

**Registered Number: 210829**

**NUFFIELD TRUST FOR  
THE FORCES OF THE CROWN**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2016**

**NUFFIELD TRUST FOR THE FORCES OF THE CROWN**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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## **NUFFIELD TRUST FOR THE FORCES OF THE CROWN**

### **REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **REFERENCE AND ADMINISTRATIVE INFORMATION**

##### **Trustees**

His Grace the Duke of Westminster KG CB CVO OBE TD CD DL (Chairman) (until 9 August 2016)

Air Chief Marshal Sir Joseph French KCB CBE

Lieutenant Colonel Patrick Holcroft LVO OBE

Lieutenant General Sir Mark Mans KCB CBE DL

FDS Rosier MA (Oxon)

Vice Admiral Sir David Steel KBE DL

##### **General Secretary/Office of the Charity**

Group Captain T M Arnot OBE

23 Estcourt Road

Gloucester

GL1 3LU

##### **Bankers**

Barclays Bank, Cheltenham Branch, Cheltenham and North Cotswold Group, 128 High Street, Cheltenham, Gloucestershire GL50 1EL.

##### **Auditors**

Messrs Pitt Godden & Taylor LLP, Brunel House, George Street, Gloucester, GL1 1BZ

##### **Solicitors**

Messrs Herbert Mallam Gowers, Solicitors of Oxford, 126 High Street, OX1 4DG.

##### **Investment Managers**

BlackRock Investment Management (UK) Ltd, 12 Throgmorton Avenue, London EC2N 2DL

## NUFFIELD TRUST FOR THE FORCES OF THE CROWN

### REPORT OF THE TRUSTEES (Continued) FOR THE YEAR ENDED 31 DECEMBER 2016

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#### TRUSTEE REPORT AND FINANCIAL STATEMENTS

The Trustee Report and Financial Statements for the year 1st January 2016 to 31st December 2016 have been prepared in accordance with the guidelines published by the Charity Commission. These guidelines are contained in 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) issued on 16th July 2014, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011.

#### OBJECTIVES AND ACTIVITIES FOR THE PUBLIC BENEFIT

The objective of the Trust is to promote the welfare and efficiency of the Forces of the Crown either by the provision of facilities for recreation or by any other means. The Trustees confirm that they comply with the duty in the Charities Act 2011 to have regard to the Charity Commission's general guidance on public benefit when carrying out the Trust's objective and aims and in grant making policy and awards.

The Trust's primary aim is to provide recreational and welfare amenities and facilities that are likely to be of lasting benefit to the Armed Forces but which are not provided by public funds and which are beyond the resources of other non-public funds. The Trust further aims to support units on operations and to benefit the maximum number of Service personnel whilst being mindful of the needs of smaller, less well-found sports associations and isolated units.

The Trust does not fundraise and, therefore, the Trustees aim for prudent stewardship of the Trust's assets to enable the wishes of the Trust's founder to be carried out for such time as there is need. The Trustees judge that continuing restrictions on and shortfalls in the public funding of recreational facilities for the Armed Services mean that there will be continuing, long-term need to meet.

#### GRANT MAKING POLICY

Under a Memorandum of Understanding between the Trust and the 3 Armed Services, grant applications for non-public (charitable) funding are scrutinised by the Armed Services, who make the decision on which might be suitable for funding from the Services' own charitable funds or by the Trust for the public benefit of promoting the welfare and efficiency of the Forces of the Crown.

At their November meeting the Trustees make a funding allocation to the Armed Services for the forthcoming year. That allocation is then sub-divided and paid to the Royal Navy, Army and Royal Air Force on a proportional basis relative to the Regular and Operational Reserve personnel numbers in each Service.

Each of the Services then applies for **Major Grants** (£12,501 to £40,000) from within their allocation. These applications are considered at the March Trustee meeting where the Trustees are joined by the serving Principal Personnel Officers of the Royal Navy, Army and Royal Air Force who are best qualified to advise on the relative priority of the various applications received. Approved Major Grants are paid by the individual Services from within their allocation. The balance of each Service's allocation is available for **Minor Grants** (up to £12,500 ) which can be approved and paid by the individual Services from their allocations subject to grant criteria agreed between the Trust and the Armed Services.

