

LLOYD'S PATRIOTIC FUND
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2016

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

CONTENTS	PAGE
Trustees and officials	1
Report of the Trustees	2 - 7
Statement of the Trustees' responsibilities in respect of the financial statements	8
Report of the investment manager to the Trustees of Lloyd's Patriotic Fund	9 - 11
Report of the independent auditors to the Trustees of Lloyd's Patriotic Fund	12 - 13
Statement of financial activities	14
Balance sheet	15
Cash flow statement	16
Notes to the financial statements	17 - 22

LLOYD'S PATRIOTIC FUND

(Registered Number 210173)

TRUSTEES

Mr Michael Hardingham (retired from chairmanship 18 November 2015)
Mr James Kininmonth – Chairman (appointed chairman 18 November 2015)

Mr Simon Beale
Mr Timothy Coles
Mr Henry Dyson
Mr Alexander Findlay
Lieutenant General Andrew Gregory CB (retired 14 June 2016)
Mr John Nelson (ex-officio)
Sir David Manning, GCMG, CVO
Group Captain Wendy Rothery (appointed 14 June 2016)
Mr Richard Williams MC

Secretary

Ms Suzanna Nagle

Investment Managers

Cazenove Capital Management
12 Moorgate, London EC2R 6DA

Auditors

Simpson Wreford & Partners
Suffolk House, George Street, Croydon CR0 0YN

Bankers

National Westminster Bank PLC
PO Box 12258, 1 Princes Street, London EC2R 8PA

LLOYD'S, LIME STREET, LONDON, EC3M 7HA

020 7327-1000 (extension 5921)

LLOYD'S PATRIOTIC FUND

REPORT OF THE TRUSTEES

The Trustees of Lloyd's Patriotic Fund have pleasure in presenting their report together with the audited financial statements of the Fund for the year ended 30 June 2016.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Lloyd's Patriotic Fund is constituted by Trust Deed dated 28 May 1875 and is a registered charity subject to the provisions of the Charities Act 2011. The financial statements have been prepared in accordance with the accounting policies set out on pages 17 to 18 and comply with the Fund's Trust Deed and applicable law.

Responsibility for carrying out the objectives of the Fund rests with the Trustees. The Fund is administered by a Secretariat working under the direction of the Trustees, employed by the Corporation of Lloyd's. With the exception of audit fees, bank charges and investment management fees, which are met by the Fund, the administration costs of the Fund are borne in full by the Corporation of Lloyd's.

The disbursement of the Fund is at the sole discretion of the Trustees unless monies have been given for a specific purpose.

Trustees

There were nine Trustees as at 30 June 2016. Mr James Kininmonth was appointed as Chairman on 18 November 2015. Group Captain Wendy Rothery was appointed on 14 June 2016.

Mr Michael Hardingham retired on 18 November 2015 and Lieutenant General Sir Andrew Gregory KBE CB retired on 14 June 2016. The Trustees would like to record their thanks to these Trustees for their contribution to the work of Lloyd's Patriotic Fund during their period of office.

According to the governing document, upon the death, retirement or resignation of a Trustee or when the number of Trustees falls to seven the Trustees are required to appoint new Trustees, up to a maximum of fourteen.

New Trustees are appointed by the Board of Trustees. Trustees are recruited on recommendation by existing Trustees and consideration is given to relevant experience such as military service as well as knowledge of Lloyd's and the London insurance market and their interest in the charitable sector. Subject to Trustee agreement, potential new Trustees are approached and asked to consider the role.

Potential Trustees meet with the Chairman and the Secretary of the Fund. Before agreeing to become a Trustee they will be informed of the Fund's structure, objectives and activities, and their responsibilities as a Trustee.

Once appointed, Trustees will be supported by the Secretary and the Board of Trustees in any area of induction or training needed. Regular updates are provided at the meetings with regards to governance issues and changes to charity regulations.

The normal maximum term of office is nine years and Trustees are asked to serve a minimum of three years.

Trustees meet twice a year. As stated in the original Trust Deed, all matters and questions shall be determined by a majority vote of the Trustees present at any meeting and in the case of equality of votes the Chairman shall have a double or casting vote.

Minutes are taken at each meeting, circulated to Trustees along with action points and responsibilities, and kept as a record.

Risk Management

A Risk Register outlining the major risks to which the charity is exposed and the systems and procedures in place to manage those risks, as identified by Trustees and the Secretariat, is reviewed annually.

LLOYD'S PATRIOTIC FUND

REPORT OF THE TRUSTEES (continued)

The Risk Register is monitored regularly throughout the year and Trustees are alerted to any new risks.

OBJECTIVES AND ACTIVITIES

Lloyd's Patriotic Fund was established in 1803 to support the Armed Forces and their families in times of hardship or distress. It continues to fulfil this purpose, using the investment income from its capital fund and donations from individuals and companies in the Lloyd's insurance market.

