

THE TOLKIEN TRUST

England & Wales · Charity number 1150801

Details

Status	Registered
Legal form	Charitable company
Company number	08354834
Registered	2013-02-13
Register	View on the Charity Commission register

Contact

Address	Prama House 267 Banbury Road Oxford OX2 7HT
Phone	01865536800
Email	nicola.peedell@howespercival.com
Website	www.tolkientrust.org

Activities

Objects: TO BENEFIT SUCH CHARITABLE INSTITUTION OR INSTITUTIONS OR CHARITABLE PURPOSE OR PURPOSES AS THE DIRECTORS SHALL FROM TIME TO TIME THINK FIT

Activities: THE OBJECT OF THE TOLKIEN TRUST IS TO BENEFIT SUCH CHARITABLE INSTITUTION OR INSTITUTIONS OR CHARITABLE PURPOSE OR PURPOSES AS THE TRUSTEES SHALL FROM TIME TO TIME THINK FIT.

Classification

- **How:** Makes Grants To Organisations
- **What:** General Charitable Purposes
- **Who:** Other Charities Or Voluntary Bodies

Geography

- Throughout England And Wales

Finances

Period end	Income	Expenditure	Assets	Employees
2024-12-31	£6,458,153	£6,607,811	£38,963,098	0
2023-12-31	£9,693,486	£5,811,325	£37,388,289	0
2022-12-31	£5,884,994	£6,231,690	£31,652,887	0
2021-12-31	£4,178,063	£6,062,553	£36,291,530	0
2020-12-31	£5,972,400	£4,046,125	£36,091,705	0

Trustees

Name	Role	Appointed
Amanda Mary Reuel Doyle		2024-12-01
BAILLIE JEAN TOLKIEN		2013-02-11
Rachel Clare Reuel Tolkien		2024-12-01
Royd Allan Reuel Tolkien		2024-12-01
Simon Mario Reuel Tolkien		2020-12-18

THE TOLKIEN TRUST

England & Wales - Charity number 1150801

Accounts

Charity registration number 1150801 (England and Wales)

Company registration number 8354834

THE TOLKIEN TRUST
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

THE TOLKIEN TRUST

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Baillie Tolkien Simon Tolkien Royd Tolkien Rachel Tolkien Amanda Doyle	(Appointed 1 December 2024) (Appointed 1 December 2024) (Appointed 1 December 2024)
Secretary	Cathleen Blackburn	
Charity number	1150801	
Company number	8354834	
Registered office	Prama House 267 Banbury Road Oxford OX2 7HT	
Auditor	Gravita Audit Oxford LLP First Floor, Park Central 40-41 Park End Street Oxford OX1 1JD	
Bankers	Lloyds Bank plc Oxford	
Solicitors	Howes Percival LLP Prama House 267 Banbury Road Oxford OX2 7HT	
Investment advisors	Investec Wealth & Investment 30 Gresham Street London EC2V 7QN	

THE TOLKIEN TRUST

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THE TOLKIEN TRUST

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) FOR THE YEAR ENDED 31 DECEMBER 2024

The trustees present their annual report and financial statements for the year ended 31 December 2024.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the charity's Memorandum and Articles of Association, the Companies Act 2006 and "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) (effective 1 January 2019)".

Objectives and activities

The charity's objects are to benefit such charitable institutions or purposes as the Trustees from time to time think fit. Accordingly, the Trust operates for the public benefit. The Trustees have complied with their duty under section 17(5) of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission. The policies adopted in furtherance of these objects are detailed below and there has been no change in these during the year.

Grant-making policy

The Trust makes donations annually to a wide range of charities and charitable causes, but with a recurrent emphasis upon those aimed at alleviating poverty and social, educational and healthcare disadvantage, as well as those focusing on environmental concerns and the arts. Charities and causes are selected by the Trustees in their discretion on the basis of research undertaken on their behalf and, in the case of existing beneficiaries, the Trustees' assessment of the use made of grants previously given. Though many of the charities receiving grants are based in the United Kingdom, the funds given are expended on charitable work both at home and abroad, including in Africa, North America and Europe (for assistance to refugees).

As a solely grant-making charity, the Trust's emphasis is on focused and effective giving. Recipients of grants are therefore required to undergo monitoring and evaluation, which involves them in providing reports to the Trust on how their grants have been used and, in certain cases, meeting with the Trustees' representatives to discuss their achievements. The Trust, where appropriate, aims to build closer relationships with beneficiaries with a view to maximising the impact of its giving. In some instances, the Trust makes grants which are conditional upon the raising of matched funding, enabling the charities concerned to leverage the Trust's contributions in order to increase their supporter base and income. The Trust may also challenge charities to identify the actions which would enable them to develop and grow, such as appointing a key member of staff or creating a new website enabling greater online engagement and donations, and help to fund these actions.

Further details can be found on the Trust's website at www.tolkientrust.org

Achievements and performance

During the year the Trust made distributions from income to 102 charities.

Financial review

The Trust's chief assets consist of copyrights in certain works by J R R Tolkien, which provide royalty income, and cash and investments. The Trust does not engage in fund-raising. The Trust has no restricted funds and no endowment.

For the year royalty income was £4,271,690 (2023: £9,155,049) and the charity awarded grants totalling £6,044,078, (2023: £5,520,000). Further details are included in the statement of financial activities and related notes.

Reserves Policy

The Trust maintains a general reserve, the balance on which as at 31 December 2024 was £38,963,098 (2023: £37,388,289). Of this £1,774,000 (2023: £279,000) is represented by heritage assets leaving available reserves of £37,179,078 (2023: £37,109,289). Reserves are held to enable the Trust to smooth out the fluctuations in its net income from year to year and thus to maintain a substantial level of annual grant expenditure over the longer term; to meet future grant commitments where grants are payable over a number of years; and to stand ready to defend its copyright interests whenever these come under threat.

THE TOLKIEN TRUST

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

Investment policy

The Trust has engaged professional investment managers to administer its investments. These consist of a portfolio of equities, fixed interest securities, unit trusts and other instruments invested to provide both income and capital appreciation. The return is measured on a total return basis. No initial holding can exceed 5% of the total portfolio and the total sum of all equity holdings in excess of 5% cannot be equal to or in excess of 40% of the fund's value. No investments are made in derivatives. The Trust follows an ethical investment policy and does not invest directly in tobacco companies, or companies whose main business (i.e. >10% of revenue) is the manufacture of armaments or the provision of gambling services.

Investment performance

The Trust has agreed an investment performance benchmark with its investment managers based on the Trustees' need to build capital to fund their grant making; their attitude to investment risk; and the timeframe for investment. These three factors determine an appropriate asset allocation and thus a benchmark against which the investment managers' performance can be assessed. During 2023 the Trustees agreed to amend their "bespoke" benchmark, after discussion with and advice from their investment managers, which benchmark remains unchanged in 2024. The agreed benchmark is: 5% of the return of the Bloomberg Global-Aggregate Total Return Index (GBP Hedged); 78% of the MSCI All Country World Index (NR); 5% of the IPD Monthly Property Index; and 10% of the Alternatives Composite Index (37.5% BoA Merrill Lynch Sterling Corporate Bond Index, 37.5% MSCI All Country World Index, 25% B o E Base Rate -0.5%) against which the alternative investments are measured; and 2% cash. There are agreed limitations as to the minimum and maximum amounts of each asset class that can be held. The investment managers deem a "Medium/High" risk approach suitable given the Trust's circumstances with a restriction to a maximum of 82.5% in equities: UK and ex-UK combined.

The Trustees understand that over the long term the mandate will allow the capital value of the portfolio to be retained in real terms and generate a good level of total return. The Trustees also understand that as risk assets do not necessarily move in a linear fashion, there may be periods when the portfolio value will fall. However, they also understand that, based on historical returns, equity investment is necessary if the value of both the capital of the fund and income is to maintain its purchasing power when compared with inflation.

The portfolio returned 8.7%, net of fees, on a total return basis for the 12 months ending 31st December 2024.

The primary driver over this period, as was the case for much of the last two years, remained market expectations on global inflation and the timing of interest rate cuts by the Central Banks. Balanced portfolios made decent progress again during 2024 but there was no pronounced increase in returns towards the year end, as there was during December last year. Evidence suggests that, in the UK and US, neither inflation nor interest rates are projected to continue to fall as quickly as had been hoped. With investors also expressing concern about fiscal deficits, bond markets have experienced a sell-off, with global government bonds delivering another year of negative return contrasted against a strong performance by global equities.

As with last year, the US economy belied the experts in proving to be more robust than expected, and US equities have delivered the lion's share of return to global investors (27% return from the S&P Index vs 9.6% from the UK's FTSE 100 Index) and a concentrated number of large technology companies dubbed 'The Magnificent Seven' put on 67% over the year. However, this result comes in an environment of occasional squalls of volatility: as an example, global stock markets fell sharply in August during which spell the Magnificent 7 dropped by 17% . Despite perceived global instability, and concomitant market instability, balanced portfolios continue to deliver decent returns above what would be achieved by holding cash. Global equities sit within a few percent of all-time highs despite several occasions of market shock over the last few years which might have persuaded investors to exit. This has contributed to the positive total return for the Trust's portfolio over the year.

THE TOLKIEN TRUST

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

Principal risks and uncertainties

The principal risks and uncertainties affecting the Trust arise from its ownership of copyright assets. It is necessary from time to time to engage in legal action to defend these assets or to ensure that the Trust receives appropriate value from them, which can increase the operating costs of the Trust. The income earned from these assets may also fluctuate from year to year, often to a significant extent. The Trust deals with these risks and uncertainties by adding to net income from its reserves in order to try to achieve a consistent level of annual grant expenditure. (It should be noted, however, that this consistency is not always apparent when comparing the level of grant expenditure from year to year, given that grants to be paid out over a term of years are accounted for in full in the financial year in which they are initially agreed. Grants payable over a term of years also require the maintenance of sufficient reserves to enable the Trust to honour future grant commitments.)

Plans for future periods

The Trust plans to continue to work with a limited number of charities, developing and consolidating its current strategy, and modifying its approach if current monitoring practices suggest that increased impact can be achieved.

Structure, governance and management

The charity is a charitable company governed by its Articles of Association.

The trustees, who are also the directors for the purpose of company law, and who served during the year and up to the date of signature of the financial statements were:

Baillie Tolkien	
Michael Tolkien	(Resigned 31 December 2024)
Simon Tolkien	
Royd Tolkien	(Appointed 1 December 2024)
Rachel Tolkien	(Appointed 1 December 2024)
Amanda Doyle	(Appointed 1 December 2024)

The constitution of the charitable company establishes the terms on which Trustees are appointed and exercise their powers. New Trustees are given guidance on their legal responsibilities as charity trustees, and all Trustees are kept up-to-date with relevant legal developments and Charity Commission guidance.

None of the trustees has any beneficial interest in the company. All of the trustees are members of the company and guarantee to contribute £10 in the event of a winding up.

The Trustees make all strategic decisions relating to the charity, including decisions as to whom grants should be paid.

THE TOLKIEN TRUST

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

Disclosure of information to auditor

Each of the trustees has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

The report has been prepared in accordance with the Small Companies Regime under Section 419(2) of the Companies Act 2006.

The trustees' report was approved by the Board of Trustees.

Signed by:

.....410EA2602C2C4DD.....
Baillie Tolkien
Trustee

Date: 17 September 2025
.....

DocuSigned by:

.....90C9C2BE27E5454.....
Simon Tolkien
Trustee

21 September 2025

THE TOLKIEN TRUST

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2024

The trustees, who are also the directors of The Tolkien Trust for the purpose of company law, are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law 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 the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

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 Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 operation.

The trustees are responsible for keeping adequate accounting records that 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 Companies Act 2006. 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.

THE TOLKIEN TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE TOLKIEN TRUST

Opinion

We have audited the financial statements of The Tolkien Trust (the 'charity') for the year ended 31 December 2024 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2024 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.

Basis for 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 financial statements* section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the trustees' report for the financial year for which the financial statements are prepared, which includes the directors' report prepared for the purposes of company law, is consistent with the financial statements; and
- the directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

THE TOLKIEN TRUST

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF THE TOLKIEN TRUST

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities, the trustees, who are also the directors of the charity for the purpose of company law, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees 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 liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the charitable company through discussions with directors/trustees and other management, and from our knowledge and experience of the client's sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the charitable company;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- Identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

THE TOLKIEN TRUST

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF THE TOLKIEN TRUST

We assessed the susceptibility of the charitable company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.

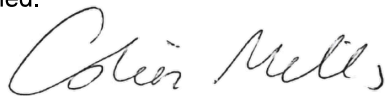
In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Colin Mills (Senior Statutory Auditor)

For and on behalf of Gravita Audit Oxford LLP, Statutory Auditor

Chartered Accountants

First Floor, Park Central

40-41 Park End Street

Oxford

OX1 1JD

Date: 22 September 2025

THE TOLKIEN TRUST

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	Unrestricted funds 2024 £	Unrestricted funds 2023 £
<u>Income from:</u>			
Donations and legacies	14	1,495,000	-
Investments	3	691,463	538,437
Royalties		4,271,690	9,155,049
Total income		<u>6,458,153</u>	<u>9,693,486</u>
<u>Expenditure on:</u>			
Raising funds	4	302,201	295,592
Charitable activities	5	6,305,610	5,515,733
Total expenditure		<u>6,607,811</u>	<u>5,811,325</u>
Net gains/(losses) on investments	11	1,724,467	1,853,241
Net income and net movement in funds		1,574,809	5,735,402
Fund balances at 1 January 2024		<u>37,388,289</u>	<u>31,652,887</u>
Fund balances at 31 December 2024		<u><u>38,963,098</u></u>	<u><u>37,388,289</u></u>

The statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

THE TOLKIEN TRUST

BALANCE SHEET

AS AT 31 DECEMBER 2024

	Notes	2024		2023	
		£	£	£	£
Fixed assets					
Heritage assets	14	1,774,000		279,000	
Investments	15	27,828,945		25,619,620	
			29,602,945		25,898,620
Current assets					
Debtors	16	3,092,023		4,537,212	
Cash at bank and in hand		11,077,843		9,129,336	
			14,169,866		13,666,548
Creditors: amounts falling due within one year	17	(4,414,713)		(1,636,879)	
Net current assets			9,755,153		12,029,669
Total assets less current liabilities			39,358,098		37,928,289
Creditors: amounts falling due after more than one year	18		(395,000)		(540,000)
Net assets			38,963,098		37,388,289
Income funds					
Unrestricted funds			38,963,098		37,388,289
			38,963,098		37,388,289

The financial statements were approved and authorised for issue by the Trustees on 17/09/2025.....

Signed by:


410EA2502C2C4DD.....
 Baillie Tolkien
 Trustee

DocuSigned by:


90C9C2BE27E5454.....
 Simon Tolkien
 Trustee

Company registration number 8354834

THE TOLKIEN TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024		2023	
		£	£	£	£
Cash flows from operating activities					
Cash generated from operations	22		1,741,902		1,253,728
Investing activities					
Purchase of investments		(6,046,261)		(22,246,374)	
Proceeds from disposal of investments		5,561,403		21,815,487	
Investment income received		691,463		538,437	
Net cash generated from investing activities			206,605		107,550
Net cash generated from financing activities			-		-
Net increase in cash and cash equivalents			1,948,507		1,361,278
Cash and cash equivalents at beginning of year			9,129,336		7,768,058
Cash and cash equivalents at end of year			11,077,843		9,129,336

THE TOLKIEN TRUST

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

1 Accounting policies

Charity information

The Tolkien Trust is a private company limited by guarantee incorporated in England and Wales. The registered office is Prama House, 267 Banbury Road, Oxford, OX2 7HT.

1.1 Accounting convention

The financial statements have been prepared in accordance with the charity's Memorandum and Articles of Association, the Companies Act 2006, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Charities SORP "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)" (effective 1 January 2019). The charity is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives.

1.4 Income

Income from royalties and similar income is recognised net of VAT and when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received. Amounts earned in respect of the year to 31 December are recognised as income in the year if they can be quantified by the time of the approval of the financial statements. Dividends are included when they are received. Interest is included on a receivable basis.