Over and above the annual allocations to the Armed Services, the Trustees are also willing to consider **Capital Grants** (over £40,000) for projects from any Service, subject only to the project's suitability and the availability of funds. The Trust also makes special grants as circumstances require and gives **Operational Welfare Grants** with the object of providing a quick and flexible response to meet the particular needs of those serving in the Regular or Reserve forces deployed in an emergency to areas of conflict or disaster.

## **NUFFIELD TRUST FOR THE FORCES OF THE CROWN**

### **REPORT OF THE TRUSTEES (Continued) FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **GRANT MAKING POLICY (Continued)**

Additionally, the Trust makes an allocation to **The Ulysses Trust** which then considers and approves grants for Reservists or Reserve formations undertaking adventurous activity, drawing down the Trust's allocation as necessary.

Grants made and the annual allocations are one-off donations to the applicants, all of which are charities in their own right.

#### **ACHIEVEMENTS AND PERFORMANCE**

The Charity's Trustees have had due regard to the Charity Commissions guidance on public benefit.

In November 2016, the Trustees allocated £959,899 for grants to be spent during 2017. The allocation in November 2015 for grants spent during 2016 was £879,450. In addition, the Trustees awarded £15,000 towards the Reserve Services Antarctic Expedition.

Since 1939, grants paid out by the Trust for the direct benefit of those serving in the Armed Forces total some £55.8 million which would be valued at some £248.9 million at present day value.

One Major Grant and 170 Minor Grants were paid in 2016 from the Trust's allocations in 2015 to the Services, and 99 Reservist grants were made by the Ulysses Trust. For information, a full list of grants made by the Trust or from delegated allocations is appended to this report. Grants were made to 111 of HM Ships and Naval Establishments; Royal Marine Units; Army Garrisons and Units and RAF Stations and Establishments worldwide and to 54 individual Sports Associations, Service Sports Clubs or teams of all three Services. All grants made were institutional and made to recipient formations with charitable status.

The Trust therefore achieved its objective and measures its aims further by feedback from recipient units, their Commanding Officers and higher levels of the chain of command. Such grants were vital at a time when morale was being adversely affected by pressure on public funding leading to the failure to maintain the Defence Estate or to introduce even legally required minimum infrastructure standards, the poor state of Service housing maintenance and the introduction of a new pay grading system which would see many personnel 'mark time' on pay for several years. The Services' continuing retrenching from operational activity and reorganisation and relocation of units added further to the pressures on personnel. The Principal Personnel Officers' unanimous view was that Trust grants, particularly for expensive items which could not be afforded by junior personnel and recreational activities undertaken by means of Trust-funded equipment and facilities, were a significant contributor to morale and efficiency, to the public benefit.

#### **FINANCIAL REVIEW**

The Trust receives its funding solely from its investment portfolio and bank interest. The Trust monitors monthly reports from the Investment Managers and the Trustees meet formally with the Fund Managers twice a year to review the performance of the Trust Funds and to ensure that investments held have been acquired in accordance with the powers of the Trustees and any directions they have given. Investment policy is reviewed annually by the Trustees and, in 2016, the Trustees disinvested the segregated UK Equity element of the Trust's portfolio and reinvested the proceeds in the Charishare Common Investment Fund, with a consequent reduction in the Fund Manager's fee charges.

## **NUFFIELD TRUST FOR THE FORCES OF THE CROWN**

### **REPORT OF THE TRUSTEES (Continued) FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **FINANCIAL REVIEW (Continued)**

The Trustees authorised the Fund Managers to hold any investment defined under the Financial Services Act 1986, subject only to the proviso that such investment and its degree was permitted by regulations or operational guidance given by the Charity Commission, within a prudent, widely diversified portfolio. The Trust does not set social, environmental, or ethical policies for its Fund Managers.

