1. BACKGROUND – PURPOSE OF TRUST  Registered 3/10/1986

To purchase musical instruments of quality for young players of talent at school/college and resident in the borough if the parents of the player cannot afford such expenses.

2. INVESTMENTS

Charinco launched Dec 1975  updated Feb 2000
A high level of income from a professionally managed portfolio of fixed interest securities. Short, medium and long-dated gilt-edged stocks.

Charishare launched Dec 1986 updated Feb 2000
A professionally managed, high quality and diversified equity portfolio. Capital growth plus income over medium to long term to combat effects of inflation. Predominantly held in UK equities.

These schemes were approved by Charities Commissioners for England & Wales. Each aimed at charities seeking a cost-efficient and tax-effective way of meeting their investment objectives.

Charinco and Charishare – hold the bulk of the trust fund balance
NatWest Special Interest Bearing Account (SIBA) a/c – for dividend receipts
NatWest Current A/c for cheque payments (balance £100 – bank sweeps balance to SIBA a/c)

Annual audits are organised by Ealing Music Service (EMS) who make recommendations to trustees. The total amount awarded is based on the previous financial year’s interest earned. Previously when the interest has not been fully utilised, there have been further investments bought from Charinco/Charishare (on a 40/60% basis) as per Trustees instruction.

Last 3 years

<table>
<thead>
<tr>
<th></th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>2422</td>
<td>2514</td>
<td>2550 estimate</td>
</tr>
<tr>
<td>Awards – approved</td>
<td>2342</td>
<td>2500</td>
<td>3050 estimate</td>
</tr>
<tr>
<td>Total of Awards Unclaimed</td>
<td>280</td>
<td>300</td>
<td>150 (1)</td>
</tr>
</tbody>
</table>

Charinco / Charishare  value of units

<table>
<thead>
<tr>
<th></th>
<th>Purchase value</th>
<th>No of units</th>
<th>Interest 2013/14</th>
<th>Value 15 Feb14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charinco</td>
<td>£ 17,264</td>
<td>9,807,747</td>
<td>£ 930 estimate</td>
<td>£18,066</td>
</tr>
<tr>
<td>Charishare</td>
<td>£ 24,395</td>
<td>10,466,120</td>
<td>£1620 estimate</td>
<td>£52,990</td>
</tr>
</tbody>
</table>

Interest has remained stable despite turbulent markets. Estimated amount available to award for 2014/15: £2550+150=£2700
3. SUMMARY

£29,494 Original trust capital invested in Charinco/Charishare
£12,165 Further investments
--------
£41,659 Total purchase price
=====
£71,056 Current valuation

4. OUTCOMES

The Charinco fund, which holds 40% of the trust capital, has not performed as well this last year due to the current low yield environment in bond markets. Blackrock expect this environment to continue in the short term. So the dividend payments are being reduced from December 2013 from 2.5p to 2.0p per income unit, and this is predicted to result in an overall reduction of 20% in annual distributions, which for this fund will be approximately £196.00 p.a. The capital value has reduced by £1059 since February 2013.

Whereas the Charishare fund, which holds 60% of the trust capital, has had more stable performance and the capital value has increased by £3663 since February 2013.

Overall market conditions were mixed with stocks and some bonds benefitting from the actions taken by central banks across the globe. Blackrock believe stocks will make further gains but the gains will be slower with more pronounced ups and downs.

“It is clear that with the run of positive (UK) domestic data, optimism is building with regard to the continuing recovery in 2014.”