1.5 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity.

Grants are normally recognised as an expense when they are approved for payment by the Trustees. However, if the Trustees have entered into a grant agreement with a beneficiary, the full amount of the grant is recognised when the agreement is signed. Expenditure is recognised on an accruals basis and include any irrecoverable VAT. Any costs that need to be apportioned between costs of generating funds, support costs and governance costs are done so based on the Trustees' estimate of the amount of costs applicable to each category.

1.6 Heritage assets

Purchased heritage assets are capitalised in the balance sheet at cost. Donated heritage assets are included in the balance sheet at their value at the date of donation (which becomes the deemed cost). No depreciation is charged as the assets have an indefinite life.

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2024

1 Accounting policies (Continued)

1.7 Fixed asset investments

Fixed asset investments are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

1.8 Uncapitalised fixed assets

The assets of the charity consist in part of copyrights in relation to works written by the late J R R Tolkien. These are shown in note 12. They have no value in the financial statements as these were mostly settled into The Tolkien Trust (when it was an unincorporated charity) many years ago.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

1.10 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price.

Basic financial liabilities

Basic financial liabilities, including creditors and grants awarded not paid are initially recognised at transaction price. Financial liabilities are not discounted as the effect would not be material.

Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2 Critical accounting estimates and judgements

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements:

Investment values

Investment values are determined using the stock market value as at the year-end date.

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

3 Investments

	Unrestricted funds	Unrestricted funds
	2024	2023
	£	£
Dividends received	512,873	345,431
Interest receivable	178,590	193,006
	<u>691,463</u>	<u>538,437</u>

4 Raising funds

	Unrestricted funds	Unrestricted funds
	2024	2023
	£	£
UK legal fees relating to contract and copyright matters	152,063	168,645
US and other overseas legal fees	43,544	29,646
Other professional fees	2,650	2,509
	<u>198,257</u>	<u>200,800</u>
Legal and professional	198,257	200,800
Investment management fees	103,944	94,792
	<u>302,201</u>	<u>295,592</u>

Included in other professional fees is £2,615 (2023: £2,472 of fees payable to auditors for non-audit services).

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

5 Expenditure on charitable activities

	Grant making 2024 £	Grant making 2023 £
Direct costs		
Grant funding of activities (see note 6)	6,044,078	5,250,000
Share of support and governance costs (see note 7)		
Support	131,738	184,779
Governance	129,794	80,954
	<u>6,305,610</u>	<u>5,515,733</u>
Analysis by fund		
Unrestricted funds	<u>6,305,610</u>	<u>5,515,733</u>

6 Grants payable

	Grant funding 2024 £	Grant funding 2023 £
Grants to institutions: Analysed below	<u>6,044,078</u>	<u>5,250,000</u>

	2024 £	2023 £
AAPLE Academy Foundation	30,000	30,000
ActionAid	-	125,000
Arbor Day	25,000	-
Age UK	70,000	70,000
Aladdin Project	10,000	10,000
Alzheimer's Research UK	70,000	70,000
Association IMAD	22,000	22,000
Asylum Welcome	60,000	124,000
Basmeh & Zeitooneh	22,000	22,000
Be Free Young Carers	20,000	20,000
Become Charity	50,000	50,000
Best Friends Animal Society	95,000	85,000
Birdlife International	22,000	22,000
Blackfriars Oxford	10,000	-
British Red Cross	120,000	-
British Friends of Neve Shalom	70,000	55,000

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2024

6 Grants payable	(Continued)	
Camfed International	110,000	110,000
Centre Primo Levi	44,000	44,000
Challenging MND	50,000	50,000
Children on the Edge	33,000	33,000
Claremont McKenna College	20,000	50,000
ClientEarth	155,000	155,000
Collectif des Artistes Liriques et Musiciens pour la Solidarite (CALMS)	25,000	25,000
Colorado State University Foundation	35,000	40,000
Creation Theatre	45,000	45,000
Cuttleslowe Community Association	15,000	15,000
Detention Action	40,000	40,000
Doctors of the World UK	80,000	80,000
Dragon School Trust	30,000	30,000
Duke of Edinburgh's Award	70,000	35,000
Dyslexia Research Trust	49,000	49,000
Extreme Medical Services (EMR)	130,000	-
Festival Medical Services	-	90,000
Freedom from Torture	20,000	-
Glass Door Homeless Charity	83,000	128,000
Greenpeace Enviromental Trust	120,000	120,000
Help Lesotho	30,000	-
Hope Project Lesvos	30,000	30,000
Howard League for Penal Reform	30,000	30,000
Humanity & Inclusion	11,000	11,000
Kent Refugee Action Network	15,000	15,000
La Cimade	55,000	55,000
Leeds Hospitals Charity	50,000	50,000
Linda Norgrove Foundation	22,000	22,000
Linkage Community Trust Ltd	120,000	45,000
Maison Shalom	33,000	33,000
Mango Tree Orphan Support Programme	20,000	20,000
Marie Curie	70,000	70,000
Medecins du Monde France	200,000	200,000
MMR Rescue (Ukraine)	100,000	-
Medecins Sans Frontieres UK	275,000	275,000
Memorial de la Shoah	20,000	20,000
Museum of Oxford	40,000	93,000
My Name'5 Doddie Foundation	50,000	50,000
One Acre Fund	100,000	100,000
Oxford Bach Choir	-	25,000
Oxford Food Hub	33,000	33,000
Oxford Lieder Limited	25,000	25,000
Oxford Philharmonic Orchestra	15,000	15,000
Oxford Playhouse Trust	10,000	10,000
Panzi Foundation	125,000	125,000
Pembroke College Oxford, Tolkien Memorial Sculpture	7,500	-
Pesticide Action Network UK	110,000	110,000
Photography Oxford	-	10,000
Pilotes Volontaires	78,000	158,000
Prison Phoenix Trust	20,000	20,000
Prisoners Abroad	88,000	138,000

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2024

6 Grants payable	(Continued)	
Reading List Foundation	28,000	28,000
RefuAid (Prism the Gift Fund)	20,000	20,000
Refugees at Home	20,000	20,000
Relieve	105,000	105,000
RESQ ONLUS	11,000	11,000
Road to Recovery	53,000	53,000
Santa Barbara Museum of Art	-	15,000
Santa Barbara Wildlife Care Network	10,000	15,000
Save the Children Fund	250,000	122,000
Schoolreaders	55,000	55,000
Settle Support	40,000	40,000
Shelterbox	80,000	77,000
Shelter Cymru	52,000	52,000
Skidmore College	20,000	-
Solidarites International	80,000	205,000
SOS Humanity	28,000	28,000
SOS Mediterranee France	50,000	50,000
Southampton and Winchester Visitors Group	22,000	22,000
Spark Inside	25,000	25,000
St Luke's Oxford	-	11,000
Support a Survivor of Torture	-	28,000
The Christian Heritage Centre at Stonyhurst	60,000	-
The Porch	20,000	20,000
The Tablet Trust	20,000	20,000
The Turtle Hospital	20,000	25,000
Theatres Trust	20,000	20,000
TREAT (Trust for Research and Education on the Arms Trade)	105,000	105,000
Uganda Childbirth Injury Fund	28,000	28,000
Ukrainian Patriot	80,000	80,000
University of Oxford Botanic Garden and Arboretum	30,000	28,000
University of Oxford (Care for COVID-orphaned children)	-	94,000
University of Oxford - Management of Tolkien Archives	1,020,000	-
University of Oxford - reversal of Bodleian Archives grant superseded	(156,422)	-
University of Sussex	10,000	10,000
Videre Est Credere	35,000	35,000
Virtual Doctors	30,000	30,000
VNA Health Foundation	30,000	30,000
Wiener Holocaust Library	17,000	17,000
Wilderness Youth Project	30,000	30,000
Work Rights Centre	20,000	20,000
Working Chance Limited	44,000	44,000
	<u>6,044,078</u>	<u>5,250,000</u>

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

7 Support costs allocated to activities

	2024 £	2023 £
UK legal fees relating to grant administration	20,946	12,677
Other professional fees	43,750	171,016
Other costs	67,042	1,086
Governance costs	129,794	80,954
	<u>261,532</u>	<u>265,733</u>
Analysed between:		
Grant making	<u>261,532</u>	<u>265,733</u>

	2024 £	2023 £
Governance costs comprise:		
Audit fees	11,100	9,120
Legal and professional	118,694	71,834
	<u>129,794</u>	<u>80,954</u>

8 Net movement in funds

	2024 £	2023 £
The net movement in funds is stated after charging/(crediting):		
Fees payable to the charity's auditor:		
- for the audit of the charity's financial statements	10,400	9,230
- adjustment in respect of prior year	700	(110)
	<u>11,100</u>	<u>9,120</u>

9 Trustees

None of the trustees (or any persons connected with them) received any remuneration or benefits from the charity during the year.

10 Employees

The average monthly number of employees during the year was:

	2024 Number	2023 Number
Total	<u>-</u>	<u>-</u>

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

11 Gains and losses on investments

	Unrestricted funds 2024 £	Unrestricted funds 2023 £
Gains/(losses) arising on:		
Revaluation of investments	1,724,467	1,853,241

12 Taxation

The charity is exempt from taxation on its activities because all its income is applied for charitable purposes.

13 Copyright Assets

The charity's literary assets comprise:

- Certain US copyrights in *The Lord of the Rings*; and the worldwide copyrights in *Smith of Wootton Major*, *Tree and Leaf*, *Roverandom*, *Mythopoeia*, *The Legend of Sigurd and Gudrun*, *The Fall of Arthur* and *Beowulf: A Translation and Commentary*, all by J R R Tolkien.
- The copyrights in the published editions of various philological writings and fragments by J R R Tolkien.
- Certain unpublished papers, letters, artistic works, pictures, photographs and other documents originally forming part of the Estate of J R R Tolkien, and the copyright in such materials formerly owned by the Estate.

14 Heritage assets

	Archive £
At 1 January 2024	279,000
Donated assets	1,495,000
At 31 December 2024	1,774,000

The acquired heritage assets have been placed on long-term deposit in the Tolkien Archive at the Bodleian Library in the University of Oxford so that they may be held with the literary papers and other archives of J R R Tolkien and the Tolkien family, and be accessible to scholars.

The donation (by legacy) in 2024 with a value of £1,495,000 and the acquisition in 2021 for £279,000 are the only heritage asset transactions in the past 5 years.

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2024

15 Fixed asset investments

	Listed investments	Fixed interest securities (listed)	Cash held by investment managers	Total
	£	£	£	£
Cost or valuation				
At 1 January 2024	22,215,329	2,365,934	1,038,357	25,619,620
Additions	5,949,079	97,182	194,414	6,240,675
Valuation changes	1,821,880	(97,413)	-	1,724,467
Disposals	(5,384,239)	(96,577)	(275,000)	(5,755,816)
	<u>24,602,049</u>	<u>2,269,126</u>	<u>957,771</u>	<u>27,828,946</u>
Carrying amount				
At 31 December 2024	<u>24,602,049</u>	<u>2,269,126</u>	<u>957,771</u>	<u>27,828,946</u>
At 31 December 2023	<u>22,215,329</u>	<u>2,365,934</u>	<u>1,038,357</u>	<u>25,619,620</u>

16 Debtors

	2024	2023
	£	£
Amounts falling due within one year:		
Royalties receivable	3,078,710	4,512,480
Other debtors	13,313	12,836
Prepayments and accrued income	-	11,896
	<u>3,092,023</u>	<u>4,537,212</u>

17 Creditors: amounts falling due within one year

	2024	2023
	£	£
Grants awarded not yet paid	4,313,000	1,507,387
Accruals and deferred income	101,713	129,492
	<u>4,414,713</u>	<u>1,636,879</u>

18 Creditors: amounts falling due after more than one year

	2024	2023
	£	£
Grants awarded not yet paid	<u>395,000</u>	<u>540,000</u>

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

19 Grants awarded not yet paid

	At 1 January 2024	Amounts Awarded	Payments Made	At 31 December 2024
	£	£	£	£
2024 movements				
Bodleian Archivist	145,000	(145,000)	-	-
Bodleian Curator of Medieval Manuscripts	200,000	-	-	200,000
Bodleian Library - other	11,422	11,422	-	-
Bodleian Library - Tolkein Archives		1,020,000	490,000	530,000
University of Oxford The JRR Tolkien Professorship of English Literature and Language	640,000	-	320,000	320,000
Awarded December 2023; paid in 2024	1,050,965		1,050,965	-
Awarded and paid in 2024	-	1,522,500	1,522,500	-
Awarded December 2024; paid in 2025	-	3,658,000	-	3,658,000
	<u>2,047,387</u>	<u>6,044,078</u>	<u>3,383,465</u>	<u>4,708,000</u>

	At 1 January 2023	Amounts Awarded	Payments Made	At 31 December 2023
	£	£	£	£
2023 movements				
University of Manitoba				
Alan Klass Memorial Fund Programme	90,000	-	90,000	-
Bodleian Archivist	205,000	-	60,000	145,000
Bodleian Curator of Medieval Manuscripts	265,000	-	65,000	200,000
Bodleian Library - other	11,422	-	-	11,422
University of Oxford The JRR Tolkien Professorship of English Literature and Language	960,000	-	320,000	640,000
Awarded December 2022; paid in 2023	10,000	-	10,000	-
Awarded and paid in 2023	-	4,199,035	4,199,035	-
Awarded December 2023; paid in 2024	-	1,050,965	-	1,050,965
	<u>1,541,422</u>	<u>5,250,000</u>	<u>4,744,035</u>	<u>2,047,387</u>

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2024

20 Unrestricted funds

The unrestricted funds of the charity comprise the unexpended balances of donations and grants which are not subject to specific conditions by donors and grantors as to how they may be used. These include designated funds which have been set aside out of unrestricted funds by the trustees for specific purposes.

	At 1 January 2024	Income	Expenditure	Gains and losses	At 31 December 2024
	£	£	£	£	£
General funds	37,388,289	6,458,153	(6,607,811)	1,724,467	38,963,098
	<u>37,388,289</u>	<u>6,458,153</u>	<u>(6,607,811)</u>	<u>1,724,467</u>	<u>38,963,098</u>
Previous year:	At 1 January 2023	Income	Expenditure	Gains and losses	At 31 December 2023
	£	£	£	£	£
General funds	31,652,887	9,693,486	(5,811,325)	1,853,241	37,388,289
	<u>31,652,887</u>	<u>9,693,486</u>	<u>(5,811,325)</u>	<u>1,853,241</u>	<u>37,388,289</u>

21 Related party transactions

There were no disclosable related party transactions during the year (2023 - none).

22 Cash generated from operations

	2024 £	2023 £
Surplus for the year	1,574,809	5,735,402
Adjustments for:		
Investment income recognised in statement of financial activities	(691,463)	(538,437)
Non-cash legacies	(1,495,000)	-
Fair value gains and losses on investments	(1,724,467)	(1,853,241)
Movements in working capital:		
Decrease/(increase) in debtors	1,445,189	(2,602,901)
Increase in creditors	2,632,834	512,905
Cash generated from operations	<u>1,741,902</u>	<u>1,253,728</u>

23 Analysis of changes in net funds

The charity had no material debt during the year.

THE TOLKIEN TRUST

England & Wales - Charity number 1150801

Accounts

Charity registration number 1150801

Company registration number 8354834 (England and Wales)

THE TOLKIEN TRUST
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

THE TOLKIEN TRUST

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Baillie Tolkien Michael Tolkien Simon Tolkien
Secretary	Cathleen Blackburn
Charity number	1150801
Company number	8354834
Registered office	Prama House 267 Banbury Road Oxford OX2 7HT
Auditor	Critchleys Audit LLP Beaver House 23-38 Hythe Bridge Street Oxford OX1 2EP
Bankers	Lloyds Bank plc Oxford
Solicitors	Howes Percival LLP Prama House 267 Banbury Road Oxford OX2 7HT
Investment advisors	Investec Wealth & Investment 30 Gresham Street London EC2V 7QN

THE TOLKIEN TRUST

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THE TOLKIEN TRUST

TRUSTEES' REPORT (INCLUDING DIRECTOR'S REPORT) FOR THE YEAR ENDED 31 DECEMBER 2023

The trustees present their annual report and financial statements for the year ended 31 December 2023.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the charity's Memorandum and Articles of Association, the Companies Act 2006 and "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) (effective 1 January 2019)".