Black Rock Investment Managers (UK) Ltd were instructed to maximise the long-term total return from Trust Funds in order to enable an annual grant allocation and ad hoc capital grant funding to be made. The performance of the Trust's portfolio is evaluated against a bespoke composite index. Although the portfolio return of 15.58% in 2016 underperformed the composite index return by 1.12%, the 3-year return matched the Trustees' objective of outperforming the composite benchmark by 1%. The Trustees also benchmark the Trust's 3-year rolling average capital value against its 1998 capital value adjusted for RPI and capital expenditure. On that basis, the Trust's average capital value was £3.35 million above the benchmark.

At 31 December 2016 the Trust's investments were valued at £46,927,575 (2015: £42,656,947). On a dividends' receivable basis, as required by the SOFA, the Trust's income for the year was £598,639 (2015: £1,359,452). This income comprised investment income.

#### **Reserves**

In May 1997 the Charity Commission confirmed that both the capital and income of the fund could be expended on furthering the objects of the Charity. Given the structured nature of the Trust's grant-making procedures and the ability of the Trust to apply both capital and income to meet need, the Trustees do not designate specific reserve funds. The total amount of reserves held at 31 December 2016 was £46,158,832 (2015: £40,947,837) as there is no restriction in place. The amount of free cash reserves were £205,778 (2015: £560,938).

#### **PLANS FOR FUTURE PERIODS**

As previously stated, the Trustees see a long-term need to continue grant-making activity in support of the morale of the Armed Services in furtherance of the late Lord Nuffield's endowment and express wishes. The Trustees seek the advice of the Principal Personnel Officers and the Central Funds of the Armed Services on the nature and extent of future grant requirements.

In future years, Armed Service units within UK will consolidate into fewer, larger bases and will be joined by units relocating from Germany to UK. Existing Trust-funded assets will be reallocated to new locations. The Trust, in conjunction with the Central Funds of the Armed Services, will be a prime contributor to the provision of new facilities as public funding will not meet the likely need.

#### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

The Trust is an unincorporated trust founded by the late Lord Nuffield in 1939 and originally operated under the terms of a Trust Deed made on the 14th October 1939. This was superseded by a Charity Commissioners' Scheme that was sealed on 13th February 1997.

## **NUFFIELD TRUST FOR THE FORCES OF THE CROWN**

### **REPORT OF THE TRUSTEES (Continued) FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **STRUCTURE, GOVERNANCE AND MANAGEMENT (Continued)**

The Trust Deed provides for 6 Trustees, 3 of whom should be officers or former officers of the Regular Armed Forces and 3 of whom should be persons who have a special knowledge of commerce, industry or finance. This structure reflects the original wishes of the Trust's founder. Trustees are appointed by the Board of Trustees and normally may serve until the age of 70 but, exceptionally, may serve beyond that age by Special Resolution of the Board of Trustees. There are no sub-committees of the Board. From 19th March 2013, by Special Resolution of the Board, Trustees appointed in the category of officers or former officers of the Regular Armed Forces may serve only for a maximum of 10 years.

The 6th Duke of Westminster, who had served the Trust for 24 years as a Trustee and latterly as Chairman passed away suddenly on 9th August 2016 and the Trustee Board acknowledged his remarkable and committed service to the Trust. Mr FDS Rosier was elected as Interim Chairman pending the appointment of a new Trustee/Chairman, which was expected to be completed in early 2017.

New Trustees receive an induction pack which outlines the history, structure, objects and procedures of the Charity. In addition, new Trustees receive copies of the previous year's Minutes of Meetings and Trustee Report and Financial Statements plus Charity Commission publications relevant to their duties with the Trust and their prior experience of Trustee duties.

Trustees receive no remuneration and Trustee travel expenses are reported in the Notes to the Accounts. Potential conflicts of interest are declared at each Trustee meeting and where Trustees have an interest in or association with potential grant recipients they take no part in the grant decision.

The Trustee Board meets twice per year and all matters relating to the Trust's activities are decided by the Board, other than the following delegations:

- a. The day-to-day administration of the Trust, the processing of grant applications and the administration of grants is delegated to the General Secretary within a budget set and monitored by the Board.
- b. The processing and approval of Minor Grants and the payment of Major Grants approved by the Board are delegated to the Armed Services (see Grant-making Policy).