Lloyd's Patriotic Fund provides long-term support to a number of partner organisations. In recent years, as a result of an annual donation from the Society of Lloyd's, the Fund has made additional grants for special projects to respond to the need arising from recent past conflicts.

The Fund is divided into a number of individual funds whose objectives are as follows:

General Fund (1803)

This Fund provides assistance to officers and men and women of the Royal Navy, the Army, Royal Marines and Royal Air Force or their widows, orphans or dependent relatives who, at the Trustees' discretion, are fitting recipients.

The Hugh Steward McCorquodale Memorial Fund (1901)

A bequest of 1,000 guineas made by Lieutenant Hugh Stewart McCorquodale, killed during the South African War, whereby the use of income is at the discretion of Trustees.

Edwin Hampson Mackintosh Fund (1916)

Lieutenant Edwin Hampson Mackintosh, killed on the first day of the Battle of Loos, bequested £1,000 with the stipulation that the income is used for the benefit of officers of the Royal Navy or Royal Marines and their dependants.

Janson Fund (1918)

A gift of £10,000 was made by the then Chairman, Percy Janson. Trustees designated that the capital or income be used primarily to assist officers of the Royal Navy, the Army and Royal Marines and their dependants in the form of grants towards the education and maintenance of their children.

Charles Skey Fund (2013)

In May 2013, Charles Skey, former Trustee and Chairman of Lloyd's Patriotic Fund, made a bequest of £1m to Lloyd's Patriotic Fund. Mr Skey expressed the wish that the capital is invested and untouched, and that the income is used for the general charitable purposes of the Fund.

ACHIEVEMENTS AND PERFORMANCE

A donation of £121,500 was made to Walking With The Wounded to enable them to roll out an early intervention programme which assists veterans in police custody, helping them to reintegrate back into society. The programme is co-funded by the NHS and the Armed Forces Covenant and, through working with veterans, has achieved a low reoffending rate of 3%. The programme will be up-scaled in the North West and North East as well as launched in South Yorkshire and Humberside between July 2016 - December 2017 to benefit 2,800 veterans.

Combat Stress received a donation of £78,500 towards the cost of running their 24-hour Helpline, which offers confidential advice on mental health problems to veterans, serving personnel and their families. The Helpline operates 24 hours a day, 365 days a year and a large number of calls are from veterans reaching out for help for the first time.

LLOYD'S PATRIOTIC FUND

REPORT OF THE TRUSTEES (continued)

ACHIEVEMENTS AND PERFORMANCE (continued)

Trustees awarded a grant of £34,000 to the British Ex-Services Wheelchair Sports Association (BEWSA) to support a team of 21 veteran athletes representing Great Britain to attend the US National Veterans Wheelchair Games in 2017. The donation, which is payable in November 2016, will fund the cost of flights, equipment costs, transport, team uniforms, accommodation and welfare support for those needing it during the games period. Events include archery, swimming, basketball, wheelchair track, slalom, wheelchair rugby and field events. A donation of £9,513 was made to Seafarers to enable the six Royal Navy / Royal Marines contingent of the BEWSA team to participate in the 36th US National Veterans Wheelchair Games in Utah in 2016.

Trustees made a donation of £30,000 to Stoll towards the delivery of The Drug and Alcohol service to veterans with a wide variety of needs, from those with severe physical disabilities and poor mental health, to those who have experienced homelessness, alcohol dependency and/or drug addiction since leaving the Forces. Veterans are made aware of the service via generalist support workers, who refer them to the weekly support group and/or to one-to-one sessions for cognitive therapy. The service is run across Stoll's four supported housing sites in West London and it is also open to veterans in the community.

BLESMA was awarded £20,000 towards their Community Programme which provides limbless veterans with a skill set to become Motivational Speakers and Workshop Leaders by using their inspirational stories as the basis for workshops that promote communication, team working, goal setting and resilience to the veteran community, community groups and schools around the UK. Ongoing employment and volunteering opportunities are provided for these veterans and the programme also supports those who wish to improve life skills and opportunities by developing confidence and self-belief.

A grant of £12,988 was awarded to HighGround to fund the cost of eight participants to attend a Rural Week to provide practical insight into the range of employment opportunities within the rural economy for Service Leavers, Reservists and the Veteran community who bring teamwork, motivation, problem-solving and communication to the civilian workplace.

Music in Hospitals was granted £5,800 to provide 20 therapeutic live music concerts for residents of ex-service care homes across England and Wales.

A donation of £5,000 was made to X-Forces to deliver one Military Spouses in Enterprise event for spouses and partners of servicemen/women.