Objectives and activities

The charity's objects are to benefit such charitable institutions or purposes as the Trustees from time to time think fit. Accordingly, the Trust operates for the public benefit. The Trustees have complied with their duty under section 17(5) of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission. The policies adopted in furtherance of these objects are detailed below and there has been no change in these during the year.

Grant-making policy

The Trust makes donations annually to a wide range of charities and charitable causes, but with a recurrent emphasis upon those aimed at alleviating poverty and social, educational and healthcare disadvantage, as well as those focusing on environmental concerns and the arts. Charities and causes are selected by the Trustees in their discretion on the basis of research undertaken on their behalf and, in the case of existing beneficiaries, the Trustees' assessment of the use made of grants previously given. Though many of the charities receiving grants are based in the United Kingdom, the funds given are expended on charitable work both at home and abroad, including in Africa and, more recently, North America and Europe (for assistance to refugees fleeing conflict zones).

As a solely grant-making charity, the Trust's emphasis is on focused and effective giving. Recipients of grants are therefore required to undergo monitoring and evaluation, which involves them in providing reports to the Trust on how their grants have been used and, in certain cases, meeting with the Trustees' representatives to discuss their achievements. The Trust now gives to fewer charities than previously but, where appropriate, aims to build closer relationships with beneficiaries with a view to maximising the impact of its giving. In some instances, the Trust makes grants which are conditional upon the raising of matched funding, enabling the charities concerned to leverage the Trust's contributions in order to increase their supporter base and income. The Trust may also challenge charities to identify the actions which would enable them to develop and grow, such as appointing a key member of staff or creating a new website enabling greater online engagement and donations, and help to fund these actions.

Further details can be found on the Trust's website at www.tolkientrust.org

Achievements and performance

During the year the Trust made distributions from income to 95 charities.

Financial review

The Trust's chief assets consist of copyrights in certain works by J R R Tolkien, which provide royalty income, and cash and investments. The Trust does not engage in fund-raising. The Trust has no restricted funds and no endowment.

For the year royalty income was £9,155,049 (2022: £5,270,353) and the charity awarded grants totalling £5,520,000 (2022: £5,651,000). Further details are included in the statement of financial activities and related notes.

Reserves Policy

The Trust maintains a general reserve, the balance on which as at 31 December 2023 was £37,388,289 (2022: £31,652,887). Reserves are held to enable the Trust to smooth out the fluctuations in its net income from year to year and thus to maintain a substantial level of annual grant expenditure over the longer term; to meet future grant commitments where grants are payable over a number of years; and to stand ready to defend its copyright interests whenever these come under threat.

THE TOLKIEN TRUST

TRUSTEES' REPORT (INCLUDING DIRECTOR'S REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Investment policy

The Trust has engaged professional investment managers to administer its investments. These consist of a portfolio of equities, fixed interest securities, unit trusts and other instruments invested to provide both income and capital appreciation. The return is measured on a total return basis. No initial holding can exceed 5% of the total portfolio and the total sum of all equity holdings in excess of 5% cannot be equal to or in excess of 40% of the fund's value. No investments are made in derivatives. The Trust follows an ethical investment policy and does not invest directly in tobacco companies, or companies whose main business (i.e. >10% of revenue) is the manufacture of armaments or the provision of gambling services.

Investment performance

The Trust has agreed an investment performance benchmark with its investment managers based on the Trustees' need to build capital to fund their grant making; their attitude to investment risk; and the timeframe for investment. These three factors determine an appropriate asset allocation and thus a benchmark against which the investment managers' performance can be assessed. During 2023 the Trustees agreed to amend their "bespoke" benchmark, after discussion with and advice from their investment managers. The agreed benchmark is: 5% of the return of the Bloomberg Global-Aggregate Total Return Index (GBP Hedged); 78% of the MSCI All Country World Index (NR); 5% of the IPD Monthly Property Index; and 10% of the Alternatives Composite Index (37.5% BoA Merrill Lynch Sterling Corporate Bond Index, 37.5% MSCI All Country World Index, 25% B o E Base Rate -0.5%) against which the alternative investments are measured; and 2% cash. There are agreed limitations as to the minimum and maximum amounts of each asset class that can be held. The investment managers deem a "Medium/High" risk approach suitable given the Trust's circumstances with a restriction to a maximum of 82.5% in equities: UK and ex-UK combined.

The Trustees understand that over the long term the mandate will allow the capital value of the portfolio to be retained in real terms and generate a good level of total return. The Trustees also understand that as risk assets do not necessarily move in a linear fashion, there may be periods when the portfolio value will fall. However, they also understand that, based on historical returns, equity investment is necessary if the value of both the capital of the fund and income is to maintain its purchasing power when compared with inflation.

The portfolio returned 10.2%, net of fees, on a total return basis for the 12 months ending 29th December 2023. The primary driver over this period remained market expectations on global inflation and the timing of interest rate cuts by the Central Banks. The first three quarters experienced increased volatility brought on by a number of challenges, including the collapse of a handful of US regional banks, sluggish recovery in China and the market's reaction to the continued rhetoric around 'higher for longer' from the Central Banks. On the other hand, the US economy belied the experts in proving to be more robust than expected and a concentrated number of large technology companies dubbed 'The Magnificent Seven' produced exceptional returns on the promise of the next technological revolution in the form of Generative Artificial Intelligence (AI). Geo-politics became the focus at the beginning of the last quarter of the year, with escalating tensions in the Middle East causing turmoil in the markets. However, the final weeks of the year delivered strong gains, spurred by investor optimism around the timing and level of interest rate cuts. The resulting rally in equities alongside robust returns from longer dated assets such as infrastructure contributed towards a positive total return for the portfolio over the year.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Trust arise from its ownership of copyright assets. It is necessary from time to time to engage in legal action to defend these assets or to ensure that the Trust receives appropriate value from them, which can increase the operating costs of the Trust. The income earned from these assets may also fluctuate from year to year, often to a significant extent. The Trust deals with these risks and uncertainties by adding to net income from its reserves in order to try to achieve a consistent level of annual grant expenditure. (It should be noted, however, that this consistency is not always apparent when comparing the level of grant expenditure from year to year, given that grants to be paid out over a term of years are accounted for in full in the financial year in which they are initially agreed. Grants payable over a term of years also require the maintenance of sufficient reserves to enable the Trust to honour future grant commitments.)

Plans for future periods

The Trust plans to continue to work with a limited number of charities, developing and consolidating its current strategy, and modifying its approach if current monitoring practices suggest that increased impact can be achieved.

THE TOLKIEN TRUST

TRUSTEES' REPORT (INCLUDING DIRECTOR'S REPORT) (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Structure, governance and management

The charity is a charitable company governed by its Articles of Association.

The trustees, who are also the directors for the purpose of company law, and who served during the year and up to the date of signature of the financial statements were:

Baillie Tolkien
Michael Tolkien
Simon Tolkien

The constitution of the charitable company establishes the terms on which Trustees are appointed and exercise their powers. New Trustees are given guidance on their legal responsibilities as charity trustees, and all Trustees are kept up-to-date with relevant legal developments and Charity Commission guidance.

None of the trustees has any beneficial interest in the company. All of the trustees are members of the company and guarantee to contribute £10 in the event of a winding up.

The Trustees make all strategic decisions relating to the charity, including decisions as to whom grants should be paid.

Disclosure of information to auditor

Each of the trustees has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

The report has been prepared in accordance with the Small Companies Regime under Section 419(2) of the Companies Act 2006.

The trustees' report was approved by the Board of Trustees.

Michael Tolkien
Trustee

6 September 2024

THE TOLKIEN TRUST

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2023

The trustees, who are also the directors of The Tolkien Trust for the purpose of company law, are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company Law 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 the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

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 Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 operation.

The trustees are responsible for keeping adequate accounting records that 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 Companies Act 2006. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE TOLKIEN TRUST

Opinion

We have audited the financial statements of The Tolkien Trust (the 'charity') for the year ended 31 December 2023 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2023 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.

Basis for 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 financial statements* section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

THE TOLKIEN TRUST

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF THE TOLKIEN TRUST

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the trustees' report for the financial year for which the financial statements are prepared, which includes the directors' report prepared for the purposes of company law, is consistent with the financial statements; and
- the directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities, the trustees, who are also the directors of the charity for the purpose of company law, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees 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 liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

THE TOLKIEN TRUST

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF THE TOLKIEN TRUST

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the charitable company through discussions with directors/trustees and other management, and from our knowledge and experience of the client's sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the charitable company;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- Identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the charitable company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

THE TOLKIEN TRUST

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF THE TOLKIEN TRUST

Robert Kirtland (Senior Statutory Auditor)
for and on behalf of Critchleys Audit LLP

10 September 2024

Chartered Accountants
Statutory Auditor

Beaver House
23-38 Hythe Bridge Street
Oxford
OX1 2EP

THE TOLKIEN TRUST

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2023

		Unrestricted funds 2023 £	Unrestricted funds 2022 £
	Notes		
Income from:			
Investments	3	538,437	614,641
Royalties		9,155,049	5,270,353
Total income		<u>9,693,486</u>	<u>5,884,994</u>
Expenditure on:			
Raising funds	4	<u>295,592</u>	<u>313,117</u>
Charitable activities	5	<u>5,515,733</u>	<u>5,918,573</u>
Total expenditure		<u>5,811,325</u>	<u>6,231,690</u>
Net gains/(losses) on investments	11	<u>1,853,241</u>	<u>(4,291,947)</u>
Net income and net movement in funds		5,735,402	(4,638,643)
Fund balances at 1 January 2023		<u>31,652,887</u>	<u>36,291,530</u>
Fund balances at 31 December 2023		<u><u>37,388,289</u></u>	<u><u>31,652,887</u></u>

The statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

THE TOLKIEN TRUST

BALANCE SHEET

AS AT 31 DECEMBER 2023

	Notes	2023		2022	
		£	£	£	£
Fixed assets					
Heritage assets	14		279,000		279,000
Investments	15		25,619,620		23,335,492
			<u>25,898,620</u>		<u>23,614,492</u>
Current assets					
Debtors	16	4,537,212		1,934,311	
Cash at bank and in hand		9,129,336		7,768,058	
		<u>13,666,548</u>		<u>9,702,369</u>	
Creditors: amounts falling due within one year	17	(1,636,879)		(658,974)	
Net current assets			<u>12,029,669</u>		<u>9,043,395</u>
Total assets less current liabilities			<u>37,928,289</u>		<u>32,657,887</u>
Creditors: amounts falling due after more than one year	18		(540,000)		(1,005,000)
Net assets			<u><u>37,388,289</u></u>		<u><u>31,652,887</u></u>
Income funds					
Unrestricted funds			<u>37,388,289</u>		<u>31,652,887</u>
			<u><u>37,388,289</u></u>		<u><u>31,652,887</u></u>

The financial statements were approved and authorised for issue by the Trustees on 6 September 2024

Michael Tolkien
Trustee

Company registration number 8354834

THE TOLKIEN TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £	£	2022 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	22		1,253,728		(2,498,528)
Investing activities					
Purchase of investments		(22,246,374)		(6,915,753)	
Proceeds from disposal of investments		21,815,487		6,403,417	
Investment income received		538,437		614,641	
Net cash generated from investing activities			107,550		102,305
Net cash used in financing activities			-		-
Net increase/(decrease) in cash and cash equivalents			1,361,278		(2,396,223)
Cash and cash equivalents at beginning of year			7,768,058		10,164,281
Cash and cash equivalents at end of year			9,129,336		7,768,058

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

Charity information

The Tolkien Trust is a private company limited by guarantee incorporated in England and Wales. The registered office is Prama House, 267 Banbury Road, Oxford, OX2 7HT.

1.1 Accounting convention

The financial statements have been prepared in accordance with the charity's Memorandum and Articles of Association, the Companies Act 2006, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Charities SORP "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)" (effective 1 January 2019). The charity is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives.

1.4 Income

Income from royalties and similar income is recognised net of VAT and when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received. Amounts earned in respect of the year to 31 December are recognised as income in the year if they can be quantified by the time of the approval of the financial statements. Dividends are included when they are received. Interest is included on a receivable basis.

1.5 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity.

Grants are normally recognised as an expense when they are approved for payment by the Trustees. However, if the Trustees have entered into a grant agreement with a beneficiary, the full amount of the grant is recognised when the agreement is signed. Expenditure is recognised on an accruals basis and include any irrecoverable VAT. Any costs that need to be apportioned between costs of generating funds, support costs and governance costs are done so based on the Trustees' estimate of the amount of costs applicable to each category.

1.6 Heritage assets

Purchased heritage assets are capitalised in the balance sheet. No depreciation is charged as the assets have an indefinite life.

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies (Continued)

1.7 Fixed asset investments

Fixed asset investments are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

1.8 Uncapitalised fixed assets

The assets of the charity consist in part of copyrights in relation to works written by the late J R R Tolkien. These are shown in note 12. They have no value in the financial statements as these were mostly settled into The Tolkien Trust (when it was an unincorporated charity) many years ago.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

1.10 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price.

Basic financial liabilities

Basic financial liabilities, including creditors and grants awarded not paid are initially recognised at transaction price. Financial liabilities are not discounted as the effect would not be material.

Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2 Critical accounting estimates and judgements

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements:

Investment values

Investment values are determined using the stock market value as at the year-end date.

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

3 Investments

	Unrestricted funds	Unrestricted funds
	2023	2022
	£	£
Dividends received	345,431	532,849
Interest receivable	193,006	81,792
	<u>538,437</u>	<u>614,641</u>

4 Raising funds

	Unrestricted funds	Unrestricted funds
	2023	2022
	£	£
UK legal fees relating to contract and copyright matters	168,645	172,847
US and other overseas legal fees	29,646	38,940
Other professional fees	2,509	3,310
	<u>200,800</u>	<u>215,097</u>
Legal and professional	94,792	98,020
	<u>295,592</u>	<u>313,117</u>

Included in other professional fees is £2,472 (2022: £2,200 of fees payable to auditors for non-audit services).

