

Registered Number: 210829

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

FINANCIAL STATEMENTS

31 DECEMBER 2017

NUFFIELD TRUST FOR THE FORCES OF THE CROWN

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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NUFFIELD TRUST FOR THE FORCES OF THE CROWN

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2017

REFERENCE AND ADMINISTRATIVE INFORMATION

Trustees

The Rt Hon Lord Arbuthnot of Edrom (appointed as Chairman 21 March 2017)
Air Chief Marshal Sir Joseph French KCB CBE (resigned 21 November 2017)
Lieutenant Colonel Patrick Holcroft LVO OBE
Lieutenant General Sir Mark Mans KCB CBE DL
Air Marshal Sir Barry North KCB OBE (appointed 21 November 2017)
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 2017

TRUSTEE REPORT AND FINANCIAL STATEMENTS

The Trustee Report and Financial Statements for the year 1st January 2017 to 31st December 2017 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 2017

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 Commission's guidance on public benefit.

In November 2017, the Trustees allocated £960,399 for grants to be spent during 2018. An additional grant of £350,000 was also awarded to the Union Jack Club. The allocation in November 2016 for grants spent during 2017 was £959,899. .

Since 1939, grants paid out by the Trust for the direct benefit of those serving in the Armed Forces total some £58.4 million which would be valued at some £261.43 million at present day value.

Three Capital grants, Two Major Grants and 161 Minor Grants were paid in 2017 from the Trust's allocations in 2016 to the Services, and 89 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 HM Ships and Naval Establishments; Royal Marine Units; Army Garrisons and Units and RAF Stations and Establishments worldwide and to 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 has achieved its objective and measures its aims further by feedback from recipient units, their Commanding Officers and higher levels of the chain of command. Pressure on public funding leading to the underfunding of the Defence Estate, inadequate infrastructure standards and the poor state of Service housing continued to adversely affect morale. There continued to be shortages in personnel numbers, particularly in highly-valued technical specialisations. The Services' 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, contributed directly to enhancing morale and efficiency, to the public benefit. Indeed, without Trust funding, some recreational activities could cease or be severely curtailed.

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.

NUFFIELD TRUST FOR THE FORCES OF THE CROWN

REPORT OF THE TRUSTEES (Continued) FOR THE YEAR ENDED 31 DECEMBER 2017

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. The portfolio return of 11.62% in 2017 outperformed the composite index return by 1.2%, whilst the 3-year return of 11.04% (an outperformance of 1.28% against benchmark) bettered 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 £4.31 million above the benchmark.

At 31 December 2017 the Trust's investments were valued at £46,895,957 (2016: £46,927,575) after withdrawal of £4,066,132 for grants and administration. On a dividends' receivable basis, as required by the SOFA, the Trust's income for the year was £579,195 (2016: £598,639). 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 2017 was £48,207,859 (2016: £46,158,832) as there is no restriction in place. The amount of free cash reserves were £2,640,066 (2016: £205,778).

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.

Armed Service units within UK are consolidating into fewer, larger bases and are being joined by units relocating from Germany to UK. Existing Trust-funded assets are being and will continue to be reallocated to new locations. As units settle into their new locations, their priority of cementing operational roles will evolve into considering their social and recreational needs. 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 2017

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 Rt Hon Lord Arbuthnot of Edrom accepted Trusteeship on 21 March 2017 and, by unanimous agreement of the Trustees, assumed Chairmanship of the Trust from that date.

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 the General Secretary would retire in Spring 2018, the Trustees have undertaken a recruitment exercise and a new General Secretary will take post in March 2018.

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 2017 reviewed the major risks to which the charity was exposed and were satisfied that procedures had been established to manage these risks, but uprated the scale of impact of a loss of income and/or capital due to a stock market crash.

NUFFIELD TRUST FOR THE FORCES OF THE CROWN

REPORT OF THE TRUSTEES (Continued) FOR THE YEAR ENDED 31 DECEMBER 2017

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 the investment managers 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.

Physical disaster such as a fire or flood: All files are backed up and copies kept in separate locations. The services annual grant allocations are administered by them under a delegated authority.