Lloyd's Patriotic Fund has been supporting SSAFA, the Armed Forces charity since 1999. SSAFA administers Lloyd's Patriotic Fund welfare grants to assist ex-servicemen and women and their families with essential needs such as disability adaptations and essential home repairs. With its wide eligibility criteria, Lloyd's Patriotic Fund is the 'go to' fund within the SSAFA Welfare Department and is often used to provide a shortfall on deserving cases. Trustees awarded £70,000 to SSAFA towards welfare grants, enabling the Fund to support 293 welfare cases, with an average grant of £355 in the past twelve months.

SSAFA also administers Lloyd's Patriotic Fund's annuity payments with local caseworkers carrying out annuitants' annual needs assessments and maintaining the relationship with them. Two annuities ceased during the year bringing the current number of annuitants to nine. Each annuitant received £920, after the Trustees agreed a 100% increase in payments to compensate for the increase in the cost of living and make annuitants' lives more comfortable.

The Trustees made their annual donation of £7,500 towards The Gurkha Welfare Trust's Welfare Pensioners Scheme to provide much needed economic support to ex-servicemen and widows in Nepal. The Fund has been supporting the Scheme since 1997.

LLOYD'S PATRIOTIC FUND

REPORT OF THE TRUSTEES (continued)

ACHIEVEMENTS AND PERFORMANCE (continued)

The income from the Hugh Steward McCorquodale Memorial Fund, Edwin Hampson Mackintosh Fund and Janson Fund was used to support children of military personnel in education. In total, £7,500 was awarded for bursaries. A grant of £5,000 was given to the Royal Navy & Royal Marines Children's Fund to award five annual bursaries of £1,000. The Royal Navy Officers' Charity was awarded £2,500 towards The Royal Navy Scholarship Fund which supports children and young people with bursaries and educational grants.

FINANCIAL REVIEW

Funding Sources and Reserves Policy

The revenue of the Fund is generated from investment income and by way of legacies and donations from individuals and companies.

The Council of Lloyd's supported Lloyd's Patriotic Fund with an annual donation of £200,000.

In July 2016 the Trustees held a summer reception to thank their existing supporters and raise funds for grant-making.

The charity aims to maintain the real capital value of its investments in its reserves, whilst fully expending its donation and investment derived income in pursuit of its aims and objectives.

Investment policy and management

Investments are reviewed on a regular basis by the responsible Trustee and monitored by the Board of Trustees to ensure that they are meeting the Trustees' long term objectives of maximising income available for charitable purposes whilst maintaining the real value of the capital.

Half yearly review meetings are held with the Fund's advisory investment manager, Cazenove Capital Management.

Fees are deducted based on the whole portfolio on a daily average market value at a rate of 0.35% subject to VAT. There are also underlying fund management charges which are deducted from investment income or capital.

The cost of investment management is borne directly by the Fund and amounts to £12,707 (2015: £13,110).

A report on the investments by Cazenove Capital Management is included on pages 9 to 11.

The cash element is placed with Morgan Stanley Funds PLC (Gartmore) as are any surplus funds from the General Fund (and other funds).

Summary of investment changes and capital movement

The asset mix as at 30 June 2016 for the consolidated Patriotic Fund is 78% UK Equities, 7% Global Equities, and 15% UK Property Funds. Part of the portfolio is the Charles Skey Fund which is entirely invested in equities and makes up 34% of the portfolio.

The overall gross annual investment income amounted to £119,055 (2015: £77,453).

The excess of expenditure over income for the year amounted to £25,600 and the deployment of this amount together with the disposition of the Fund at the beginning and end of the year is shown in the following table:

LLOYD'S PATRIOTIC FUND

REPORT OF THE TRUSTEES (continued)

FINANCIAL REVIEW (continued)

	Market value	Deployment of	Purchase /	Unrealised	Realised	Market value	
	01.07.15	incoming	(sale) of	(loss)/gain on	gain on	30.06.16	%
	£	resources	Investments	Investments	Investments	£	
UK Equity Fund	2,425,099	-	-	(66,129)	-	2,358,970	77.43
Overseas Equity							
Fund	219,384	-	-	406	-	219,790	7.22
UK Property Fund	456,401	-	-	17,237	-	473,638	15.55
	3,100,884	-	-	(48,486)	-	3,052,398	100.20
Net current assets	19,470	(25,600)	-	-	-	(6,130)	(0.20)
	3,120,354	(25,600)	-	(48,486)	-	3,046,268	100.00

PLANS FOR FUTURE PERIODS

As a result of the major donation from the Council of Lloyd's and donations from individuals and Friends of Lloyd's Patriotic Fund, the Trustees plan to make a further major award to one or more military charities in the coming year. A number of smaller ad hoc donations may also be awarded.

The Fund will continue to provide welfare grants through its working relationship with SSAFA. Annuities will continue for those currently being assisted, subject to regular review, but no new annuitants are to be considered.