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

5 Expenditure on charitable activities

	Grant making 2023 £	Grant making 2022 £
Direct costs		
Grant funding of activities (see note 6)	5,250,000	5,651,000
Share of support and governance costs (see note 7)		
Support	184,779	188,116
Governance	80,954	79,457
	<u>5,515,733</u>	<u>5,918,573</u>
Analysis by fund		
Unrestricted funds	<u>5,515,733</u>	<u>5,918,573</u>

6 Grants payable

	Grant funding 2023 £	Grant funding 2022 £
Grants to institutions: Analysed below	<u>5,250,000</u>	<u>5,651,000</u>

	2023 £	2022 £
AAPLE Academy Foundation	30,000	30,000
ActionAid	125,000	125,000
Age UK	70,000	70,000
Aladdin Project	10,000	20,000
Alzheimer's Research UK	70,000	70,000
Association IMAD	22,000	20,000
Asylum Welcome	124,000	110,000
Basmeah & Zeitooneh	22,000	20,000
Be Free Young Carers	20,000	20,000
Become Charity	50,000	50,000
Best Friends Animal Society	85,000	50,000
Birdlife International	22,000	20,000
Bodleian Library	-	35,000
British Friends of Neve Shalom	55,000	35,000
CALMS	25,000	-
Camfed International	110,000	100,000

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

6 Grants payable	(Continued)	
Centre Primo Levi	44,000	230,000
Challenging MND	50,000	50,000
Children on the Edge	33,000	30,000
Claremont McKenna College	50,000	45,000
ClientEarth	155,000	200,000
Colorado State University Foundation	40,000	40,000
Creation Theatre	45,000	45,000
Cuttleslowe Community Association	15,000	15,000
Detention Action	40,000	40,000
Direct Relief	-	170,000
Doctors of the World UK	80,000	80,000
Dominican Council	-	10,000
Dragon School Trust	30,000	30,000
Duke of Edinburgh Award	35,000	70,000
Dyslexia Research Trust	49,000	-
Emergency UK	-	10,000
Exeter College Oxford	-	50,000
Festival Medical Services	90,000	-
Glass Door Homeless Charity	128,000	120,000
Greenpeace Enviromental Trust	120,000	150,000
Hillside House	-	25,000
Hope Project Lesvos	30,000	30,000
Howard League for Penal Reform	30,000	30,000
Human Rights Watch	-	100,000
Humanity & Inclusion	11,000	110,000
Kent Refugee Action Network	15,000	15,000
La Cimade	55,000	114,000
Leeds Hospital Charity	50,000	50,000
Linda Norgrove Foundation	22,000	70,000
Linkage Community Trust Ltd	45,000	50,000
Maison Shalom	33,000	30,000
Mango Tree Orphan Support Programme	20,000	-
Marie Curie	70,000	70,000
Marine Mammal Center	-	30,000
Medecins du Monde	200,000	200,000
Medecins Sans Frontieres UK	275,000	300,000
Memorial de la Shoah	20,000	40,000
Museum of Oxford	93,000	-
My Name'5 Doddie Foundation	50,000	50,000
One Acre Fund	100,000	100,000
Oxford Bach Choir	25,000	25,000
Oxford Food Hub	33,000	30,000
Oxford Lieder Limited	25,000	25,000
Oxford Philharmonic Orchestra	15,000	15,000
Oxford Playhouse Trust	10,000	10,000
Panzi Foundation	125,000	125,000
Pesticide Action Network UK	110,000	100,000
Photography Oxford	10,000	10,000
Pilotes Volontaires	158,000	135,000
Prison Phoenix Trust	20,000	20,000
Prisoners Abroad	138,000	80,000

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

6 Grants payable	(Continued)	
Reading List Foundation	28,000	25,000
RefuAid (Prism the Gift Fund)	20,000	20,000
Refugees at Home	20,000	-
Relieve	105,000	95,000
RESQ ONLUS	11,000	10,000
Road to Recovery	53,000	90,000
Sanctuary Hosting Limited	-	20,000
Santa Barbara Museum of Art	15,000	25,000
Santa Barbara Wildlife Care Network	15,000	-
Save the Children Fund	122,000	-
Schoolreaders	55,000	50,000
Settle Support	40,000	40,000
Shelterbox	77,000	100,000
Solidarites International	205,000	325,000
SOS Humanity	28,000	25,000
SOS Mediterranee France	50,000	-
Southampton and Winchester Visitors Group	22,000	20,000
Spark Inside	25,000	25,000
St Luke's Oxford	11,000	10,000
Support a Survivor of Torture	28,000	25,000
The Porch	20,000	-
The Tablet Trust	20,000	20,000
The Turtle Hospital	25,000	25,000
Theatres Trust	20,000	20,000
TREAT (Trust for Research and Education on the Arms Trade)	105,000	145,000
Uganda Childbirth Injury Fund	28,000	25,000
Ukrainian Patriot	80,000	70,000
University of Manitoba	-	(75,000)
University of Oxford Botanic Garden	28,000	25,000
University of Oxford (Care for COVID-orphaned children)	94,000	92,000
University of Sussex	10,000	10,000
Videre Est Credere	35,000	75,000
VII Foundation	-	30,000
Virtual Doctors	30,000	-
VNA Health Foundation	30,000	25,000
Welsh Housing Aid (Shelter Cymru)	52,000	-
Wiener Holocaust Library	17,000	15,000
Wilderness Youth Project	30,000	25,000
Work Rights Centre	20,000	30,000
Working Chance Limited	44,000	40,000
	<u>5,250,000</u>	<u>5,651,000</u>

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

7 Support costs

	Support costs	Governance costs	2023 Support costs	Governance costs	2022
	£	£	£	£	£
UK legal fees relating to grant administration	12,677	-	12,677	12,224	12,224
Other professional fees	171,016	-	171,016	175,383	175,383
Other costs	1,086	-	1,086	509	509
Auditors' fees - audit - current year	-	9,230	9,230	-	8,300
Auditors' fees - audit - prior year adjustment	-	(110)	(110)	-	1,885
Legal and professional	-	71,834	71,834	-	69,272
	<u>184,779</u>	<u>80,954</u>	<u>265,733</u>	<u>188,116</u>	<u>267,573</u>
Analysed between Charitable activities	<u>184,779</u>	<u>80,954</u>	<u>265,733</u>	<u>188,116</u>	<u>267,573</u>

8 Net movement in funds

	2023	2022
	£	£
The net movement in funds is stated after charging/(crediting):		
Fees payable for the audit of the charity's financial statements	<u>9,120</u>	<u>9,930</u>

9 Trustees

None of the trustees (or any persons connected with them) received any remuneration or benefits from the charity during the year.

10 Employees

The average monthly number of employees during the year was:

	2023	2022
	Number	Number
Total	<u>-</u>	<u>-</u>

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

11 Gains and losses on investments

	Unrestricted funds 2023 £	Unrestricted funds 2022 £
Gains/(losses) arising on:		
Revaluation of investments	1,853,241	(4,291,947)

12 Taxation

The charity is exempt from taxation on its activities because all its income is applied for charitable purposes.

13 Copyright Assets

The charity's literary assets comprise:

- Certain US copyrights in *The Lord of the Rings*; and the worldwide copyrights in *Smith of Wootton Major, Tree and Leaf, Roverandom, Mythopoeia, The Legend of Sigurd and Gudrun, The Fall of Arthur* and *Beowulf: A Translation and Commentary*, all by J R R Tolkien.
- The copyrights in the published editions of various philological writings and fragments by J R R Tolkien.
- Certain unpublished papers, letters, artistic works, pictures, photographs and other documents originally forming part of the Estate of J R R Tolkien, and the copyright in such materials formerly owned by the Estate.

14 Heritage assets

	Archive £
At 1 January 2023 and at 31 December 2023	279,000

The acquired heritage assets have been placed on long-term deposit in the Tolkien Archive at the Bodleian Library in the University of Oxford so that they may be held with the literary papers and other archives of J R R Tolkien and the Tolkien family, and be accessible to scholars.

The acquisition in 2021 for £279,000 is the only heritage asset transaction in the past 5 years.

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

15 Fixed asset investments

	Equities (listed)	Fixed interest securities (listed)	Cash held by investment managers	Total
	£	£	£	£
Cost or valuation				
At 1 January 2023	20,564,138	2,318,934	452,420	23,335,492
Additions	20,409,020	1,251,418	585,936	22,246,374
Valuation changes	1,796,221	57,020	-	1,853,241
Disposals	(20,554,049)	(1,261,438)	-	(21,815,487)
	<u>22,215,330</u>	<u>2,365,934</u>	<u>1,038,356</u>	<u>25,619,620</u>
At 31 December 2023	22,215,330	2,365,934	1,038,356	25,619,620
Carrying amount				
At 31 December 2023	<u>22,215,330</u>	<u>2,365,934</u>	<u>1,038,356</u>	<u>25,619,620</u>
At 31 December 2022	<u>20,564,138</u>	<u>2,318,934</u>	<u>452,420</u>	<u>23,335,492</u>

16 Debtors

	2023	2022
	£	£
Amounts falling due within one year:		
Royalties receivable	4,512,480	1,920,977
Other debtors	12,836	13,334
Prepayments and accrued income	11,896	-
	<u>4,537,212</u>	<u>1,934,311</u>

17 Creditors: amounts falling due within one year

	2023	2022
	£	£
Grants awarded not yet paid	1,507,387	536,422
Accruals and deferred income	129,492	122,552
	<u>1,636,879</u>	<u>658,974</u>

18 Creditors: amounts falling due after more than one year

	2023	2022
	£	£
Grants awarded not yet paid	<u>540,000</u>	<u>1,005,000</u>

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

19 Grants awarded not yet paid

	At 1 January 2023	Amounts Awarded	Payments Made	At 31 December 2023
	£	£	£	£
2023 movements				
University of Manitoba				
Alan Klass Memorial Fund Programme	90,000	-	90,000	-
Bodleian Archivist	205,000	-	60,000	145,000
Bodleian Curator of Medieval Manuscripts	265,000	-	65,000	200,000
Bodleian Library - other	11,422	-	-	11,422
University of Oxford The JRR Tolkien Professorship of English Literature and Language	960,000	-	320,000	640,000
Awarded December 2022; paid in 2023	10,000	-	10,000	-
Awarded and paid in 2023	-	4,199,035	4,199,035	-
Awarded December 2023; paid in 2024	-	1,050,965	-	1,050,965
	<u>1,541,422</u>	<u>5,250,000</u>	<u>4,744,035</u>	<u>2,047,387</u>

	At 1 January 2022	Amounts Awarded	Payments Made	At 31 December 2022
	£	£	£	£
2022 movements				
University of Manitoba				
Alan Klass Memorial Fund Programme	180,000	(75,000)	15,000	90,000
Bodleian Archivist	250,000	-	45,000	205,000
Bodleian Curator of Medieval Manuscripts	325,000	-	60,000	265,000
Bodleian Library - other	11,422	-	-	11,422
University of Oxford The JRR Tolkien Professorship of English Literature and Language	1,280,000	-	320,000	960,000
Cité Internationale de la tapisserie Aubusson	100,000	-	100,000	-
Awarded December 2021; paid in 2022	1,482,000	-	1,482,000	-
Awarded and paid in 2022	-	5,716,000	5,716,000	-
Awarded December 2022; paid in 2023	-	10,000	-	10,000
	<u>3,628,422</u>	<u>5,651,000</u>	<u>7,738,000</u>	<u>1,541,422</u>

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

20 Unrestricted funds

The unrestricted funds of the charity comprise the unexpended balances of donations and grants which are not subject to specific conditions by donors and grantors as to how they may be used. These include designated funds which have been set aside out of unrestricted funds by the trustees for specific purposes.

	At 1 January 2023	Income	Expenditure	Gains and losses	At 31 December 2023
	£	£	£	£	£
General funds	31,652,887	9,693,486	(5,811,325)	1,853,241	37,388,289
	<u>31,652,887</u>	<u>9,693,486</u>	<u>(5,811,325)</u>	<u>1,853,241</u>	<u>37,388,289</u>
Previous year:	At 1 January 2022	Income	Expenditure	Gains and losses	At 31 December 2022
	£	£	£	£	£
General funds	36,291,530	5,884,994	(6,231,690)	(4,291,947)	31,652,887
	<u>36,291,530</u>	<u>5,884,994</u>	<u>(6,231,690)</u>	<u>(4,291,947)</u>	<u>31,652,887</u>

21 Related party transactions

There were no disclosable related party transactions during the year (2022 - none).

22 Cash generated from operations

	2023	2022
	£	£
Surplus/(deficit) for the year	5,735,402	(4,638,643)
Adjustments for:		
Investment income recognised in statement of financial activities	(538,437)	(614,641)
Fair value gains and losses on investments	(1,853,241)	4,291,947
Movements in working capital:		
(Increase)/decrease in debtors	(2,602,901)	558,479
Increase/(decrease) in creditors	512,905	(2,095,670)
Cash generated from/(absorbed by) operations	<u>1,253,728</u>	<u>(2,498,528)</u>

23 Analysis of changes in net funds

The charity had no material debt during the year.

THE TOLKIEN TRUST

England & Wales - Charity number 1150801

Accounts

Charity registration number 1150801

Company registration number 8354834 (England and Wales)

THE TOLKIEN TRUST
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

THE TOLKIEN TRUST

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Baillie Tolkien Michael Tolkien Simon Tolkien
Secretary	Cathleen Blackburn
Charity number	1150801
Company number	8354834
Registered office	Prama House 267 Banbury Road Oxford OX2 7HT
Auditor	Critchleys Audit LLP Beaver House 23-38 Hythe Bridge Street Oxford OX1 2EP
Bankers	Lloyds Bank plc Oxford
Solicitors	Maier Blackburn LLP Prama House 267 Banbury Road Oxford OX2 7HT
Investment advisors	Investec Wealth & Investment 30 Gresham Street London EC2V 7QN

THE TOLKIEN TRUST

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THE TOLKIEN TRUST

TRUSTEES' REPORT (INCLUDING DIRECTOR'S REPORT)

FOR THE YEAR ENDED 31 DECEMBER 2022

The trustees present their annual report and financial statements for the year ended 31 December 2022.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the charity's Memorandum and Articles of Association, the Companies Act 2006 and "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) (effective 1 January 2019)".

Objectives and activities

The charity's objects are to benefit such charitable institutions or purposes as the Trustees from time to time think fit. Accordingly, the Trust operates for the public benefit. The Trustees have complied with their duty under section 17(5) of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission. The policies adopted in furtherance of these objects are detailed below and there has been no change in these during the year.

Grant-making policy

The Trust makes donations annually to a wide range of charities and charitable causes, but with a recurrent emphasis upon those aimed at alleviating poverty and social, educational and healthcare disadvantage, as well as those focusing on environmental concerns and the arts. Charities and causes are selected by the Trustees in their discretion on the basis of research undertaken on their behalf and, in the case of existing beneficiaries, the Trustees' assessment of the use made of grants previously given. Though many of the charities receiving grants are based in the United Kingdom, the funds given are expended on charitable work both at home and abroad, including in Africa and, more recently, North America and Europe (for assistance to refugees fleeing conflict zones).

As a solely grant-making charity, the Trust's emphasis is on focused and effective giving. Recipients of grants are therefore required to undergo monitoring and evaluation, which involves them in providing reports to the Trust on how their grants have been used and, in certain cases, meeting with the Trustees' representatives to discuss their achievements. The Trust now gives to fewer charities than previously but, where appropriate, aims to build closer relationships with beneficiaries with a view to maximising the impact of its giving. In some instances, the Trust makes grants which are conditional upon the raising of matched funding, enabling the charities concerned to leverage the Trust's contributions in order to increase their supporter base and income. The Trust may also challenge charities to identify the actions which would enable them to develop and grow, such as appointing a key member of staff or creating a new website enabling greater online engagement and donations, and help to fund these actions.

Further details can be found on the Trust's website at www.tolkientrust.org

Achievements and performance

During the year the Trust made distributions from income to 95 charities.

Financial review

The Trust's chief assets consist of copyrights in certain works by J R R Tolkien, which provide royalty income, and cash and investments. The Trust does not engage in fund-raising. The Trust has no restricted funds and no endowment.

For the year royalty income was £5,270,353 (2021: £3,535,777) and the charity awarded grants totalling £5,551,000 (2021: £5,472,000). Further details are included in the statement of financial activities and related notes.

Reserves Policy

The Trust maintains a general reserve, the balance on which as at 31 December 2022 was £31,652,887 (2021: £36,291,530). Reserves are held to enable the Trust to smooth out the fluctuations in its net income from year to year and thus to maintain a substantial level of annual grant expenditure over the longer term; to meet future grant commitments where grants are payable over a number of years; and to stand ready to defend its copyright interests whenever these come under threat.

THE TOLKIEN TRUST

TRUSTEES' REPORT (INCLUDING DIRECTOR'S REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Investment policy

The Trust has engaged professional investment managers to administer its investments. These consist of a portfolio of equities, fixed interest securities, unit trusts and other instruments invested to provide both income and capital appreciation. The return is measured on a total return basis. No initial holding can exceed 5% of the total portfolio and the total sum of all equity holdings in excess of 5% must not be equal to or in excess of 43% of the fund's value. No investments are made in derivatives. The Trust follows an ethical investment policy and does not invest in tobacco companies, companies whose main business is the manufacture of armaments or in companies providing gambling services.

Investment performance

The Trust has agreed an investment performance benchmark with its investment managers based on the Trustees' need to build capital to fund their grant making; their attitude to investment risk; and the timeframe for investment. These three factors determine an appropriate asset allocation and thus a benchmark against which the investment managers' performance can be assessed. During 2017 the Trustees agreed a benchmark with their investment managers which was amended to a "bespoke" benchmark, after discussion with and advice from their investment managers. The agreed benchmark is: 12% of the return of the FTA British Government All Stocks Index; 52% of the FTSE All Share Index; 25% of the FTSE World Ex-UK Index; 5% of the IPD Monthly Property Index; and 5% of the "cash return +2%" against which the alternative investments are measured; and 1% cash. There are agreed limitations as to the minimum and maximum amounts of each asset class that can be held. The investment managers deem a "Medium/High" risk approach suitable given the Trust's circumstances with a restriction to a maximum of 82.5% in equities: UK and ex-UK combined.