NUFFIELD TRUST FOR THE FORCES OF THE CROWN

STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2017

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 19th March 2018 and signed on their behalf by:

The Rt Hon Lord Arbuthnot of Edrom

INDEPENDENT AUDITORS' REPORT

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

FOR THE YEAR ENDED 31 DECEMBER 2017

Opinion

We have audited the financial statements of The Nuffield Trust for the Forces of the Crown for the year ended 31 December 2017 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.

In our opinion, the financial statements:

- Give a true and fair view of the state of the charity's affairs as at 31 December 2017, 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.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the accounts section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees use of the going concern basis of accounting in the preparation of the accounts is not appropriate; or
- the Trustees have not disclosed in the accounts any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the accounts are authorised for issue

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the accounts does not cover the other information and we do not express any form of assurance conclusion thereon

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT (Continued)

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

FOR THE YEAR ENDED 31 DECEMBER 2017

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the Trustees' Report; 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.

Responsibilities of the Trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 7, the trustees are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustee's determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the Charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to cease operations, or have no realistic

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditors under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters which we are required to address

Your attention is drawn to the fact that the charity has prepared accounts in accordance with "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) in preference to the Accounting and Reporting by Charities: Statement of Recommended Practice issued on 1 April 2005 which is referred to in the extant regulations but has now been withdrawn.

This has been done in order for the accounts to provide a true and fair view in accordance with Generally Accepted Accounting Practice effective for reporting periods beginning on or after 1 January 2015.

INDEPENDENT AUDITORS' REPORT (Continued)

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

FOR THE YEAR ENDED 31 DECEMBER 2017

This report is made solely to the Charity's Trustees, as a body, in accordance with Part 4 of the (Charities Accounts and Reports) Regulations 2008. 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.

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

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

19 March 2018

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 2017**

		Unrestricted Funds	Unrestricted Funds
	Note	2017 £	2016 £
INCOME			
- Investment income	2	<u>579,195</u>	<u>598,639</u>
Total income		579,195	598,639
EXPENDITURE			
Costs of raising funds:			
- Investment management costs	3	(79,805)	(52,105)
Expenditure on charitable activities:			
- Grants made	4	2,951,421	1,060,085
		<u> </u>	<u> </u>
Total expenditure		2,871,616	1,007,980
		<u> </u>	<u> </u>
Net (expenditure)/income before gains/(losses) on investments		(2,292,421)	(409,341)
Net gains on investment assets	8	<u>4,341,448</u>	<u>5,620,336</u>
NET MOVEMENT IN FUNDS		2,049,027	5,210,995
Reconciliation of funds			
Total funds brought forward		<u>46,158,832</u>	<u>40,947,837</u>
Total funds carried forward		<u>48,207,859</u>	<u>46,158,832</u>

All amounts relate to continuing operations.

NUFFIELD TRUST FOR THE FORCES OF THE CROWN

**BALANCE SHEET
AS AT 31 DECEMBER 2017**

		Unrestricted funds	Unrestricted funds
	Note	2017	2016
		£	£
FIXED ASSETS			
Tangible fixed assets	7	487	550
Investments	8	<u>46,895,957</u>	<u>46,927,575</u>
		46,896,444	46,928,125
		<u> </u>	<u> </u>
CURRENT ASSETS			
Debtors	9	95,868	96,706
Cash at bank and in hand		<u>2,544,198</u>	<u>109,072</u>
TOTAL CURRENT ASSETS		2,640,066	205,778
LIABILITIES			
Creditors falling due within one year	10	<u>(1,328,651)</u>	<u>(975,071)</u>
NET CURRENT ASSETS/(LIABILITIES)		1,311,415	(769,293)
		<u> </u>	<u> </u>
TOTAL ASSETS LESS CURRENT LIABILITIES		48,207,859	46,158,832
		<u> </u>	<u> </u>
The funds of the charity			
Unrestricted income funds		<u>48,207,859</u>	<u>46,158,832</u>
TOTAL CHARITY FUNDS		48,207,859	46,158,832
		<u> </u>	<u> </u>