The Gurkha Welfare Trust's Welfare Pensioners Scheme will continue to be supported with an annual grant and the Trustees are exploring options to support their work in Nepal following the devastating earthquake in 2015.

Bursaries will continue to be provided through The Royal Navy and Royal Marines Children's Fund and The Royal Navy Officers' Charity.

Public Benefit

The Trustees take full account of the published Charity Commission general guidance on public benefit and are satisfied that the aims of the charity are carried out wholly in pursuit of its charitable aims for the public benefit.

Lloyd's Patriotic Fund's grant-making is of measurable benefit to individuals. Application can be made by all serving and ex-service armed forces personnel and their dependants who are in need.

Whistleblowing

All individuals administering Lloyd's Patriotic Fund are employees of Lloyd's and able to raise issues relating to fraud and financial crime in accordance with Lloyd's whistle-blowing procedures.

LLOYD'S PATRIOTIC FUND

REPORT OF THE TRUSTEES (continued)

Acknowledgement

The Trustees wish to record their thanks to members of the Corporation of Lloyd's staff who assist with the administration of the financial statements of the Fund, and to the Corporation of Lloyd's which bears the bulk of administration costs.

The Trustees are grateful to the Council of Lloyd's for their agreement to provide Lloyd's Patriotic Fund with an annual donation from the Corporation of Lloyd's, on behalf of the Lloyd's market.

The Trustees are grateful to the individuals and companies who supported the Fund with donations which amounted to £279,267 during the year.

The Trustees also wish to acknowledge the assistance given by charitable service organisations in the assessment of need and in particular SSAFA Forces Help, which assists with the payment of welfare grants and annuities.

Approved by the Board of Trustees on 15 November 2016 and signed on its behalf by: -

James Kininmonth
Chairman

Trustee

LLOYD'S PATRIOTIC FUND

STATEMENT OF THE TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The purpose of this statement is to distinguish the Trustees' responsibilities for the financial statements from those of the auditors as stated in their report.

The Charities Act 2011 requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the Fund's financial activities during the year and of its financial position at the end of the year.

In preparing the financial statements the Trustees should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow the recommendations of the Charity Commission and of the accounting profession with regard to form and content of the financial statements, or to disclose and explain any departures therefrom; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will be able to continue to meet its objectives.

The Trustees are responsible for keeping accounting records which are such as to disclose, with reasonable accuracy, the financial position of the Fund at any time, and to enable the Trustees to ensure that the financial statements comply with the disclosure regulations. They are also responsible for safeguarding the Fund's assets, and hence for taking reasonable steps for the prevention and detection of error, fraud and other irregularities.

LLOYD'S PATRIOTIC FUND

REPORT OF THE INVESTMENT MANAGER TO THE TRUSTEES OF LLOYD'S PATRIOTIC FUND

YEAR ENDED 30 JUNE 2016

Overview

Investment Objective

The portfolio is designed to maximise income whilst protecting the real value of capital over the medium to long term. The portfolio shall be managed on an advisory basis with Cazenove Capital Management. Ltd providing investment advice on an ad hoc basis, custody, reporting and administration services. The portfolio uses a broad range of investments and may allocate a high proportion of its assets to equity, or equity-like, investments in pursuing its aims. Whilst the majority of the portfolio is invested in readily tradeable assets, illiquid assets are considered part of the investable universe and the portfolio may have some exposure. Cash, fixed income and other defensive assets will normally account for only a small part of the portfolio.

Portfolio Summary

Description	Market Value £	Portfolio %
Equities	2,578,760	84.3%
UK	2,358,970	77.1%
Trojan Income Fund –SGBP-Inc	638,704	20.9%
Schroder Income –S-GBP-Inc	546,879	17.9%
Aberdeen Foundation Grwt -B-Net-GBP	1,173,387	38.4%
Global	219,790	7.2%
Chariguard Overseas Equity Fund Inc	219,790	7.2%
Alternatives	473,638	15.5%
Property	473,638	15.5%
COIF Charities Property – Inc	473,638	15.5%
Cash	6,993	0.2%
Income account	6,993	0.2%
Total	3,059,391	100.0%

source, Cazenove Capital as at 30.06.16.

Portfolio Performance

The portfolio ended June with a value of £3,059,391. Over 12 months the fund returned 2.2%.

LLOYD'S PATRIOTIC FUND

REPORT OF THE INVESTMENT MANAGER TO THE TRUSTEES OF LLOYD'S PATRIOTIC FUND (continued)

Fund Performance 12 months to 30th June 2016

Equities		1 Year
UK		
Fund	Aberdeen Foundation Growth Fund	-0.6%
Fund	Schroder Income Fund	-4.7%
Fund	Trojan Income Fund	9.9%
<i>Benchmark</i>	<i>FTSE All Share Index</i>	2.2%
Overseas		
Fund	Chariguard Overseas Equity Fund	9.4%
Property		
Fund	COIF Charities Property Fund	5.7%
<i>Benchmark</i>	<i>IPD All Balanced Fund Index</i>	7.2%

Performance is quoted in £ net of underlying fund fees.