The Trustees understand that over the long term the mandate will allow the capital value of the portfolio to be retained in real terms and generate a good level of total return. The Trustees also understand that as risk assets do not necessarily move in a linear fashion, there may be periods when the portfolio value will fall. However, they also understand that, based on historical returns, equity investment is necessary if the value of both the capital of the fund and income is to maintain its purchasing power when compared with inflation.

Our portfolio returned -14.0%, net of fees, on a total return basis for the 12 months ending 31 December 2022. The year began with expectations of a transitory period of higher inflation due to lock-down related supply-side pressures. However, the landscape changed rapidly as the conflict in Ukraine began in the first quarter of the year leading to heightened volatility in markets. Inflation in developed economies experienced a steep rise, and this resulted in rising interest rates as central banks took action to try and combat it. As central bank rates fulfill a key role in the valuation of investment assets, equity markets experienced a sharp de-rating during this period, particularly higher growth focused companies trading at a premium to the market. The remainder of 2022 saw a continuation of volatility with close market scrutiny on the trajectory of inflation, interest rates and their impact on economic activity. In the UK, a further highlight was the repercussions from the mini-budget which caused turmoil in fixed interest markets at the end of the third quarter. Overall it was a difficult year for investors, dominated by the conflict in Ukraine and rising inflation, with Energy being the only sector to have generated positive returns.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Trust arise from its ownership of copyright assets. It is necessary from time to time to engage in legal action to defend these assets or to ensure that the Trust receives appropriate value from them, which can increase the operating costs of the Trust. The income earned from these assets may also fluctuate from year to year, often to a significant extent. The Trust deals with these risks and uncertainties by adding to net income from its reserves in order to try to achieve a consistent level of annual grant expenditure. (It should be noted, however, that this consistency is not always apparent when comparing the level of grant expenditure from year to year, given that grants to be paid out over a term of years are accounted for in full in the financial year in which they are initially agreed. Grants payable over a term of years also require the maintenance of sufficient reserves to enable the Trust to honour future grant commitments.)

Plans for future periods

The Trust plans to continue to work with a limited number of charities, developing and consolidating its current strategy, and modifying its approach if current monitoring practices suggest that increased impact can be achieved.

Structure, governance and management

The charity is a charitable company governed by its Articles of Association.

THE TOLKIEN TRUST

TRUSTEES' REPORT (INCLUDING DIRECTOR'S REPORT) (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

The trustees, who are also the directors for the purpose of company law, and who served during the year and up to the date of signature of the financial statements were:

Baillie Tolkien
Michael Tolkien
Simon Tolkien
Priscilla Tolkien

(Deceased 28 February 2022)

The constitution of the charitable company establishes the terms on which Trustees are appointed and exercise their powers. New Trustees are given guidance on their legal responsibilities as charity trustees, and all Trustees are kept up-to-date with relevant legal developments and Charity Commission guidance.

None of the trustees has any beneficial interest in the company. All of the trustees are members of the company and guarantee to contribute £10 in the event of a winding up.

The Trustees make all strategic decisions relating to the charity, including decisions as to whom grants should be paid.

Disclosure of information to auditor

Each of the trustees has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

The report has been prepared in accordance with the Small Companies Regime under Section 419(2) of the Companies Act 2006.

The trustees' report was approved by the Board of Trustees.

M.G.R. Tolkien

Michael Tolkien
Trustee

Date: *15th Sept. 2023*

THE TOLKIEN TRUST

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2022

The trustees, who are also the directors of The Tolkien Trust for the purpose of company law, are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company Law 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 the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

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 Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 operation.

The trustees are responsible for keeping adequate accounting records that 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 Companies Act 2006. 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE TOLKIEN TRUST**

Opinion

We have audited the financial statements of The Tolkien Trust (the 'charity') for the year ended 31 December 2022 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2022 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.

Basis for 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 financial statements* section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

THE TOLKIEN TRUST

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF THE TOLKIEN TRUST

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the trustees' report for the financial year for which the financial statements are prepared, which includes the directors' report prepared for the purposes of company law, is consistent with the financial statements; and
- the directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities, the trustees, who are also the directors of the charity for the purpose of company law, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees 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 liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

THE TOLKIEN TRUST

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE TOLKIEN TRUST

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the charitable company through discussions with directors/trustees and other management, and from our knowledge and experience of the client's sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the charitable company;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- Identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the charitable company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims.

A further description of our responsibilities is available on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

THE TOLKIEN TRUST

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE TOLKIEN TRUST

Robert Kirtland (Senior Statutory Auditor)
for and on behalf of Critchleys Audit LLP

.....

Chartered Accountants
Statutory Auditor

Beaver House
23-38 Hythe Bridge Street
Oxford
OX1 2EP

THE TOLKIEN TRUST

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

		Unrestricted funds 2022 £	Unrestricted funds 2021 £
	Notes		
<u>Income from:</u>			
Donations and legacies		-	58
Investments	3	614,641	342,228
Royalties		5,270,353	3,535,777
Total income		5,884,994	4,178,063
<u>Expenditure on:</u>			
Raising funds	4	313,117	311,345
Charitable activities	5	5,918,573	5,751,208
Total expenditure		6,231,690	6,062,553
Net gains/(losses) on investments	9	(4,291,947)	2,084,315
Net income and net movement in funds		(4,638,643)	199,825
Fund balances at 1 January 2022		36,291,530	36,091,705
Fund balances at 31 December 2022		31,652,887	36,291,530

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

THE TOLKIEN TRUST

BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	2022		2021	
		£	£	£	£
Fixed assets					
Heritage assets	12		279,000		279,000
Investments	13		23,335,492		27,115,003
			<u>23,614,492</u>		<u>27,394,003</u>
Current assets					
Debtors	14	1,934,311		2,492,790	
Cash at bank and in hand		7,768,058		10,164,281	
			<u>9,702,369</u>		<u>12,657,071</u>
Creditors: amounts falling due within one year	15	(658,974)		(2,239,644)	
Net current assets			<u>9,043,395</u>		<u>10,417,427</u>
Total assets less current liabilities			<u>32,657,887</u>		<u>37,811,530</u>
Creditors: amounts falling due after more than one year	16		(1,005,000)		(1,520,000)
Net assets			<u><u>31,652,887</u></u>		<u><u>36,291,530</u></u>
Income funds					
Unrestricted funds			<u>31,652,887</u>		<u>36,291,530</u>
			<u><u>31,652,887</u></u>		<u><u>36,291,530</u></u>

The financial statements were approved and authorised for issue by the Trustees on 15th Sept. 23

MGR Tolkien
Michael Tolkien
Trustee

Company registration number 8354834

THE TOLKIEN TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022		2021	
		£	£	£	£
Cash flows from operating activities					
Cash absorbed by operations	19		(2,498,528)		(203,442)
Investing activities					
Purchase of heritage assets		-		(279,000)	
Purchase of investments		(6,915,753)		(3,989,110)	
Proceeds from disposal of investments		6,403,417		3,458,521	
Investment income received		614,641		642,228	
		<u> </u>		<u> </u>	
Net cash generated from/(used in) investing activities			102,305		(167,361)
Net cash used in financing activities			<u> </u>		<u> </u>
			-		-
Net decrease in cash and cash equivalents			<u>(2,396,223)</u>		<u>(370,803)</u>
Cash and cash equivalents at beginning of year			10,164,281		10,535,084
			<u> </u>		<u> </u>
Cash and cash equivalents at end of year			<u>7,768,058</u>		<u>10,164,281</u>

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Charity Information

The Tolkien Trust is a private company limited by guarantee incorporated in England and Wales. The registered office is Prama House, 267 Banbury Road, Oxford, OX2 7HT.

1.1 Accounting convention

The financial statements have been prepared in accordance with the charity's Memorandum and Articles of Association, the Companies Act 2006, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Charities SORP "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)" (effective 1 January 2019). The charity is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives.

1.4 Income

Income from royalties and similar income is recognised net of VAT and when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received. Amounts earned in respect of the year to 31 December are recognised as income in the year if they can be quantified by the time of the approval of the financial statements. Dividends are included when they are received. Interest is included on a receivable basis.

1.5 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity.

Grants are normally recognised as an expense when they are approved for payment by the Trustees. However, if the Trustees have entered into a grant agreement with a beneficiary, the full amount of the grant is recognised when the agreement is signed. Expenditure is recognised on an accruals basis and include any irrecoverable VAT. Any costs that need to be apportioned between costs of generating funds, support costs and governance costs are done so based on the Trustees' estimate of the amount of costs applicable to each category.

1.6 Heritage assets

Purchased heritage assets are capitalised in the balance sheet. No depreciation is charged as the assets have an indefinite life.

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

1.7 Fixed asset investments

Fixed asset investments are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

1.8 Uncapitalised fixed assets

The assets of the charity consist in part of copyrights in relation to works written by the late J R R Tolkien. These are shown in note 10. They have no value in the financial statements as these were mostly settled into The Tolkien Trust (when it was an unincorporated charity) many years ago.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

1.10 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price.

Basic financial liabilities

Basic financial liabilities, including creditors and grants awarded not paid are initially recognised at transaction price. Financial liabilities are not discounted as the effect would not be material.

Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2 Critical accounting estimates and judgements

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements:

Investment values

Investment values are determined using the stock market value as at the year-end date.

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

3 Investments

	Unrestricted funds	Unrestricted funds
	2022	2021
	£	£
Dividends received	532,849	534,058
Interest receivable	81,792	108,170
	<u>614,641</u>	<u>642,228</u>

4 Raising funds

	Unrestricted funds	Unrestricted funds
	2022	2021
	£	£
UK legal fees relating to contract and copyright matters	172,847	174,615
US and other overseas legal fees	38,940	33,439
Other professional fees	3,310	2,638
Legal and professional	<u>215,097</u>	<u>210,692</u>
Investment management fees	<u>98,020</u>	<u>100,653</u>
	<u>313,117</u>	<u>311,345</u>

Included in other professional fees is £2,200 (2021: £2,020) of fees payable to auditors for non-audit services.

5 Charitable activities

	Grant funding	Grant funding
	2022	2021
	£	£
Grant funding of activities (see note 6)	5,651,000	5,472,000
Share of support costs (see note 7)	188,116	195,356
Share of governance costs (see note 7)	79,457	83,852
	<u>5,918,573</u>	<u>5,751,208</u>

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

6 Grants payable

	Grant funding	
	2022	2021
	£	£
Grants to institutions: Analysed below	5,651,000	5,472,000

	2022	2021
	£	£
ActionAid	125,000	150,000
Age UK	70,000	-
Aladdin Project	20,000	20,000
Alzheimer's Research UK	70,000	30,000
Association IMAD	20,000	20,000
Asylum Welcome	110,000	80,000
Basmeh & Zeitooneh	20,000	20,000
Be Free Young Carers	20,000	20,000
Become Charity	50,000	50,000
Best Friends Animal Society	50,000	35,000
Birdlife International	20,000	20,000
Bodleian Library	35,000	25,000
British Friends of Neve Shalom	35,000	100,000
Camfed International	100,000	100,000
Centre Primo Levi	140,000	85,000
Challenging MND	50,000	-
Change Please Foundation	-	40,000
Children on the Edge	30,000	30,000
Claremont McKenna College	45,000	45,000
ClientEarth	200,000	200,000
Colorado State University	40,000	-
Cuttleslowe Community Association	15,000	15,000
Detention Action	40,000	40,000
Direct Relief	170,000	40,000
Doctors of The World UK	80,000	-
Duke of Edinburgh Award	70,000	-
Dominican Council	10,000	10,000
Dragon School Trust	30,000	25,000
Emergency UK	10,000	10,000
Exeter College Oxford	50,000	-
Glass Door Homeless Charity	120,000	120,000
Greenpeace	150,000	150,000
Hillside House	25,000	-
Hope Project Lesvos	30,000	30,000
Howard League for Penal Reform	30,000	30,000

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

6 Grants payable	(Continued)	
Human Rights Watch	100,000	-
Humanity & Inclusion	110,000	10,000
Kent Refugee Action Network	15,000	15,000
La Cimade	114,000	100,000
Leeds Hospital Charity	50,000	-
Linda Norgrove Foundation	70,000	20,000
Linkage Community Trust Ltd	50,000	50,000
Maison Shalom	30,000	30,000
Marie Curie	70,000	30,000
Marine Mammal Center	30,000	30,000
Médecins du Monde	200,000	100,000
Médecins Sans Frontières	300,000	400,000
Memorial de la Shoah	40,000	20,000
Museum of Oxford Development Trust	-	100,000
My Name's Doddie Foundation	50,000	-
One Acre Fund	100,000	-
Oxford Bach Choir	25,000	-
Oxford Food Hub	30,000	30,000
Oxford Lieder Limited	25,000	25,000
Oxford Philharmonic Orchestra	15,000	15,000
Oxford Playhouse Trust	10,000	10,000
Oxford Shakespeare Ensemble	45,000	20,000
Panzi Foundation	125,000	75,000
Pesticide Action UK	100,000	90,000
Photography Oxford	10,000	10,000
Pilotes Volontaires	135,000	100,000
Primo Levi Centre	90,000	-
Prison Phoenix Trust	20,000	20,000
Prisoners Abroad	80,000	80,000
Reading List Foundation	25,000	25,000
RefuAid (Prism the Gift Fund)	20,000	-
Relieve	95,000	95,000
ResQ	10,000	10,000
Road to Recovery	90,000	30,000
San Marcos High School AAPLE Academy	30,000	25,000
Sanctuary Hosting Limited	20,000	20,000
Santa Barbara Museum of Art	25,000	15,000
SchoolReaders	50,000	50,000
Settle Support	40,000	40,000
Shelterbox	100,000	-
Solidarités International	325,000	100,000
SOS Humanity	25,000	25,000
Southampton and Winchester Visitors' Group	20,000	20,000
Spark Inside	25,000	25,000
St Luke's Oxford	10,000	-
Support a Survivor of Torture	25,000	25,000
The Tablet Trust	20,000	20,000
The Turtle Hospital	25,000	15,000
Theatres Trust	20,000	20,000
TREAT (Trust for Research and Education on the Arms Trade)	145,000	145,000
Uganda Childbirth Injury Fund	25,000	25,000

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

6 Grants payable (Continued)

Ukrainian Patriot	70,000	-
University of Manitoba	(75,000)	-
University of Oxford Botanic Garden	25,000	25,000
University of Oxford (The JRR Tolkien Professorship of English Literature and Language)	-	1,300,000
University of Oxford (Care for COVID-orphaned children)	92,000	92,000
University of Sussex	10,000	10,000
Videre Est Credere	75,000	30,000
VII Foundation	30,000	-
VNA Health Foundation	25,000	-
Wiener Holocaust Library	15,000	15,000
Wilderness Youth Project	25,000	10,000
Work Rights Centre	30,000	-
Working Chance	40,000	40,000
	5,651,000	5,472,000
	5,651,000	5,472,000

7 Support costs

	Support costs	Governance costs	2022 Support costs		Governance costs	2021
	£	£	£	£	£	£
UK legal fees relating to grant administration	12,224	-	12,224	13,475	-	13,475
Other professional fees	175,383	-	175,383	181,336	-	181,336
Other costs	509	-	509	545	-	545
Auditors' fees - audit - current year	-	8,500	8,500	-	7,000	7,000
Auditors' fees - audit - prior year adjustment	-	1,685	1,685	-	(255)	(255)
Auditors' fees - tax compliance	-	-	-	-	750	750
Legal and professional	-	69,272	69,272	-	76,357	76,357
	188,116	79,457	267,573	195,356	83,852	279,208
	188,116	79,457	267,573	195,356	83,852	279,208
Analysed between						
Charitable activities	188,116	79,457	267,573	195,356	83,852	279,208
	188,116	79,457	267,573	195,356	83,852	279,208

8 Trustees

None of the trustees (or any persons connected with them) received any remuneration or benefits from the charity during the year.