Approved by the Board of Trustees for issue on 19 March 2018 and signed on its behalf by:

The Rt Hon Lord Arbuthnot of Edrom
Chairman

NUFFIELD TRUST FOR THE FORCES OF THE CROWN

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 31 DECEMBER 2017**

	Note	Unrestricted funds 2017 £	Unrestricted funds 2016 £
Net cash used in operating activities	13	(2,517,035)	(2,279,532)
<i>Cash flows from investing activities:</i>			
Interest and dividends received		579,195	598,639
Purchase of office equipment		(100)	(125)
Proceeds from sales of investments		6,370,121	47,062,815
Purchase of investments		(1,997,055)	(45,713,102)
Net cash provided by investing activities		<u>4,952,161</u>	<u>1,948,227</u>
Change in cash and cash equivalents in the year		2,435,126	(331,305)
Cash and cash equivalent brought forward		<u>109,072</u>	<u>440,377</u>
Cash and cash equivalents carried forward		<u><u>2,544,198</u></u>	<u><u>109,072</u></u>

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

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:

	2017	2016
	£	£
Listed investments	576,888	596,881
Bank interest	2,307	1,655
Profit on foreign currency	-	103
	<u>579,195</u>	<u>598,639</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 2017 would amount to £179,784 (2016: £210,212) 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 2016
	£	£	£	£
Armed services	<u>2,845,399</u>	<u>106,022</u>	<u>2,951,421</u>	<u>1,060,085</u>

All expenditure relates to unrestricted funds. (2016 analysis: Grant funded activity - £959,899, Support and Governance costs - £100,186).

NUFFIELD TRUST FOR THE FORCES OF THE CROWN

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2017

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:

	2017	2016
	£	£
Allocations:		
- Royal Navy	167,057	167,057
- Army	528,957	528,957
- Royal Air Force	166,885	166,885
- Reserve Forces	117,500	97,000
Capital Grants:		
- Interservice	455,000	-
- Union Jack Club	350,000	-
Special Grants:		
- DNRC	1,000,000	-
- ICE Maiden	20,000	-
- Victory Services Club	40,000	-
	<u>2,845,399</u>	<u>959,899</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 (2016 - £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 2016 are summarised:-

	2017 No	2016 No
DNRC	1	-
Inter-service	4	1
Royal Navy	72	65
Army	58	72
Royal Air Force	31	33
Ulysses Trust	<u>89</u>	<u>99</u>
	<u>255</u>	<u>270</u>

The detailed information for 2017 is set out in 'Grants Paid during the Year Ended 31 December 2017 by the Trust and Recipient Services or Institutions from Allocations', attached to these financial statements from page 23 onwards.

NUFFIELD TRUST FOR THE FORCES OF THE CROWN

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

6 SUPPORT COSTS AND GOVERNANCE COSTS

	Support costs	Governance costs	Total allocated	Support costs	Governance costs	Total allocated
	2017	2017	2017	2016	2016	2016
	£	£	£	£	£	£
Salaries (Inc health insurance and Death in Service costs)	36,173	36,173	72,346	34,013	34,013	68,026
Employer's NI	2,300	2,300	4,600	2,383	2,384	4,767
Audit fees	-	4,680	4,680	-	4,680	4,680
Membership fee	-	165	165	-	265	265
Printing and stationery	463	463	926	298	299	597
Telephone	205	205	410	203	203	406
Insurance	-	203	203	-	202	202
Meeting	-	-	-	-	-	-
Postage	86	87	173	39	40	79
Travelling and subsistence expenses	1,254	1,254	2,508	449	612	1,061
Website costs	173	173	346	195	195	390
Depreciation - office equipment	81	82	163	92	92	184
Bank charges	90	90	180	151	61	212
Computer upgrades	40	40	80	37	38	75
	40,865	45,915	86,780	37,860	43,084	80,944
Pension contributions: employer	9,621	9,621	19,242	9,621	9,621	19,242
	50,486	55,536	106,022	47,481	52,705	100,186

Travel expenses of £641 were reimbursed to 4 Trustees in 2017 (2016 - reimbursements of £163). The Trust had one employee (2016: 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 2017

7 TANGIBLE FIXED ASSETS

	Fixtures and Fittings £
Cost	
At 1 January 2017	10,578
Additions	100
	<hr/>
At 31 December 2017	10,678
Depreciation	
At 1 January 2017	10,028
Depreciation charge	163
	<hr/>
	10,191
Net book value	
At 31 December 2017	<hr/> <hr/> 487
At 31 December 2016	<hr/> <hr/> 550

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).