Market Summary

Equity markets endured a turbulent summer in 2015, with initial concerns over Grexit quickly changed to worries about the slowdown in China. The Chinese economy slowed (with GDP growth likely lower than official figures suggest) and this, together with other developments such as the devaluation of the Chinese Renminbi (yuan), weighed heavily on equity and commodity markets in 2015. What is interesting is that China's economy has been slowing for some time now (growth peaked after the 2008 Beijing Olympics), but it is only recently that China's slowdown has dramatically impacted market sentiment.

Recovering from the aftermath of the summer, portfolio returns in the fourth quarter were good in absolute terms, carrying overall returns for 2015 into positive territory. It was another quarter where central banks monopolised the headlines. The Federal Reserve finally raised interest rates whilst Draghi changed his reputation for over-delivering on European quantitative easing. Inflation remained muted but currencies continued to make significant moves. Most notably, the Chinese yuan weakened further and, as may be expected with a well-signalled rate rise, the US dollar continued to strengthen. Even for the most pessimistic, commodities were surprisingly weak in the final quarter of 2015; the price of oil has fallen 63% since its peak of \$122 in 2012 and commodity cyclical stocks (energy and mining companies) underperformed the FTSE All Share by 27% in 2015.

The pedestrian total returns for most equity markets in the first quarter of 2016 masked an arduous journey. Six weeks into the year, the FTSE All Share was down 7%, only to stage a classic 'V-shaped recovery' and record a total return of -0.4% for the quarter. The other side of the Atlantic was not immune to the first few weeks of panic and the S&P 500 (in local currency terms) stood 1% higher at the end of March than where it started the year, concealing a -10.5% drop by mid-February. The turnaround in sentiment was in part buoyed by a rebound in commodities, triggered by tentative signs that global oil supply may be cut, as well as supportive Central Banks. Europe and Japan embarked on yet more QE while the Fed and Bank of England signalled that the pace of interest rate increases is likely to be slower than previously indicated.

LLOYD'S PATRIOTIC FUND

REPORT OF THE INVESTMENT MANAGER TO THE TRUSTEES OF LLOYD'S PATRIOTIC FUND (continued)

Market Summary (continued)

Following a very volatile 9 months, performance for the second quarter of 2016 was defined by the last 6 days following the EU referendum result on 24th June. The biggest impact was on sterling, which fell to a 30 year low overnight. Market reactions have been surprisingly rational, with domestically focused companies suffering the most and the typically large, exporting companies making positive returns as investors anticipated the effects of the weak currency. In a quest for safety, the 10 year gilt yield fell to 0.8%, its lowest ever level. Given the potential enormity of Britain's decision to leave the EU and uncertainty about the effects, overall portfolio returns were more resilient than many would have expected.

Current Economic and Strategy Outlook – 2016

DOWNGRADES TO UK GROWTH POST REFERENDUM

The vote to leave the European Union has led to a downgrading of near term UK growth expectations. We expect a slowdown, although a recession should be narrowly avoided. Stagflation looms as the inflationary impact of a weak sterling comes through. However, at just over 4% of global GDP, the UK is not significant enough to derail the world economy. Easier monetary policy will also help soften the blow and global growth is expected to be only slightly lower than that anticipated before the referendum result. Despite this, we recognise the increasing tail risks following the UK's decision. Political risk has clearly risen within Europe as the UK experience could be repeated elsewhere.

CERTAIN UNCERTAINTY

As the markets continue to process the outcome of the referendum, it is clear that the implications are complex and long lasting. The wide range of 2017 UK GDP forecasts highlights the high degree of uncertainty. The medium term global economic and policy outlook remains unclear, and political risk adds an additional ambiguity. The UK market has punished domestic earners, with the larger more international companies significantly outperforming since the vote. Sector dispersion has been considerable, and volatility has remained elevated. Corporate earnings are in focus, with currency volatility a significant factor for international earners; fears of reducing corporate and consumer confidence adds to the potential for disappointments.

BEYOND BREXIT

Whilst it is too early to know the full effects of Britain leaving the EU, we remain cognisant of our concerns prior to the vote. Economic growth in the US is still apparent, with June employment numbers beating expectations and easing concerns that the weaker figures in May were the start of a slowdown. The S&P500 recently reached new all-time highs, so although the economy is fine this is reflected in equity valuations. With the focus on the West, developments in China have been overshadowed. There are also the pending US elections and there could be more commotion to come with French, German and Italian elections due in 2017. Although growth, and its effect on earnings, are key to equity markets over the longer term, politics is likely to cause ongoing volatility.