The General Secretary is the Trust's sole employee and the Trust is administered from the General Secretary's home. The General Secretary is employed under a contract benchmarked against the REWARD Survey of Charitable Salaries and comparator military salaries and benefits. Triennial reviews are carried out with the remuneration benchmarked against charitable salary surveys and comparator military salaries and benefits. The Trust operates a Defined Contribution Pension Scheme for the General Secretary.

As part of its Grant-making activity, the Trust cooperates with Armed Services' unit charities, the major Central Charitable Funds of the 3 Armed Services and other Armed Services-related charities.

#### **Risk Management**

The Trustees at their meeting on 21st November 2016 reviewed the major risks to which the charity was exposed and were satisfied that procedures had been established to manage these risks.

**NUFFIELD TRUST FOR THE FORCES OF THE CROWN**

**REPORT OF THE TRUSTEES (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**Risk Management (Continued)**

The principal risks faced by the Trust have been identified as follows:-

Performance of the investment portfolio and manager. This has been mitigated by using hedging policies and diversification of asset classes. The Trust receives monthly reports from the investment manager, and a regular review of investment policies and performance is undertaken. This is supported by a written management agreement.

The Trust retains expert investment managers and the Trust's money is held separately from the fund manager's own.



## NUFFIELD TRUST FOR THE FORCES OF THE CROWN

### STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2016

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The Trustees are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The 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 state of affairs of the Charity and of its incoming resources and application of resources for that period.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the applicable Charities SORP;
- 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 material 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 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, the applicable Charities (Accounts and Reports) Regulations, and the provisions of the trust deed. 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.

Approved by the Trustees on 21 March 2017 and signed on their behalf by:



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FDS Rosier MA (Oxon)

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE TRUSTEES OF THE NUFFIELD TRUST FOR THE FORCES OF THE CROWN**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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We have audited the financial statements of The Nuffield Trust for the Forces of the Crown for the year ended 31 December 2016 which comprise the Statement of Financial Activities, the Balance Sheet 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 Financial Reporting Standard 102.

This report is made solely to the Charity's Trustees, as a body, in accordance with Section 144 of the Charities Act 2011 and regulations made under Section 154 of that Act. 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 auditors' report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and its Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of trustees and auditor**

As explained more fully in the Trustees' Responsibilities Statement set out on page 7, 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 Report of the Trustees and Grants Paid during the year ended 31 December 2016 by the Trust and Recipient Services or Institutions From Allocations 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.

**INDEPENDENT AUDITORS' REPORT (Continued)**

**TO THE TRUSTEES OF  
THE NUFFIELD TRUST FOR THE FORCES OF THE CROWN**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**Opinion on financial statements**

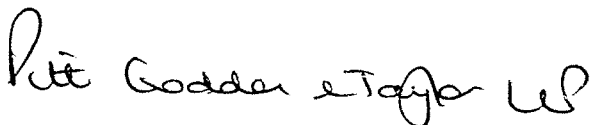
In our opinion the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 December 2016, and of its incoming resources and application of resources, 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 Charities Act 2011.

**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
- sufficient accounting records have not been kept; 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.



**Pitt Godden & Taylor LLP  
Chartered Accountants  
Statutory Auditor**

**21 March 2017**

**Brunel House  
George Street  
Gloucester  
GL1 1BZ**

Pitt Godden & Taylor LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

**NUFFIELD TRUST FOR THE FORCES OF THE CROWN**

**STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	Unrestricted Funds 2016 £	Unrestricted Funds as restated 2015 £
<b>INCOME</b>			
- Investment income	2	<u>598,639</u>	<u>1,359,452</u>
<b>Total income</b>		598,639	1,359,452
<b>EXPENDITURE</b>			
<b>Costs of raising funds:</b>			
- Investment management costs	3	(52,105)	39,651
<b>Expenditure on charitable activities:</b>			
- Grants made	4	1,060,085	5,350,888
		<u>1,007,980</u>	<u>5,390,539</u>
<b>Total expenditure</b>		1,007,980	5,390,539
<b>Net (expenditure)/income before gains/(losses) on investments</b>		(409,341)	(4,031,087)
Net gains/(losses) on investment assets	8	<u>5,620,336</u>	<u>1,118,961</u>
<b>NET MOVEMENT IN FUNDS</b>		5,210,995	(2,912,126)
<b>Reconciliation of funds</b>			
Total funds brought forward		<u>40,947,837</u>	<u>43,859,963</u>
<b>Total funds carried forward</b>		<u>46,158,832</u>	<u>40,947,837</u>

All amounts relate to continuing operations.