	2017 £	2016 £
Market value at 1 January 2017	46,927,575	42,656,947
Acquisitions	1,997,055	45,713,102
Sale proceeds	(6,370,121)	(47,062,810)
Net change in market value	<hr/> 4,341,448	<hr/> 5,620,336
Market value at 31 December 2017	<hr/> <hr/> 46,895,957	<hr/> <hr/> 46,927,575
Investments are analysed as follows:	£	£
UK investments	32,885,610	34,311,024
Overseas investments	<hr/> 14,010,347	<hr/> 12,616,551
	<hr/> <hr/> 46,895,957	<hr/> <hr/> 46,927,575

NUFFIELD TRUST FOR THE FORCES OF THE CROWN

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2017

8 INVESTMENTS (Continued)

	2017 £	2016 £
UK equities	23,278,745	23,242,995
Overseas equities	14,010,347	12,616,551
Property unit trust	2,353,732	2,205,633
Other	4,598,566	4,503,212
UK fixed interest	2,654,567	4,359,184
	<u>46,895,957</u>	<u>46,927,575</u>

The historical cost of the investments at 31 December 2017 amounts to £35,004,371 (2016: £38,289,955).

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 ARC Charity Indices. The capital value will be compared to a benchmark figure adjusted for inflation and any withdrawals.

9 DEBTORS

	2017 £	2016 £
Accrued income	<u>95,868</u>	<u>96,706</u>
	<u>95,868</u>	<u>96,706</u>

NUFFIELD TRUST FOR THE FORCES OF THE CROWN

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2017

10 CREDITORS - amounts falling due within one year	2017 £	2016 £
Grants payable	1,323,971	970,391
Accruals	4,680	4,680
	<u>1,328,651</u>	<u>975,071</u>
		Charitable Commitments Accrued £
Movements in provisions and funding commitments for grants during the year		
Grant commitments at the start of the year		970,391
New grant commitments charged to the SOFA in year		2,845,399
Grants paid during the year		<u>(2,491,819)</u>
Amount of grant commitments recognised as at 31 December 2017		<u>1,323,971</u>

11 TAXATION

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

12 RELATED PARTY TRANSACTIONS

A grant of £97,500 was allocated to The Ulysses Trust of which Sir Mark Mans is a Vice President. Sir David Steel is also a Trustee of The Union Jack Club. In November 2017, the Union Jack Club was awarded a grant of £350,000 for the conversion of bedroom accommodation.

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

	2017 £	2016 £
Net movement in funds	2,049,027	5,210,995
Add back depreciation charge	163	184
Deduct interest income shown in investing activities	(579,195)	(598,639)
Deduct gain on investments	(4,341,448)	(5,620,336)
Decrease (increase) in debtors	838	23,854
Increase (decrease) in creditors	<u>353,580</u>	<u>(1,295,590)</u>
Net cash used in operating activities	<u>(2,517,035)</u>	<u>(2,279,532)</u>

NUFFIELD TRUST FOR THE FORCES OF THE CROWN

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

14 CATEGORIES OF FINANCIAL ASSETS & LIABILITIES

	2017 £	2016 £
Carrying amount of financial assets		
Financial assets that are debt instruments measured at amortised cost	-	-
Financial assets that are equity instruments measured at fair value through the statement of financial activities	46,895,957	46,927,575
	<hr/>	<hr/>
Carrying amount of financial liabilities		
Financial liabilities measured at amortised cost	1,328,651	975,071
	<hr/>	<hr/>