Disposals)/Additions	(3,882)	149,500
Realised/unrealised investment gains/(losses)	94,886	(126,631)
Market value 31 March 2024	<u>1,647,838</u>	<u>1,556,834</u>
Historical cost 31 March 2024	<u>1,434,409</u>	<u>1,438,001</u>

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

	2024 £	2023 £
UK Unit Trusts	<u>1,647,838</u>	<u>1,556,834</u>
Market value at 31 March 2024	<u>1,647,838</u>	<u>1,556,834</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 2024

6 Musical Instrument (Grancino Cello)

	£
Cost at 31 March 2022	143,790
Sale Proceeds	<u>(211,917)</u>
Profit on sale in year to 31 March 2023	<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

	2024 £	2023 £
Overdue loan payments	287	-
Interest receivable	<u>250</u>	<u>360</u>
	<u>537</u>	<u>360</u>

8 Commitments

At 31 March 2024, the cash at bank, other deposit accounts and cash held by brokers totalling £111,878 (2023: £170,447) are stated before deducting:

- (a) Loans of £6,670 (2023: £nil) already approved by the trustees but not yet advanced.
- (b) Grants of £32,200 (2023: £27,783) 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 £59 (2023: £111) during the year. Meeting expenses were incurred totalling £92 (2023: £109).

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