**NUFFIELD TRUST FOR THE FORCES OF THE CROWN**

**BALANCE SHEET  
AS AT 31 DECEMBER 2016**

		Unrestricted funds	Unrestricted funds as restated
	Note	2016 £	2015 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	7	550	609
Investments	8	<u>46,927,575</u>	<u>42,656,947</u>
		46,928,125	42,657,556
<b>CURRENT ASSETS</b>			
Debtors	9	96,706	120,561
Cash at bank and in hand		<u>109,072</u>	<u>440,377</u>
<b>TOTAL CURRENT ASSETS</b>		205,778	560,938
<b>LIABILITIES</b>			
Creditors falling due within one year	10	<u>(975,071)</u>	<u>(2,270,657)</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(769,293)	(1,709,719)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>46,158,832</u>	<u>40,947,837</u>
<b>The funds of the charity</b>			
Unrestricted income funds		<u>46,158,832</u>	<u>40,947,837</u>
<b>TOTAL CHARITY FUNDS</b>		<u>46,158,832</u>	<u>40,947,837</u>

Approved by the Board of Trustees for issue on 21 March 2017 and signed on its behalf by:

  
FDS Rosier MA (Oxon)  
Interim Chairman

**NUFFIELD TRUST FOR THE FORCES OF THE CROWN**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDING 31 DECEMBER 2016**

	<b>Note</b>	<b>Unrestricted funds 2016 £</b>	<b>Unrestricted funds 2015 £</b>
<b>Net cash used in operating activities</b>	<b>13</b>	<b>(2,279,532)</b>	<b>(4,013,039)</b>
<i>Cash flows from investing activities:</i>			
Interest and dividends received		598,639	1,359,452
Purchase of office equipment		(125)	-
Proceeds from sales of investments		47,062,815	16,192,176
Purchase of investments		(45,713,102)	(13,702,728)
<b>Net cash provided by investing activities</b>		<b>1,948,227</b>	<b>3,848,900</b>
 Change in cash and cash equivalents in the year		 (331,305)	 (164,139)
Cash and cash equivalent brought forward		440,377	604,516
<b>Cash and cash equivalents carried forward</b>		<b>109,072</b>	<b>440,377</b>

## 1 ACCOUNTING POLICIES

### **Basis of preparation**

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of investments at 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) issued on 16th July 2014, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011.

The financial statements have been prepared in order to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent provided to provide a 'true and fair' view. The departure has involved following 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) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The charity constitutes a public benefit entity as defined by FRS 102.

The trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern.

The financial statements are presented in Sterling which is the functional currency of the Charity. The figures are rounded to the nearest £.

The Charity is a Trust registered with the Charity Commission for England and Wales. The principal place of business is 23 Estcourt Road, Gloucester.

### **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.

### **Income recognition**

All income is recognised once the charity has entitlement to the income. Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon the notification of the interest paid or payable by the bank. Dividends are recognised once the dividend has been declared and notification has been received of the dividend due. This is normally upon notification by our investment manager of the dividend yield of the investment portfolio.

### **Expenditure recognition**

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the Charity to the expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably. All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Overheads and other costs not directly attributable to particular functional activity categories are apportioned over the relevant categories on the basis of management estimates of the amount attributable to that activity in the year on a basis consistent with use of the resources. The irrecoverable element of VAT is included with the item of expenses to which it relates.

## NUFFIELD TRUST FOR THE FORCES OF THE CROWN

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 1 ACCOUNTING POLICIES (continued)

##### **Expenditure recognition**

Grants payable are payments to third parties in the furtherance of the charitable objectives of the Charity. Single or multi-year grants are accounted for when either the recipient has a reasonable expectation that they will receive a grant and the trustees have agreed to pay the grant without condition, or the recipient has a reasonable expectation that they will receive a grant and any condition attaching to the grant is outside the control of the Charity.