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Net gains/(losses) on investments

	Unrestricted funds	Unrestricted funds
	2022	2021
	£	£
Revaluation of investments	(4,291,947)	2,384,315

10 Taxation

The charity is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects.

11 Copyright Assets

The charity's literary assets comprise:

- Certain US copyrights in *The Lord of the Rings*; and the worldwide copyrights in *Smith of Wootton Major, Tree and Leaf, Roverandom, Mythopoeia, The Legend of Sigurd and Gudrun, The Fall of Arthur* and *Beowulf: A Translation and Commentary*, all by J R R Tolkien.
- The copyrights in the published editions of various philological writings and fragments by J R R Tolkien.
- Certain unpublished papers, letters, artistic works, pictures, photographs and other documents originally forming part of the Estate of J R R Tolkien, and the copyright in such materials formerly owned by the Estate.

12 Heritage assets

	Archive
	£
At 1 January 2022 and at 31 December 2022	279,000

The acquired heritage assets have been placed on long-term deposit in the Tolkien Archive at the Bodleian Library in the University of Oxford so that they may be held with the literary papers and other archives of J R R Tolkien and the Tolkien family, and be accessible to scholars.

The acquisition in 2021 for £279,000 is the only heritage asset transaction in the past 5 years

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13 Fixed asset investments

	Equities (listed)	Fixed interest securities (listed)	Cash held by investment managers	Total
	£	£	£	£
Cost or valuation				
At 1 January 2022 (split re-stated)	24,039,912	2,573,842	501,349	27,115,103
Additions	6,192,007	723,746	-	6,915,753
Valuation changes	(4,115,497)	(176,450)	-	(4,291,947)
Disposals	(5,552,285)	(802,204)	(48,928)	(6,403,417)
	<u>20,564,137</u>	<u>2,318,934</u>	<u>452,421</u>	<u>23,335,492</u>
Carrying amount				
At 31 December 2022	<u>20,564,137</u>	<u>2,318,934</u>	<u>452,421</u>	<u>23,335,492</u>
At 31 December 2021	<u>24,608,512</u>	<u>2,005,242</u>	<u>501,349</u>	<u>27,115,103</u>

14 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Royalties receivable	1,920,977	2,481,762
Other debtors	13,334	11,028
	<u>1,934,311</u>	<u>2,492,790</u>

15 Creditors: amounts falling due within one year

	2022	2021
	£	£
Grants awarded not yet paid	536,422	2,108,422
Accruals and deferred income	122,552	131,222
	<u>658,974</u>	<u>2,239,644</u>

16 Creditors: amounts falling due after more than one year

	2022	2021
	£	£
Grants awarded not yet paid	<u>1,005,000</u>	<u>1,520,000</u>

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

17 Grants awarded not yet paid

	At 1 January 2022	Amounts Awarded	Payments Made	At 31 December 2022
	£	£	£	£
2022 movements				
University of Manitoba				
Alan Klass Memorial Fund Programme	180,000	(75,000)	15,000	90,000
Bodleian Archivist	250,000	-	45,000	205,000
Bodleian Curator of Medieval Manuscripts	325,000	-	60,000	265,000
Bodleian Library - other	11,422	-	-	11,422
University of Oxford The JRR Tolkien Professorship of English Literature and Language	1,280,000	-	320,000	960,000
Cité Internationale de la tapisserie Aubusson	100,000	-	100,000	-
Awarded December 2021; paid in 2022	1,482,000	-	1,482,000	-
Awarded and paid in 2022	-	5,716,000	5,716,000	-
Awarded December 2022; paid in 2023	-	10,000	-	10,000
	<u>3,628,422</u>	<u>5,651,000</u>	<u>7,738,000</u>	<u>1,541,422</u>

	At 1 January 2021	Amounts Awarded	Payments Made	At 31 December 2021
	£	£	£	£
2021 movements				
University of Manitoba				
Alan Klass Memorial Fund Programme	180,000	-	-	180,000
Bodleian Archivist	295,000	-	45,000	250,000
Bodleian Curator of Medieval Manuscripts	385,000	-	60,000	325,000
Bodleian Library - other	-	25,000	13,578	11,422
University of Oxford The JRR Tolkien Professorship of English Literature and Language	-	1,600,000	320,000	1,280,000
Cité Internationale de la tapisserie Aubusson	100,000	-	-	100,000
Awarded December 2020; paid in 2021	25,000	-	25,000	-
Awarded and paid in 2021	-	2,365,000	2,365,000	-
Awarded December 2021; paid in 2022	-	1,482,000	-	1,482,000
	<u>985,000</u>	<u>5,472,000</u>	<u>2,828,578</u>	<u>3,628,422</u>

18 Related party transactions

There were no disclosable related party transactions during the year (2021 - none).

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

19	Cash generated from operations	2022 £	2021 £
	(Deficit)/surplus for the year	(4,638,643)	199,825
	Adjustments for:		
	Investment income recognised in statement of financial activities	(614,641)	(542,228)
	Fair value gains and losses on investments	4,291,947	(2,084,315)
	Movements in working capital:		
	Decrease/(Increase) in debtors	558,479	(336,352)
	(Decrease)/increase in creditors	(2,095,670)	2,359,628
	Cash absorbed by operations	<u>(2,498,528)</u>	<u>(203,442)</u>
20	Analysis of changes in net funds		
	The charity had no debt during the year.		

THE TOLKIEN TRUST

England & Wales - Charity number 1150801

Accounts

Charity registration number 1150801

Company registration number 8354834 (England and Wales)

THE TOLKIEN TRUST
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

THE TOLKIEN TRUST

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Baillie Tolkien Michael Tolkien Simon Tolkien
Secretary	Cathleen Blackburn
Charity number	1150801
Company number	8354834
Registered office	Prama House 267 Banbury Road Oxford OX2 7HT
Auditor	Critchleys Audit LLP Beaver House 23-38 Hythe Bridge Street Oxford OX1 2EP
Bankers	Lloyds Bank plc
Solicitors	Maier Blackburn LLP Prama House 267 Banbury Road Oxford OX2 7HT
Investment advisors	Investec Wealth & Investment 30 Gresham Street London EC2V 7QN

THE TOLKIEN TRUST

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THE TOLKIEN TRUST

TRUSTEES' REPORT (INCLUDING DIRECTOR'S REPORT)

FOR THE YEAR ENDED 31 DECEMBER 2021

The trustees present their annual report and financial statements for the year ended 31 December 2021.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the charity's Memorandum and Articles of Association, the Companies Act 2006 and "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) (effective 1 January 2019)".

Objectives and activities

The charity's objects are to benefit such charitable institutions or purposes as the Trustees from time to time think fit. Accordingly, the Trust operates for the public benefit. The Trustees have complied with their duty under section 17(5) of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission. The policies adopted in furtherance of these objects are detailed below and there has been no change in these during the year.

Grant-making policy

The Trust makes donations annually to a wide range of charities and charitable causes, but with a recurrent emphasis upon those aimed at alleviating poverty and social, educational and healthcare disadvantage, as well as those focusing on environmental concerns and the arts. Charities and causes are selected by the Trustees in their discretion on the basis of research undertaken on their behalf and, in the case of existing beneficiaries, the Trustees' assessment of the use made of grants previously given. Though many of the charities receiving grants are based in the United Kingdom, the funds given are expended on charitable work both at home and abroad, including in Africa and, more recently, North America and Europe (for assistance to refugees fleeing conflict zones).

As a solely grant-making charity, the Trust's emphasis is on focused and effective giving. Recipients of grants are therefore required to undergo monitoring and evaluation, which involves them in providing reports to the Trust on how their grants have been used and, in certain cases, meeting with the Trustees' representatives to discuss their achievements. The Trust now gives to fewer charities than previously but, where appropriate, aims to build closer relationships with beneficiaries with a view to maximising the impact of its giving. In some instances, the Trust makes grants which are conditional upon the raising of matched funding, enabling the charities concerned to leverage the Trust's contributions in order to increase their supporter base and income. The Trust may also challenge charities to identify the actions which would enable them to develop and grow, such as appointing a key member of staff or creating a new website enabling greater online engagement and donations, and help to fund these actions.

Further details can be found on the Trust's website at www.tolkientrust.org

Achievements and performance

During the year the Trust made distributions from income to 78 charities.

Financial review

The Trust's chief assets consist of copyrights in certain works by J R R Tolkien, which provide royalty income, and cash and investments. The Trust does not engage in fund-raising. The Trust has no restricted funds and no endowment.

For the year royalty income was £3,535,777 (2020: £5,377,136) and the charity awarded grants totalling £5,472,000 (2020: £3,530,453). Further details are included in the statement of financial activities and related notes.

Reserves Policy

The Trust maintains a general reserve, the balance on which as at 31 December 2021 was £36,291,530 (2020: £36,091,705). Reserves are held to enable the Trust to smooth out the fluctuations in its net income from year to year and thus to maintain a substantial level of annual grant expenditure over the longer term; to meet future grant commitments where grants are payable over a number of years; and to stand ready to defend its copyright interests whenever these come under threat.

THE TOLKIEN TRUST

TRUSTEES' REPORT (INCLUDING DIRECTOR'S REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Investment policy

The Trust has engaged professional investment managers to administer its investments. These consist of a portfolio of equities, fixed interest securities, unit trusts and other instruments invested to provide both income and capital appreciation. The return is measured on a total return basis. No individual investment exceeds 10% of the portfolio. No investments are made in derivatives. The Trust follows an ethical investment policy and does not invest in tobacco companies, companies whose main business is the manufacture of armaments or in companies providing gambling services

Investment performance

The Trust has agreed an investment performance benchmark with its investment managers based on the Trustees' need to build capital to fund their grant making; their attitude to investment risk; and the timeframe for investment. These three factors determine an appropriate asset allocation and thus a benchmark against which the investment managers' performance can be assessed. During 2017 the Trustees agreed a benchmark with their investment managers which was amended to a "bespoke" benchmark, after discussion with and advice from their investment managers. The agreed benchmark is: 12% of the return of the FTA British Government All Stocks Index; 52% of the FTSE All Share Index; 25% of the FTSE World Ex-UK Index; 5% of the IPD Monthly Property Index; and 5% of the "cash return +2%" against which the alternative investments are measured; and 1% cash. There are agreed limitations as to the minimum and maximum amounts of each asset class that can be held. The investment managers deem a "Medium/High" risk approach suitable given the Trust's circumstances with a restriction to a maximum of 82.5% in equities: UK and ex-UK combined.

The Trustees understand that over the long term the mandate will allow the capital value of the portfolio to be retained in real terms and generate a good level of total return. The Trustees also understand that as risk assets do not necessarily move in a linear fashion, there may be periods when the portfolio value will fall. However, they also understand that, based on historical returns, equity investment is necessary if the value of both the capital of the fund and income is to maintain its purchasing power when compared with inflation.

The portfolio returned 10.6%, net of fees, on a total return basis for the 12 months ending 31 December 2021. It was a year of 'two halves' with the increased pace of vaccination and gradual re-opening of the economies during the first half contributing positively to investor sentiment. The divergence between sector performances witnessed in 2020 continued in an ebb and flow with the 'stay at home' growth stocks giving ground to the 're-opening' value stocks. By the latter half of the year, a mixture of pent-up demand and supply chain disruptions created an increasing level of inflationary pressures. The markets began to anticipate central bank action, acknowledging that inflation would be elevated, albeit temporarily and potentially lead to a slowdown in global growth.

The year ended with a widespread new variant of SARS-CoV2 named 'Omicron', leading to further lock-down measures by governments across the world.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Trust arise from its ownership of copyright assets. It is necessary from time to time to engage in legal action to defend these assets or to ensure that the Trust receives appropriate value from them, which can increase the operating costs of the Trust. The income earned from these assets may also fluctuate from year to year, often to a significant extent. The Trust deals with these risks and uncertainties by adding to net income from its reserves in order to try to achieve a consistent level of annual grant expenditure. (It should be noted, however, that this consistency is not always apparent when comparing the level of grant expenditure from year to year, given that grants to be paid out over a term of years are accounted for in full in the financial year in which they are initially agreed. Grants payable over a term of years also require the maintenance of sufficient reserves to enable the Trust to honour future grant commitments.)

Plans for future periods

The Trust plans to continue to work with a limited number of charities, developing and consolidating its current strategy, and modifying its approach if current monitoring practices suggest that increased impact can be achieved.

Structure, governance and management

The charity is a charitable company governed by its Articles of Association.

THE TOLKIEN TRUST

TRUSTEES' REPORT (INCLUDING DIRECTOR'S REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

The trustees, who are also the directors for the purpose of company law, and who served during the year and up to the date of signature of the financial statements were:

Baillie Tolkien
Michael Tolkien
Simon Tolkien
Priscilla Tolkien

(Deceased 28 February 2022)

The constitution of the charitable company establishes the terms on which Trustees are appointed and exercise their powers. New Trustees are given guidance on their legal responsibilities as charity trustees, and all Trustees are kept up-to-date with relevant legal developments and Charity Commission guidance.

None of the trustees has any beneficial interest in the company. All of the trustees are members of the company and guarantee to contribute £10 in the event of a winding up.

The Trustees make all strategic decisions relating to the charity, including decisions as to whom grants should be paid.

Disclosure of information to auditor

Each of the trustees has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

The report has been prepared in accordance with the Small Companies Regime under Section 419(2) of the Companies Act 2006.

The trustees' report was approved by the Board of Trustees.

M.G.R Tolkien

Michael Tolkien
Trustee

Date: *14/09/2022*

THE TOLKIEN TRUST

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2021

The trustees, who are also the directors of The Tolkien Trust for the purpose of company law, are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company Law 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 the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

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 Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 operation.

The trustees are responsible for keeping adequate accounting records that 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 Companies Act 2006. 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.

THE TOLKIEN TRUST

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE TOLKIEN TRUST

Opinion

We have audited the financial statements of The Tolkien Trust (the 'charity') for the year ended 31 December 2021 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2021 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 Companies Act 2006.

Basis for 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 financial statements* section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the trustees' report for the financial year for which the financial statements are prepared, which includes the directors' report prepared for the purposes of company law, is consistent with the financial statements; and
- the directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

THE TOLKIEN TRUST

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF THE TOLKIEN TRUST

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees' report.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities, the trustees, who are also the directors of the charity for the purpose of company law, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees 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 liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the charitable company through discussions with directors/trustees and other management, and from our knowledge and experience of the client's sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the charitable company;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- Identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

THE TOLKIEN TRUST

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE TOLKIEN TRUST

We assessed the susceptibility of the charitable company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Robert Kirtland (Senior Statutory Auditor)
for and on behalf of Critchleys Audit LLP

20/9/2022.....

Chartered Accountants
Statutory Auditor

Beaver House
23-38 Hythe Bridge Street
Oxford
OX1 2EP

THE TOLKIEN TRUST

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Unrestricted funds 2021 £	Unrestricted funds 2020 £
<u>Income from:</u>			
Donations and legacies		58	-
Investments	3	642,228	595,264
Royalties		3,535,777	5,377,136
Total income		4,178,063	5,972,400
<u>Expenditure on:</u>			
Raising funds	4	311,345	245,858
Charitable activities	5	5,751,208	3,800,267
Total expenditure		6,062,553	4,046,125
Net gains/(losses) on investments	9	2,084,315	824,183
Net income and net movement in funds		199,825	2,750,458
Fund balances at 1 January 2021		36,091,705	33,341,247
Fund balances at 31 December 2021		36,291,530	36,091,705

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

THE TOLKIEN TRUST

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Heritage assets	11	279,000			-
Investments	12	27,115,103		24,500,199	
			27,394,103	24,500,199	
Current assets					
Debtors	13	2,492,790		2,156,438	
Cash at bank and in hand		10,164,281		10,535,084	
		12,657,071		12,691,522	
Creditors: amounts falling due within one year	14	(2,239,644)		(385,016)	
Net current assets			10,417,427	12,306,506	
Total assets less current liabilities			37,811,530	36,806,705	
Creditors: amounts falling due after more than one year	15		(1,520,000)	(715,000)	
Net assets			36,291,530	36,091,705	
Income funds					
Unrestricted funds			36,291,530	36,091,705	
			36,291,530	36,091,705	

The financial statements were approved and authorised for issue by the Trustees on 14/09/2022

M.G.R. Tolkien

Michael Tolkien
Trustee

Company registration number 8354834

THE TOLKIEN TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021		2020	
		£	£	£	£
Cash flows from operating activities					
Cash absorbed by operations	18		(203,442)		(750,534)
Investing activities					
Purchase of heritage assets		(279,000)		-	
Purchase of investments		(3,989,110)		(4,771,812)	
Proceeds on disposal of investments		3,458,521		4,313,772	
Investment income received		642,228		595,264	
Net cash (used in)/generated from investing activities			(167,361)		137,224
Net cash used in financing activities			-		-
Net decrease in cash and cash equivalents			(370,803)		(613,310)
Cash and cash equivalents at beginning of year			10,535,084		11,148,394
Cash and cash equivalents at end of year			<u>10,164,281</u>		<u>10,535,084</u>

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Charity information

The Tolkien Trust is a private company limited by guarantee incorporated in England and Wales. The registered office is Prama House, 267 Banbury Road, Oxford, OX2 7HT.