PORTFOLIO IMPLICATIONS

We must wait to see if aggregate forecasts for weaker economic growth will be realised, but there is sufficient uncertainty around the economic outlook, and broader political ramifications, to suggest that we should take a measured approach to the positioning of portfolios. Political risk for UK assets has risen and the UK experience could be repeated elsewhere as populist sentiment fuelled by inequality increases. Equity markets are likely to remain volatile, but should be supported by monetary policy. Currency volatility is likely to remain a significant factor for company earnings, the translation of share price returns and ultimately, short-term equity performance. The outlook for UK commercial property has not been helped by the vote, but we believe that the attractive income flow should underpin values in the medium term. We maintain that diversification will be crucial in navigating markets over the next few months as our interpretation of the political and economic landscape evolves.

LLOYD'S PATRIOTIC FUND

REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF LLOYD'S PATRIOTIC FUND

We have audited the financial statements of Lloyd's Patriotic Fund for the year ended 30th June 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the charity's trustees, as a body, in accordance with regulations made under section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's 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 trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 8, the trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 30th June 2016, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

LLOYD'S PATRIOTIC FUND

REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF LLOYD'S PATRIOTIC FUND (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- the charitable company has not kept adequate accounting records; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Simpson Wreford & Partners

Statutory Auditor
Suffolk House
George Street
Croydon
CR0 0YN

Date

LLOYD'S PATRIOTIC FUND

STATEMENT OF FINANCIAL ACTIVITIES FOR THE PERIOD ENDED 30 JUNE 2016

INCOME AND EXPENDITURE	Note	Unrestricted Funds	Designated Funds	Restricted Funds	Endowment Funds		2016 Total £	2015 Total £
					Restricted Funds	Unrestricted Funds		
		General Fund £	Janson Fund £	Mackintosh Income £	Mackintosh Fund £	McCorquodale Fund £	Skey Fund £	
INCOME:								
Donations and legacies	2	279,267	-	-	-	-	-	279,997
Investment income	3	70,372	3,341	-	4,215	1,557	39,570	77,453
Total income		349,639	3,341	-	4,215	1,557	39,570	357,450
EXPENDITURE								
Cost of raising funds:								
Investment management fees		(6,794)	(323)	-	(407)	(150)	(5,033)	(13,110)
Charitable activities:								
Donations and grants payable	4	(401,931)	(2,000)	-	(2,500)	(3,000)	-	(347,780)
Administrative expenses		(104)	-	-	-	-	-	(2,011)
Audit fees		(1,680)	-	-	-	-	-	(1,680)
Total expenditure		(410,509)	(2,323)	-	(2,907)	(3,150)	(5,033)	(364,581)
Net (expenditure)/income and net movement in funds before transfers		(60,870)	1,018	-	1,308	(1,593)	34,537	(7,131)
Transfers		184,749	5,086	1,715	6,393	4,437	(202,380)	-
Net income/(expenditure) and net movement in funds before losses and gains on investments		123,879	6,104	1,715	7,701	2,844	(167,843)	(7,131)
Net (losses)/gains on investments	5	(16,743)	(795)	-	(1,003)	(370)	(29,575)	44,019
NET MOVEMENT IN FUNDS		107,136	5,309	1,715	6,698	2,474	(197,418)	36,888
Reconciliation of Funds:								
Total funds brought forward		1,668,307	79,200	-	99,929	36,914	1,236,004	3,083,466
Total funds carried forward		1,775,443	84,509	1,715	106,627	39,388	1,038,586	3,120,354

The notes on pages 17 to 22 form part of these financial statements.

LLOYD'S PATRIOTIC FUND

BALANCE SHEET AT 30 JUNE 2016

		Endowment Funds							
	Note	Unrestricted Funds	Designated Funds	Restricted Funds	Restricted Funds	Unrestricted Funds	Unrestricted Funds		
		General Fund	Janson Fund	Mackintosh Income	Mackintosh Fund	McCorquodale Fund	Skey Fund	2016 Total	2015 Total
		£	£	£	£	£	£	£	£
INVESTMENTS									
At Market Valuation	5	1,781,815	84,589	-	106,728	39,425	1,039,841	3,052,398	3,100,884
CURRENT ASSETS									
Debtors	6	14,093	-	-	-	-	-	14,093	23,902
Short term deposits		1,964	-	-	-	-	-	1,964	48,964
Cash at bank		319,127	-	1,715	-	-	-	320,842	1,135
		335,184	-	1,715	-	-	-	336,899	74,001
CURRENT LIABILITIES									
Creditors falling due within one year	7	(341,556)	(80)	-	(101)	(37)	(1,255)	(343,029)	(54,531)
		(341,556)	(80)	-	(101)	(37)	(1,255)	(343,029)	(54,531)
NET CURRENT ASSETS		(6,372)	(80)	1,715	(101)	(37)	(1,255)	(6,130)	19,470
NET ASSETS		1,775,443	84,509	1,715	106,627	39,388	1,038,586	3,046,268	3,120,354
FUNDS	11	1,775,443	84,509	1,715	106,627	39,388	1,038,586	3,046,268	3,120,354

Approved by the Board of Trustees on 15 November 2016 and signed on its behalf by

James Kininmonth
Chairman

Trustee

The notes on pages 17 to 22 form part of these financial statements.