Provision for grants are made when the intention to make a grant has been communicated to the recipient but there is uncertainty about either the timing of the grant or the amount of grant payable.

Governance costs comprise the costs of running the Charity, including strategic planning for its future development, external audit and all costs of complying with constitutional and statutory requirements, such as costs of Trustees' meetings and for preparing statutory financial statements and satisfying public accountability.

Administrative costs have generally been split on a 50:50 basis between support and governance costs to reflect the time spent by the General Secretary on each activity. All support and governance costs have been allocated to the main grant giving activity.

##### **Charitable activities**

The expenditure on charitable activities includes grants made, governance costs, and support costs.

##### **Tangible fixed assets and depreciation**

All assets costing more than £100 are capitalised and valued at historical cost. Depreciation is calculated to write off the cost less estimated residual value of tangible assets over their estimated useful lives at 25% reducing balance.

##### **Investments**

Investments comprise listed investments and are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using the closing quoted market price. All gains or losses on investments sold during the year are taken to the statement of financial activities as they arise. Realised gains and losses are calculated as the difference between sales proceeds and their opening carrying value or purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value. Realised and unrealised gains and losses are combined in the Statement of Financial Activities.

The Charity does not acquire put options, derivatives, or other complex financial instruments.

The main form of financial risk faced by the charity is that of volatility in equity markets and investment markets due to wider economic conditions.

Cash held by the investment managers is disclosed within cash at bank and in hand.

##### **Pensions**

The pensions costs represent contributions made to employees' defined contribution schemes and are charged to the SOFA as the contributions become payable. There are no outstanding contributions at the year end. The cost is included in support and governance costs. The charity has no liability beyond making its contributions.



# NUFFIELD TRUST FOR THE FORCES OF THE CROWN

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

### 1 ACCOUNTING POLICIES (continued)

#### Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date, or if appropriate at the forward contract rate. Non-monetary assets denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of acquisition of the assets. Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction, or at the contracted rate if the transaction is covered by a forward exchange contract. All revaluation differences and realised foreign exchange differences are taken to the SOFA.

### 2 INVESTMENT INCOME

Investment income, representing income from UK and overseas assets, derive from:

	2016 £	2015 £
Listed investments	596,881	1,357,509
Bank interest	1,655	1,891
Profit on foreign currency	103	52
	<u>598,639</u>	<u>1,359,452</u>

All income relates to unrestricted funds.

### 3 INVESTMENT MANAGEMENT COSTS

The investment management costs represent the fees chargeable to the portfolio by the investment managers during the year. These fees are offset by rebates of the management charges made on certain Blackrock in-house funds in year.

The investment management fee for certain BlackRock in-house funds are deducted internally on a daily basis within the price of the fund. These internal fees are offset against the Trust's Annual Management Fee calculation and result in a credit to the Trust.

Consequently, the overall investment management costs are not recorded separately in these financial statements.

Notional investment management costs based on the percentage fee charges on the portfolio's average value in 2016 would amount to £210,212 (2015: £218,751) before the rebated offsets described above.

### 4 ANALYSIS OF CHARITABLE EXPENDITURE

The charity undertakes its charitable activities through grant making to the armed services.

	Grants funded activity £	Support and Governance costs £	Total £	Total 2015 £
Armed services	<u>959,899</u>	<u>100,186</u>	<u>1,060,085</u>	<u>5,350,888</u>

All expenditure relates to unrestricted funds. (2015 analysis: Grant funded activity - £5,249,450, Support and Governance costs - £101,438).

# NUFFIELD TRUST FOR THE FORCES OF THE CROWN

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2016

### 5 GRANTS

Grants comprise of allocations, awarded to the Services and other institutions, and capital & special grants (as described in the Grant Making Policy in the Report of the Trustees) and are analysed as follows:

	2016	2015
		As restated
	£	£
<b>Allocations:</b>		
- Royal Navy	167,057	151,948
- Army	528,957	480,162
- Royal Air Force	166,885	152,340
- Reserve Forces	97,000	110,000
<b>Capital Grants:</b>		
- Royal Navy	-	355,000
<b>Special Grants:</b>		
- DNRC	-	4,000,000
	<u>959,899</u>	<u>5,249,450</u>

Grants approved are included in the financial statements. To the extent that such grants are not fully expended, surpluses are credited to grant expenditure following completion or cancellation of the project which for the year amounted to £nil (2015 - £nil).