1.1 Accounting convention

The financial statements have been prepared in accordance with the charity's Memorandum and Articles of Association, the Companies Act 2006, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Charities SORP "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)" (effective 1 January 2019). The charity is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives.

1.4 Income

Income from royalties and similar income is recognised net of VAT and when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received. Amounts earned in respect of the year to 31 December are recognised as income in the year if they can be quantified by the time of the approval of the financial statements. Dividends are included when they are received. Interest is included on a receivable basis.

1.5 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity.

Grants are normally recognised as an expense when they are approved for payment by the Trustees. However, if the Trustees have entered into a grant agreement with a beneficiary, the full amount of the grant is recognised when the agreement is signed. Expenditure is recognised on an accruals basis and include any irrecoverable VAT. Any costs that need to be apportioned between costs of generating funds, support costs and governance costs are done so based on the Trustees' estimate of the amount of costs applicable to each category.

1.6 Heritage assets

Purchased heritage assets are capitalised in the balance sheet. No depreciation is charged as the assets have an indefinite life.

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.7 Fixed asset investments

Fixed asset investments are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

1.8 Uncapitalised fixed assets

The assets of the charity consist in part of copyrights in relation to works written by the late J R R Tolkien. These are shown in note 10. They have no value in the financial statements as these were mostly settled into The Tolkien Trust (when it was an unincorporated charity) many years ago.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

1.10 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price.

Basic financial liabilities

Basic financial liabilities, including creditors and grants awarded not paid are initially recognised at transaction price. Financial liabilities are not discounted as the effect would not be material.

Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2 Critical accounting estimates and judgements

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

Investment values

Investment values are determined using the stock market value as at the year-end date.

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

3 Investments

	Unrestricted funds	Unrestricted funds
	2021	2020
	£	£
Dividends received	534,058	458,529
Interest receivable	108,170	136,735
	<u>642,228</u>	<u>595,264</u>

4 Raising funds

	Unrestricted funds	Unrestricted funds
	2021	2020
	£	£
UK legal fees relating to contract and copyright matters	174,615	141,946
US and other overseas legal fees	33,439	13,968
Other professional fees	2,638	2,290
Legal and professional	<u>210,692</u>	<u>158,204</u>
Investment management fees	100,653	87,654
	<u>311,345</u>	<u>245,858</u>

Included in other professional fees is £2,080 (2020: £2,000) of fees payable to auditors for non-audit services.

5 Charitable activities

	Grant funding 2021	Grant funding 2020
	£	£
Grant funding of activities (see note 6)	5,472,000	3,530,453
Share of support costs (see note 7)	195,356	203,664
Share of governance costs (see note 7)	83,852	66,150
	<u>5,751,208</u>	<u>3,800,267</u>

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

6 Grants payable

	Grant funding	
	2021 £	2020 £
Grants to institutions: Analysed below	5,472,000	3,530,453
	2021 £	2020 £
ActionAid	150,000	-
Aladdin Project	20,000	20,000
Alzheimer Research UK	30,000	-
Association IMAD	20,000	20,000
Asylum Welcome	80,000	40,000
Basmeh & Zeitooneh	20,000	50,000
Become Charity	50,000	50,000
Bè Free Young Carers	20,000	-
Best Friends Animal Society	35,000	-
Birdlife International	20,000	20,000
Bloemfontein Cathedral	-	5,000
Bodleian Library	25,000	150,000
British Friends of Neve Shalom	100,000	-
Camfed International	100,000	30,000
Centre Primo Levi	85,000	40,000
Change Please Foundation	40,000	40,000
Children On The Edge	30,000	30,000
Cité Internationale de la tapisserie Aubusson	-	150,000
Claremont College	45,000	-
Client Earth	200,000	200,000
Cuttleslowe & District Community Association	15,000	15,000
Detention Action	40,000	82,000
Direct Relief	40,000	-
Doctors of the World UK	-	30,000
Dominican Council (Blackfriars)	10,000	10,000
Dragon School Trust	25,000	10,000
Emergency UK	10,000	-
Glass Door	120,000	80,000
Greenpeace Environment Trust	150,000	150,000
Help Refugees	-	100,000
Hope Project (Lesbos)	30,000	50,000
Howard League for Penal Reform	30,000	-
Humanity & Inclusion	10,000	10,000
Jane Grigson Trust	-	15,000
Kent Refugee Action	15,000	13,000

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

6 Grants payable	(Continued)	
La Cimade	100,000	100,000
Linda Norgrove Foundation	20,000	20,000
Linkage Community Trust	50,000	50,000
Maison Shalom France (Rwanda)	30,000	30,000
Marie Curie	30,000	-
Marine Mammal Centre	30,000	-
Médecins du Monde	100,000	130,000
Médecins Sans Frontières	400,000	250,000
Medical Foundation	-	30,000
Memorial de la Shoah	20,000	
Museum of Oxford Development Trust	100,000	
New Bridge Foundation	-	10,000
Oxford Bach Choir	-	15,000
Oxford Food Hub	30,000	-
Oxford Lieder Festival	25,000	25,000
Oxford Philharmonic Orchestra	15,000	20,000
Oxford Playhouse Trust	10,000	10,000
Oxford Shakespeare Ensemble (Creation Theatre Company)	20,000	20,000
Panzi Foundation	75,000	70,000
Pesticide Action Network UK	90,000	170,000
Photography Oxford	10,000	15,000
Pilotes Volontaires	100,000	50,000
Prism the Gift Fund (Help Refugees)	-	100,000
Prison Phoenix Trust	20,000	15,000
Prisoners Abroad	80,000	110,000
The Porch	-	80,000
Reading List Foundation	25,000	20,000
Refugees at Home	-	40,000
Relieve	95,000	95,000
ResQ	10,000	-
Road to Recovery	30,000	30,000
San Marcos High School AAPLE Academy	25,000	25,453
Sanctuary Hosting	20,000	15,000
Santa Barbara Museum of Art	15,000	-
Schoolreaders	50,000	20,000
Settle Support	40,000	40,000
Shelter Cymru	-	30,000
Solidarités International	100,000	130,000
SOS Méditerranée	25,000	25,000
Southampton and Winchester Visitors' Group	20,000	20,000
Spark Inside	25,000	-
Support a Survivor of Torture	25,000	40,000
The Tablet Trust	20,000	15,000
Theatres Trust	20,000	20,000
TREAT (Trust for Research and Education on the Arms Trade)	145,000	120,000
Turtle Hospital	15,000	-
Uganda Childbirth Injury Fund	25,000	30,000
University of Oxford Botanic Garden	25,000	-
University of Oxford (The JRR Tolkien Professorship of English Literature and Language)	1,600,000	-
University of Oxford (Care for COVID-orphaned children)	92,000	

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

6 Grants payable

(Continued)

University of Sussex	10,000	-
Videre est Credere	30,000	30,000
Wiener Library	15,000	15,000
Working Chance	40,000	40,000
Wilderness Youth	10,000	-
	<u>5,472,000</u>	<u>3,530,453</u>

7 Support costs

	Support costs £	Governance costs £	2021 Support costs £	Governance costs £	2020 £
UK legal fees relating to grant administration	13,475	-	13,475	10,866	10,866
Other professional fees	181,336	-	181,336	191,659	191,659
Other costs	545	-	545	1,139	1,139
Auditors' fees - audit - current year	-	7,000	7,000	-	7,000
Auditors' fees - audit - prior year adjustment	-	(255)	(255)	-	(2,425)
Auditors' fees - tax compliance	-	750	750	-	-
Legal and professional	-	76,357	76,357	-	61,575
	<u>195,356</u>	<u>83,852</u>	<u>279,208</u>	<u>203,664</u>	<u>269,814</u>
Analysed between Charitable activities	<u>195,356</u>	<u>83,852</u>	<u>279,208</u>	<u>203,664</u>	<u>269,814</u>

8 Trustees

None of the trustees (or any persons connected with them) received any remuneration or benefits from the charity during the year.

9 Net gains/(losses) on investments

	Unrestricted funds 2021 £	Unrestricted funds 2020 £
Revaluation of investments	<u>2,084,315</u>	<u>824,183</u>

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

10 Copyright Assets

The charity's literary assets comprise:

- Certain US copyrights in *The Lord of the Rings*; and the worldwide copyrights in *Smith of Wootton Major, Tree and Leaf, Roverandom, Mythopoeia, The Legend of Sigurd and Gudrun, The Fall of Arthur* and *Beowulf: A Translation and Commentary*, all by J R R Tolkien.
- The copyrights in the published editions of various philological writings and fragments by J R R Tolkien.
- Certain unpublished papers, letters, artistic works, pictures, photographs and other documents originally forming part of the Estate of J R R Tolkien, and the copyright in such materials formerly owned by the Estate.

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

11 Heritage assets

	Archive £
At 1 January 2021	-
Purchases	279,000
At 31 December 2021	<u>279,000</u>

The acquired heritage assets have been placed on long-term deposit in the Tolkien Archive at the Bodleian Library in the University of Oxford so that they may be held with the literary papers and other archives of J R R Tolkien and the Tolkien family, and be accessible to scholars.

The acquisition in 2021 for £279,000 is the only heritage asset transaction in the past 5 years

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

12 Fixed asset investments	Equities (listed) £	Fixed interest securities (listed) £	Cash held by investment managers £	Total £
Cost or valuation				
At 1 January 2021	21,403,273	2,700,835	396,091	24,500,199
Additions	3,883,852	-	105,258	3,989,110
Valuation changes	2,179,908	(95,593)	-	2,084,315
Disposals	(2,858,521)	(600,000)	-	(3,458,521)
At 31 December 2021	<u>24,608,512</u>	<u>2,005,242</u>	<u>501,349</u>	<u>27,115,103</u>
Carrying amount				
At 31 December 2021	<u>24,608,512</u>	<u>2,005,242</u>	<u>501,349</u>	<u>27,115,103</u>
At 31 December 2020	<u>21,403,273</u>	<u>2,700,835</u>	<u>396,091</u>	<u>24,500,199</u>
13 Debtors			2021	2020
Amounts falling due within one year:			£	£
Royalties receivable			2,481,762	2,147,145
Other debtors			11,028	9,293
			<u>2,492,790</u>	<u>2,156,438</u>
14 Creditors: amounts falling due within one year			2021	2020
			£	£
Grants awarded not yet paid			2,108,422	270,000
Accruals and deferred income			131,222	115,016
			<u>2,239,644</u>	<u>385,016</u>
15 Creditors: amounts falling due after more than one year			2021	2020
			£	£
Grants awarded not yet paid			<u>1,520,000</u>	<u>715,000</u>

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

16 Grants awarded not yet paid

	At 1 January 2021	Amounts Awarded	Payments Made	At 31 December 2021
	£	£	£	£
2021 movements				
University of Manitoba				
Alan Klass Memorial Fund Programme	180,000	-	-	180,000
Bodleian Archivist	295,000	-	45,000	250,000
Bodleian Curator of Medieval Manuscripts	385,000	-	60,000	325,000
Bodleian Library - other	-	25,000	13,578	11,422
University of Oxford The J.R.R. Tolkien Professorship of English Literature and Language	-	1,600,000	320,000	1,280,000
Cité Internationale de la tapisserie Aubusson	100,000	-	-	100,000
Awarded December 2020; paid in 2021	25,000	-	25,000	-
Awarded and paid in 2021	-	2,365,000	2,365,000	-
Awarded December 2021; paid in 2022	-	1,482,000	-	1,482,000
	<u>985,000</u>	<u>5,472,000</u>	<u>2,828,578</u>	<u>3,628,422</u>
	At 1 January 2020	Amounts Awarded	Payments Made	At 31 December 2020
	£	£	£	£
2020 movements				
University of Manitoba				
Alan Klass Memorial Fund Programme	270,000	-	90,000	180,000
Bodleian Archivist	340,000	-	45,000	295,000
Bodleian Curator of Medieval Manuscripts	445,000	-	60,000	385,000
Cité Internationale de la tapisserie Aubusson	50,000	150,000	100,000	100,000
Awarded 2019; paid in 2020	2,222,000	-	2,222,000	-
Awarded and paid in 2020	-	3,355,453	3,355,453	-
Awarded December 2020; paid in 2021	-	25,000	-	25,000
	<u>3,327,000</u>	<u>3,530,453</u>	<u>5,872,453</u>	<u>985,000</u>

17 Related party transactions

There were no disclosable related party transactions during the year (2020 - none).

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

18 Cash generated from operations	2021	2020
	£	£
Surplus for the year	199,825	2,750,458
Adjustments for:		
Investment income recognised in statement of financial activities	(642,228)	(595,264)
Fair value gains and losses on investments	(2,084,315)	(824,183)
Movements in working capital:		
(Increase)/decrease in debtors	(336,352)	248,229
Increase/(decrease) in creditors	2,659,628	(2,329,774)
Cash absorbed by operations	(203,442)	(750,534)
19 Analysis of changes in net funds		
The charity had no debt during the year.		

THE TOLKIEN TRUST

England & Wales - Charity number 1150801

Accounts

THE TOLKIEN TRUST
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2020

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Charity Commission Reference No. 1150801

Company No. 8354834

THE TOLKIEN TRUST
TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

REFERENCE AND ADMINISTRATIVE DETAILS

Charity registration no	1150801
Company registration no	8354834
Registered Office	Prama House 267 Banbury Road Oxford OX2 7HT
Trustees	Priscilla Mary Anne Reuel Tolkien Baillie Jean Tolkien Michael George Reuel Tolkien Simon Mario Reuel Tolkien (appointed 18 December 2020)
Company Secretary	Cathleen Blackburn
Solicitors	Maier Blackburn LLP Prama House 267 Banbury Road Oxford OX2 7HT
Auditors	Critchleys Audit LLP Beaver House 23-38 Hythe Bridge Street Oxford OX1 2EP
Investment Managers	Investec Wealth & Investment 30 Gresham Street London EC2V 7QN
Bankers	Lloyds Bank plc Oxford

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Tolkien Trust is a charitable company and was incorporated under the Companies Act on 10 January 2013. Its predecessor unincorporated charity, also named The Tolkien Trust, was established by a Declaration of Trust on 1 April 1977. On 12 April 2013 the unincorporated charity transferred all of its assets, liabilities and ongoing activities to the charitable company.

The constitution of the charitable company establishes the terms on which Trustees are appointed and exercise their powers. New Trustees are given guidance on their legal responsibilities as charity trustees, and all Trustees are kept up-to-date with relevant legal developments and Charity Commission guidance.

The Trustees make all strategic decisions relating to the charity, including decisions as to whom grants should be paid.

THE TOLKIEN TRUST

TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

OBJECTS AND ACTIVITIES FOR THE PUBLIC BENEFIT

The objects of the Trust are to benefit such charitable institutions or purposes as the Trustees from time to time think fit. Accordingly, the Trust operates for the public benefit. The Trustees have complied with their duty under section 17(5) of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission.