LLOYD'S PATRIOTIC FUND

CASH FLOW STATEMENT AS AT 30 JUNE 2016

		2016	2015
		£	£
	Note		
Net cash used in operating activities	9	<u>153,652</u>	<u>(84,790)</u>
<i>Cash flows from investing activities:</i>			
Interest and dividends		119,055	77,453
Purchases of investments		-	(1,112,331)
Proceeds from sale of investments		<u>-</u>	<u>1,144,696</u>
Net cash provided by investing activities		<u>119,055</u>	<u>109,818</u>
Change in cash and cash equivalents in the year		272,707	25,028
Cash and cash equivalents brought forward		<u>50,099</u>	<u>25,071</u>
Cash and cash equivalents carried forward		<u><u>322,806</u></u>	<u><u>50,099</u></u>

The notes on pages 17 to 22 form part of these financial statements.

LLOYD'S PATRIOTIC FUND

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2016

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The charity constitutes a public benefit entity as defined by FRS 102. In preparing the financial statements the fund follows best practice as laid down in the Statement of Recommended Practice "Accounting and Reporting by Charities" (Charities SORP FRS 102) in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011. They are drawn up on the historical accounting basis except that investments held as fixed assets are carried at market value.

RECONCILIATION WITH PREVIOUS GENERALLY ACCEPTED ACCOUNTING PRACTICE

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 a restatement of comparative items was needed. No restatements were required. In accordance with the requirements of FRS 102 a reconciliation of opening balances and net income for the year is provided with the net income under previous GAAP adjusted for the presentation of investment gains/(losses) as a component of reported income.

Reconciliation of reported net income

	£
Net expenditure as previously stated	(7,131)
Adjustment for gains on investments now treated as a component of net income	44,019
Net income as restated	<u>36,888</u>

DONATIONS AND LEGACIES

Donations and legacies are included in the statement of financial activities when receivable.

INVESTMENT INCOME

Dividends from equity investments are taken into account on the due date of payment; all other income is included by reference to the amount due in respect of the accounting period.

Investment income in relation to the permanent endowment funds of Skey and McCorquodale are not restricted in use, and are therefore transferred and included within the unrestricted income of the General fund. Investment income in relation to the Mackintosh endowment fund is restricted in nature, and is therefore transferred and included within a restricted fund.

GAINS AND LOSSES ON DISPOSAL OF INVESTMENTS

Gains or losses on disposals in the year are calculated by reference to the carrying value of the holding as at the date of sale.

GRANTS

Grants and school fees are accounted for by reference to the amount paid in respect of the accounting period.

LLOYD'S PATRIOTIC FUND

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2016 (continued)

1 ACCOUNTING POLICIES (CONTINUED)

ADMINISTRATION EXPENSES

The costs of the administration of the Fund are borne in full by the Corporation of Lloyd's with the exception of investment management fees, audit fees and bank charges. No remuneration was paid to the Trustees, nor were any Trustees expenses reimbursed to them.

INVESTMENTS

Investments are stated at their market value at the date of the balance sheet, this being the mid-point of the quotations on the Stock Exchange Daily Official List. Gains and losses on investments are taken directly to the Statement of Financial Activities.

ALLOCATION BETWEEN FUNDS

The Charles Skey Fund has its own portfolio of investments which are subject to capital gains and losses and generate investment income. Investment income and capital gains and losses on investments are allocated to the remaining individual funds in proportion to their share of the Fund account balance at the beginning of the year.

TAXATION

The Fund is established as an exempt approved charity for taxation purposes.

GRANTS

Grants are accounted for by reference to the amount paid in respect of the accounting period.

DEBTORS

Debtors are recognised at the settlement amount due.

SHORT TERM DEPOSITS

Short term deposits include short term highly liquid investments with a short maturity of three months or less from the date of acquisition.

CREDITORS

Creditors are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount.