The total number of capital and special grants actually paid during the year by the Trust and by each of the recipient Services or Institutions from within their allocations, from the allocation made in November 2015 are summarised:-

	2016 No	2015 No
DNRC	-	1
Inter-service	1	3
Royal Navy	65	45
Army	72	69
Royal Air Force	33	55
Ulysses Trust	<u>99</u>	<u>75</u>
	<u>270</u>	<u>247</u>

The detailed information for 2016 is set out in 'Grants Paid during the Year Ended 31 December 2016 by the Trust and Recipient Services or Institutions from Allocations', attached to these financial statements from page 22 onwards.

NUFFIELD TRUST FOR THE FORCES OF THE CROWN

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2016

6 SUPPORT COSTS AND GOVERNANCE COSTS

	Support costs 2016 £	Governance costs 2016 £	Total allocated 2016 £	Support costs 2015 £	Governance costs 2015 £	Total allocated 2015 £
Salaries (Inc health insurance and Death in Service costs)	34,013	34,013	68,026	33,081	33,080	66,161
Employer's NI	2,383	2,384	4,767	3,770	3,771	7,541
Audit fees	-	4,680	4,680	-	4,680	4,680
Membership fee	-	265	265	130	130	260
Printing and stationery	298	299	597	374	375	749
Telephone	203	203	406	213	212	425
Insurance	-	202	202	-	197	197
Meeting	-	-	-	-	(346)	(346)
Postage	39	40	79	51	51	102
Travelling and subsistence expenses	449	612	1,061	671	906	1,577
Website costs	195	195	390	185	185	370
Depreciation - office equipment	92	92	184	102	101	203
Bank charges	151	61	212	151	61	212
Computer upgrades	37	38	75	33	32	65
	37,860	43,084	80,944	38,761	43,435	82,196
Pension contributions: employer	9,621	9,621	19,242	9,621	9,621	19,242
	47,481	52,705	100,186	48,382	53,056	101,438

Travel expenses of £163 in 2016 were reimbursed to 3 Trustees (2015 - reimbursements of £235). The Trust had one employee (2015: one) during the year. No remuneration is paid to Trustees.

# NUFFIELD TRUST FOR THE FORCES OF THE CROWN

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2016

### 7 TANGIBLE FIXED ASSETS

	Fixtures and Fittings £
<b>Cost</b>	
At 1 January 2016	10,453
Additions	125
At 31 December 2016	<u>10,578</u>
<b>Depreciation</b>	
At 1 January 2016	9,844
Depreciation charge	184
	<u>10,028</u>
<b>Net book value</b>	
At 31 December 2016	<u>550</u>
At 31 December 2015	<u>609</u>

### 8 INVESTMENTS

Fixed asset investments, which are held to provide an investment return, represent securities listed on recognised stock exchanges, with the exception of unit trust investments.

All investments are carried at their fair value,. The basis of fair value for quoted investments is equivalent to the market value, using the bid price. Asset sales and purchases are recognised at the date of trade at cost (that is their transaction value).

	2016 £	2015 £
Market value at 1 January 2016	42,656,947	44,027,434
Acquisitions	45,713,102	13,702,728
Sale proceeds	(47,062,810)	(16,192,176)
Net change in market value	<u>5,620,336</u>	<u>1,118,961</u>
Market value at 31 December 2016	<u>46,927,575</u>	<u>42,656,947</u>
Investments are analysed as follows:	£	£
UK investments	34,311,024	31,409,759
Overseas investments	<u>12,616,551</u>	<u>11,247,188</u>
	<u>46,927,575</u>	<u>42,656,947</u>

# NUFFIELD TRUST FOR THE FORCES OF THE CROWN

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2016

### 8 INVESTMENTS (Continued)

	2016 £	2015 £
UK equities	23,242,995	20,139,689
Overseas equities	12,616,551	11,247,188
UK gilts and bonds	-	7,421,395
Mixed equity and cash-like funds	-	1,621,609
Property unit trust	2,205,633	2,227,066
Other	4,503,212	-
UK fixed interest	4,359,184	-
	<u>46,927,575</u>	<u>42,656,947</u>

The historical cost of the investments at 31 December 2016 amounts to £38,289,955 (2015: £37,855,739).

The main risk to the Trust from financial instruments lies in the combination of uncertain investment markets and volatility in yield.

The Trustees have instructed their investment managers to invest the portfolio to maximise the long-term total return, whilst having regard to the level of risk stated below.

The Trustees have recognised that investing funds for real, long-term returns requires significant investment in equities and other assets which may involve an element of risk and that the asset values can and will fall at times.

Therefore the investment manager undertakes prudent investment suitable for a charitable trust in a broad investment portfolio to spread risk.

The investments made must only be in well-diversified readily-realizable investments which fall within categories permitted by the charity commission regulations or operational guidance and to such a degree as is permitted by regulations. This will reduce liquidity risk. The Trust does not hold investments in markets subject to exchange controls or trading restrictions.

The Trustees have set a Performance Objective and Composite Benchmark against which the investment managers will be compared. Additionally the Trustees will compare the performance over rolling 3 year period to the WM Charities Survey (Unconstrained by Asset Class). The capital value will be compared to a benchmark figure adjusted for inflation and any withdrawals.

### 9 DEBTORS

	2016 £	2015 £
Accrued income	<u>96,706</u>	<u>120,561</u>
	<u>96,706</u>	<u>120,561</u>

**NUFFIELD TRUST FOR THE FORCES OF THE CROWN**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**10 CREDITORS - amounts falling due within one year**

	<b>2016</b>	<b>2015 as restated</b>
	<b>£</b>	<b>£</b>
Grants payable	970,391	2,258,314
Accruals	4,680	12,343
	<u>975,071</u>	<u>2,270,657</u>

**Movements in provisions and funding commitments  
for grants during the year**

Grant commitments at the start of the year	2,258,314
New grant commitments charged to the SOFA in year	959,899
Grants paid during the year	<u>(2,247,822)</u>
<b>Amount of grant commitments recognised as at 31 December 2016</b>	<b><u>970,391</u></b>

**Charitable  
Commitments  
Accrued  
£**

**11 TAXATION**

The Trust is a registered charity and therefore is not subject to taxation.

**12 RELATED PARTY TRANSACTIONS**

A grant of £97,000 was allocated to The Ulysses Trust of which the Duke of Westminster was and Sir Mark Mans is a Vice Patron.

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

	<b>2016 £</b>	<b>2015 £</b>
Net movement in funds	5,210,995	(2,912,126)
Add back depreciation charge	184	203
Deduct interest income shown in investing activities	(598,639)	(1,359,452)
Deduct gain on investments	(5,620,336)	(1,118,961)
Decrease (increase) in debtors	23,854	14,873
Increase (decrease) in creditors	<u>(1,295,590)</u>	<u>1,362,424</u>
<b>Net cash used in operating activities</b>	<b><u>(2,279,532)</u></b>	<b><u>(4,013,039)</u></b>

# NUFFIELD TRUST FOR THE FORCES OF THE CROWN

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2016

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### 14 PRIOR PERIOD ADJUSTMENT

The prior period adjustment relates to the restatement of the accrual for the grant allocation in November 2015.

<b>Reserves</b>	<b>2016 £</b>
Unrestricted reserves as previously stated (1 January 2015)	44,739,178
Prior period adjustment	(882,159)
	<hr/>
Unrestricted reserves as restated (1 January 2015)	43,857,019
Net movement in funds as previously stated	(2,896,891)
Prior period adjustment - at 31 December 2015	(12,291)
	<hr/>
Unrestricted reserves as restated (31 December 2015)	40,947,837
	<hr/> <hr/>
<b>Creditors falling due within one year</b>	
Creditors as previously stated (1 January 2015)	29,018
Prior period adjustment	882,159
	<hr/>
Creditors as restated (1 January 2015)	911,177
Creditors as previously stated (1 January 2016)	1,376,207
Prior period adjustment	894,450
	<hr/>
Creditors as restated (1 January 2016)	2,270,657
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