LLOYD'S PATRIOTIC FUND

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2016 (continued)

2 DONATIONS AND LEGACIES

	2016 £	2015 £
Donation from the Council of Lloyd's	200,000	200,000
General donations	79,267	79,997
	279,267	279,997

3 INVESTMENT INCOME

	2016 £	2015 £
Dividends – UK equities	88,849	55,743
Dividends – overseas equities	4,028	1,660
Dividends – property fund	26,080	19,723
Interest – UK fixed interest investments	98	327
	119,055	77,453

In 2016 of the investment income, £4,215 (2015: £3,045) was attributable to restricted income funds, with the balance of £114,840 (2015: £74,408) adding to unrestricted funds

4 ANALYSIS OF CHARITABLE EXPENDITURE

	2016 £	2015 £
Walking with the Wounded	121,500	-
Soldiers, Sailors, Airmen and Families Association	79,200	55,060
Combat Stress	78,500	-
Stoll	30,000	-
BLESMA	20,000	-
BEWSA	34,000	-
Forward Assist	-	50,000
Blind Veterans	-	200,000
Other donations	46,231	42,720
	409,431	347,780

LLOYD'S PATRIOTIC FUND

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2016 (continued)

5 QUOTED INVESTMENTS

	2016 £	2015 £
Market value at 1 July	3,100,884	3,089,230
Add: Additions at cost	-	2,261,209
Less: Disposals proceeds	-	(2,293,574)
Realised investment gain	-	305,572
Net unrealised loss for the year	(48,486)	(261,553)
Market value at 30 June	3,052,398	3,100,884

Description	2016		2015	
	Book Value £	Market Value £	Book Value £	Market Value £
UK Fixed Property Fund	408,153	473,638	408,153	456,401
Overseas Equity Fund	170,000	219,790	170,000	219,384
Aberdeen SWIP Foundation Growth Fund (GBP Equity)	1,128,046	1,173,387	1,128,046	1,223,599
Schroder Income Fund	552,522	546,879	552,522	597,665
Trojan Income Fund	548,275	638,704	548,275	603,835

6 DEBTORS

	2016 £	2015 £
Investment income	6,992	16,184
Gartmore interest receivable	1	88
Donations receivable	2,500	5,100
Ordinary grant prepayment	4,600	2,530
	14,093	23,902

LLOYD'S PATRIOTIC FUND

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2016 (continued)

7 CREDITORS

	2016 £	2015 £
Investment management fee	3,169	6,607
Donations payable	326,500	44,300
Audit fee	3,360	1,680
Other creditors	10,000	1,944
	343,029	54,531

8 DISCLOSURE OF RELATED PARTY TRANSACTIONS & TRUSTEE REMUNERATION

The trustees receive no remuneration and no expenses were reimbursed within the financial year (2015 – none).

There were no related party transactions in the year (2015 – none).

9 RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2016 £	2015 £
Net movement in funds	(74,086)	36,888
Deduct interest and dividend income shown in investing activities	(119,055)	(77,453)
Add back losses/(deduct gains) on investments	48,486	(44,019)
Decrease/(increase) in debtors	9,809	(956)
Increase in creditors	288,498	750
	153,652	(84,790)

LLOYD'S PATRIOTIC FUND

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2016 (continued)

10 FUNDING COMMITMENTS

Lloyd's Patriotic Fund has made a commitment to fund the following five projects annually for the foreseeable future:

Charity	Project	Amount £
Soldiers, Sailors, Airmen and Families Association	Welfare grants	70,000
Soldiers, Sailors, Airmen and Families Association	Annuities	8,280
Gurkha Welfare Trust	Welfare pension scheme	7,500
The Royal Navy and Royal Marines Children's Fund	Bursaries	5,000
The Royal Navy Officer's Charity	The Royal Navy Scholarship Fund	2,500
Total Commitments		93,280

11 FUNDS

Unrestricted funds

The General Fund comprises all unrestricted monies which may be used towards meeting the charitable objectives of the Lloyd's Patriotic Fund at the discretion of the Trustees.

Designated funds

The Janson Fund was created in 1918 by a gift of £10,000 from the then Chairman, Percy Janson. Trustees designated that the capital or income be used primarily to assist officers of the Royal Navy, the Army and Royal Marines and their dependants in the form of grants towards the education and maintenance of their children.

Restricted endowment funds

The Mackintosh Fund is a restricted fund arising from a bequest of £1,000 made by Lieutenant Edwin Hampson Mackintosh in 1916. The income derived from the fund is to be used for the benefit of officers of the Royal Navy or Royal Marines and their dependants.

Unrestricted endowment funds

The McCorquodale Fund was set up in 1901 with a bequest of 1,000 guineas made by Lieutenant Hugh Stewart McCorquodale. The capital value of this fund is to be maintained and the income is to be used at the discretion of Trustees.

The Skey Fund was set up in 2013 with a bequest of £1m from Charles Skey, former Trustee and Chairman of Lloyd's Patriotic Fund. Mr Skey stipulated that the capital should be invested and untouched, and that the income is used for the general charitable purposes of the charity.

During the year the surplus of income from the Charles Skey Fund was transferred to the General Fund.