GRANT-MAKING POLICY

The Trust makes donations annually to a wide range of charities and charitable causes, but with a recurrent emphasis upon those aimed at alleviating poverty and social, educational and healthcare disadvantage, as well as those focusing on environmental concerns and the arts. Charities and causes are selected by the Trustees in their discretion on the basis of research undertaken on their behalf and, in the case of existing beneficiaries, the Trustees' assessment of the use made of grants previously given. Though many of the charities receiving grants are based in the United Kingdom, the funds given are expended on charitable work both at home and abroad, including in Uganda, Rwanda, the Democratic Republic of Congo and the Middle East and, more recently, Europe (for assistance to refugees fleeing conflict zones).

As a solely grant-making charity, the Trust's emphasis is on focused and effective giving. Recipients of grants are therefore required to undergo monitoring and evaluation, which involves them in providing reports to the Trust on how their grants have been used and, in certain cases, meeting with the Trustees' representatives to discuss their achievements. The Trust now gives to fewer charities than previously but, where appropriate, aims to build closer relationships with beneficiaries with a view to maximising the impact of its giving. In some instances, the Trust makes grants which are conditional upon the raising of matched funding, enabling the charities concerned to leverage the Trust's contributions in order to increase their supporter base and income. The Trust may also challenge charities to identify the actions which would enable them to develop and grow, such as appointing a key member of staff or creating a new website enabling greater online engagement and donations, and help to fund these actions.

Further details can be found on the Trust's website at www.tolkientrust.org.

ACHIEVEMENTS AND PERFORMANCE

During the year the Trust made distributions from income to 67 charities.

PLANS FOR FUTURE PERIODS

The Trust plans to continue to work with a limited number of charities, developing and consolidating its current strategy, and modifying its approach if current monitoring practices suggest that increased impact can be achieved.

FINANCIAL REVIEW

The Trust's chief assets consist of copyrights in certain works by J R R Tolkien, which provide royalty income, and cash and investments. The Trust does not engage in fund-raising. The Trust has no restricted funds and no endowment.

For the year royalty income was £5,377,136 (2019: £4,355,762) and the charity awarded grants totalling £3,530,453 (2019: £3,367,693). Further details are included in the statement of financial activities and related notes below.

THE TOLKIEN TRUST

TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties affecting the Trust arise from its ownership of copyright assets. It is necessary from time to time to engage in legal action to defend these assets or to ensure that the Trust receives appropriate value from them, which can increase the operating costs of the Trust. The income earned from these assets may also fluctuate from year to year, often to a significant extent. The Trust deals with these risks and uncertainties by adding to net income from its reserves in order to try to achieve a consistent level of annual grant expenditure. (It should be noted, however, that this consistency is not always apparent when comparing the level of grant expenditure from year to year, given that grants to be paid out over a term of years are accounted for in full in the financial year in which they are initially agreed. Grants payable over a term of years also require the maintenance of sufficient reserves to enable the Trust to honour future grant commitments.)

INVESTMENT POLICY

The Trust has engaged professional investment managers to administer its investments. These consist of a portfolio of equities, fixed interest securities, unit trusts and other instruments invested to provide both income and capital appreciation. The return is measured on a total return basis. No individual investment exceeds 10% of the portfolio. No investments are made in derivatives. The Trust follows an ethical investment policy and does not invest in tobacco companies, companies whose main business is the manufacture of armaments or in companies providing gambling services.

INVESTMENT PERFORMANCE

The Trust has agreed an investment performance benchmark with its investment managers based on the Trustees' need to build capital to fund their grant making; their attitude to investment risk; and the timeframe for investment. These three factors determine an appropriate asset allocation and thus a benchmark against which the investment managers' performance can be assessed. During 2017 the Trustees agreed a benchmark with their investment managers which was amended to a "bespoke" benchmark, after discussion with and advice from their investment managers. The agreed benchmark is: 12% of the return of the FTA British Government All Stocks Index; 52% of the FTSE All Share Index; 25% of the FTSE World Ex-UK Index; 5% of the IPD Monthly Property Index; and 5% of the "cash return +2%" against which the alternative investments (currently infrastructure fund investment) is measured; and 1% cash. There are agreed limitations as to the minimum and maximum amounts of each asset class that can be held. The investment managers deem a "Medium/High" risk approach suitable given the Trust's circumstances with a restriction to a maximum of 82.5% in equities: UK and ex-UK combined.

The Trustees understand that over the long term this agreed format will allow the capital value of the portfolio to be at least retained in real terms and will generate a good level of income which over the medium term is a major contributor to the total returns generated from an equity-dominant portfolio. The Trustees also understand that investments do not move in a linear fashion and there will be years and periods perhaps longer than a year when the portfolio value may fall. However, they also understand that, based on historical returns, equity investment is necessary if the value of both the capital of the fund and income is to maintain its purchasing power when compared with inflation.

The 12 months to 31 December 2020 saw the portfolio making a reasonable return but the number alone (+6.0% total return) belies a background that featured one of the most extraordinary events in modern history. As is well known a highly infectious virus – a SARS-type (severe acute respiratory syndrome) disease – originating in Wuhan, China quickly spread globally (from February 2020) and such was its virulence that most governments worldwide issued orders banning public gatherings, and effectively shutting down a large proportion of the world's businesses in order to protect their populations from this virulent, life-threatening and often lethal infection

THE TOLKIEN TRUST

TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

INVESTMENT PERFORMANCE (continued)

Interest rates were cut to zero; governments in the Western world lavished mammoth amounts of cash on their populations to support them – the alternative being penury for those many, many people working in any area subject to the uncertainties of discretionary spending such as airlines, bars, cinemas, cruise lines, holiday companies, dentists, hairdressers, hotels, leisure, pubs, restaurants, theatres, passenger transport and non-essential shopping. In this environment it was broadly only the pharmaceutical companies, food retailers and major household goods manufacturers that could be sure of a continuing market for their goods. Reacting to these events stock markets globally collapsed with all major equity indices falling by almost exactly a third between mid-February and the third week of March. As soon as investors had a better idea of what they were dealing with equity markets steadied and made a faltering recovery but not until after some months of huge uncertainty as companies globally assessed their business prospects with many halting the payments of dividends and only a comparative few able to maintain their dividend pay-outs. As time has passed since many companies have returned to the dividend lists but the future is still uncertain. At the time of writing, new variants of the virus appear and many countries are still subject to lockdowns curtailing the movement of their populations, and this despite the global but, in places, patchy roll-out of the many vaccines that have been developed in record times.

Stock markets though have regained their poise because stock markets are always forward-looking. Investors broadly see a company's last year's results as history: it is a company's future earnings and improving prospects that is the reason share prices move up. So, with interest rates still at all-time lows it is stock markets – where there is industrial recovery and growth, and the prospect of dividends – that retain appeal for long-term investors. The Tolkien Trust's investments recorded a total return of +6.0% for calendar 2020 compared to the benchmark's return of -0.5%: the positive difference emanating from the Trust's large and well-focussed investments in Overseas equities with the USA exposure and technology company exposure in particular responsible for the outperformance of the benchmark. The three year cumulative performance shows a total return of +22.1% compared to the benchmark's +10.4%. The Trustees monitor the performance of their investment managers carefully and are satisfied with the current arrangements.

RESERVES POLICY

The Trust maintains a general reserve, the balance on which as at 31 December 2020 was £36,091,705 (2019: £33,341,247). Reserves are held to enable the Trust to smooth out the fluctuations in its net income from year to year and thus to maintain a substantial level of annual grant expenditure over the longer term; to meet future grant commitments where grants are payable over a number of years; and to stand ready to defend its copyright interests whenever these come under threat.

THE TOLKIEN TRUST

**TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

TRUSTEES' RESPONSIBILITIES

The Trustees (who are also directors of The Tolkien Trust for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the charity for that year. 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 Charities SORP
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards 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 company will continue in business.

The Trustees are responsible for keeping proper accounting records that are sufficient to show and explain the Trust's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Trustees are aware, there is no relevant audit information of which the company's auditors are unaware, and each Trustee has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report also includes a directors' report as required by company law.

The report has been prepared in accordance with the Small Companies Regime under Section 419(2) of the Companies Act 2006.

On behalf of the Trustees

P M A R Tolkien
.....
P M A R Tolkien (Trustee)

419/21
.....
(Date)

INDEPENDENT AUDITORS' REPORT
TO THE TRUSTEES OF THE TOLKIEN TRUST
FOR THE YEAR ENDED 31 DECEMBER 2020

Opinion

We have audited the financial statements of The Tolkien Trust (the 'charitable company') for the year ended 31 December 2020 which comprise the statement of financial activities, balance sheet, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2020, and of 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 Charities Act 2011

Basis for 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 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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**TO THE TRUSTEES OF THE TOLKIEN TRUST****FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)****Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the trustees' report, which includes the directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 require us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 5, 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 trustees 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 liquidate the charity or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT**TO THE TRUSTEES OF THE TOLKIEN TRUST****FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)****Auditors' responsibilities for the audit of the financial statements**

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 financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the charitable company through discussions with directors/trustees and other management, and from our knowledge and experience of the client's sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the charitable company;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- Identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the charitable company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.

INDEPENDENT AUDITORS' REPORT**TO THE TRUSTEES OF THE SOCIETY OF THE TOLKIEN TRUST****FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance.

Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors/trustees and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditors-responsibilities.

This description forms part of our auditor's report

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Robert Kirtland, Senior Statutory Auditor
for and on behalf of Critchleys Audit LLP
Statutory Auditors
Beaver House
23 – 38 Hythe Bridge Street
Oxford
OX1 2EP

Date: 8 September 2021

THE TOLKIEN TRUST

STATEMENT OF FINANCIAL ACTIVITIES
(including income and expenditure account)
FOR THE YEAR ENDED 31 DECEMBER 2020

Income from	Note	2020 £ Unrestricted	2019 £ Unrestricted
Investments			
Interest receivable		136,735	176,572
Dividends received		458,529	643,422
Royalty income		<u>5,377,136</u>	<u>4,355,762</u>
Total income		<u>5,972,400</u>	<u>5,175,756</u>
Expenditure on			
Raising funds			
Investment management costs	2	245,858	328,536
Charitable activities	3	<u>3,800,267</u>	<u>3,619,124</u>
Total expenditure		<u>4,046,125</u>	<u>3,947,660</u>
Net income before investment gains		1,926,275	1,228,096
Net gains/(losses) on investments			
Gains on revaluation and disposal of investment assets	8	<u>824,183</u>	<u>3,079,793</u>
Net income		2,750,458	4,307,889
Funds brought forward		<u>33,341,247</u>	<u>29,033,358</u>
Funds carried forward		<u>36,091,705</u>	<u>33,341,247</u>

THE TOLKIEN TRUST
(Company number: 8354834)

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020		2019	
		£	£	£	£
Fixed assets					
Investments	8		24,500,199		23,217,976
Current assets					
Debtors	9	2,156,438		2,404,667	
Cash at bank and in hand		<u>10,535,084</u>		<u>11,148,394</u>	
			12,691,522		13,553,061
Creditors: amounts falling due within one year	10	<u>(385,016)</u>		<u>(2,569,790)</u>	
Net current assets			<u>12,306,506</u>		<u>10,983,271</u>
Total assets less current liabilities			36,806,705		34,201,247
Creditors: amounts falling due after one year	11		<u>(715,000)</u>		<u>(860,000)</u>
Net assets			<u>36,091,705</u>		<u>33,341,247</u>
Represented by:					
Unrestricted funds					
General fund			<u>36,091,705</u>		<u>33,341,247</u>

These financial statements were approved and authorised for issue by the Trustees on 4/9/21 and are signed on their behalf by:

Risella Tolkien P M A R Tolkien (Trustee)

THE TOLKIEN TRUST

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
Cash (used in) operating activities	14	<u>(750,534)</u>	<u>(286,890)</u>
Cash flow from investing activities			
Investment income		595,264	819,994
Net (purchase of) investments		<u>(458,040)</u>	<u>(622,145)</u>
Cash provided by investing activities		<u>137,224</u>	<u>197,849</u>
(Decrease) in cash in the year		(613,310)	(89,041)
Cash and cash equivalents at the beginning of the year		<u>11,148,394</u>	<u>11,237,435</u>
Total cash and cash equivalents at the end of the year		<u>10,535,084</u>	<u>11,148,394</u>

**THE TOLKIEN TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1 ACCOUNTING POLICIES

a) Basis of preparation and assessment of going concern

The financial statements have been prepared in accordance with Accounting and Reporting by Charities Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard in the UK and Republic of Ireland (FRS102) – (Charities SORP (FRS102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Companies Act 2006.

The Tolkien Trust meets the definitions of a public benefit entity under FRS102.

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

b) Income

Royalties and similar income are included in income (net of VAT) when they are receivable. Amounts earned in respect of the year to 31 December are recognised as income in the year if they can be quantified by the time of the approval of the financial statements. Dividends are included when they are received. Interest is included on a receivable basis.

c) Uncapitalised fixed assets

The assets of the charity consist in part of copyrights in relation to works written by the late J R R Tolkien. These are shown in note 7. They have not been valued for inclusion in the financial statements as these were mostly settled into the Trust (when it was an unincorporated charity) many years ago and it is not practical and cost-effective to obtain an accurate current valuation.

d) Grants and other expenditure

Grants are normally recognised as an expense when they are approved for payment by the Trustees. However, if the Trustees have entered into a grant agreement with a beneficiary, the full amount of the grant is recognised when the agreement is signed. Expenditure is recognised on an accruals basis and include any irrecoverable VAT. Any costs that need to be apportioned between costs of generating funds, support costs and governance costs are done so based on the Trustees' estimate of the amount of costs applicable to each category.

e) Foreign currencies

Transactions in foreign currencies are translated into sterling at the exchange rate at the date of the transaction. Monetary assets and liabilities are converted at the year-end exchange rate with any differences going via the Statement of Financial Activities.

f) Investment assets

Investments are shown at market value at the balance sheet date. Any realised or unrealised gains and losses are included in the Statement of Financial Activities. Realised gains in the year are immaterial and therefore no separate disclosure has been made.

g) Creditors and provisions

Creditors and provisions 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 and provisions are normally recognised at their settlement amount after allowing for any trade discounts due

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**2 INVESTMENT MANAGEMENT COSTS**

	2020	2019
	£	£
UK legal fees relating to contract and copyright matters	141,946	213,381
US and other overseas legal fees	13,968	28,869
Other professional fees	2,290	1,750
Investment manager fees	<u>87,654</u>	<u>84,536</u>
	<u>245,858</u>	<u>328,536</u>

Included within other professional fees is £2,000 (2019: £1,750) of fees payable to the auditors for non-audit services.

3 EXPENDITURE ON CHARITABLE ACTIVITIES

	(Note 4)	(Note 5)	
	Grants Payable	Support Costs	Total
	£	£	£
2020 Grants to institutions	<u>3,530,453</u>	<u>269,814</u>	<u>3,800,267</u>
2019 Grants to institutions	<u>3,367,693</u>	<u>251,431</u>	<u>3,619,124</u>

4 GRANTS TO INSTITUTIONS

	2020	2019
	£	£
Aladdin Project (France)	20,000	20,000
Association IMAD	20,000	20,000
Asylum Welcome	40,000	40,000
Basmeh and Zeitooneh	50,000	21,000
Become Charity	50,000	-
Birdlife International	20,000	50,000
Blackfriars (The English Province of the Order of Preachers)	10,000	20,000
Bloemfontein Cathedral	5,000	5,000
Bodleian Library	150,000	40,000
Camfed International	30,000	100,000
Campaign to Protect Rural England	-	20,000
Chaises Musicales	-	10,000
Change Please Foundation	40,000	-
Children On The Edge	30,000	30,000
Cité Internationale de la tapisserie Aubusson	150,000	-
Client Earth	200,000	150,000
Cuttleslowe & District Community Association	15,000	15,000
Detention Action	82,000	40,000
Doctors of the World UK	30,000	130,000
Dragon School Trust	10,000	-
Dyslexia Research Trust	-	40,000
Find Your Feet (Malawi)	-	15,000
Freedom from Torture	30,000	100,000
GB Friends of Neve Shalom	-	75,000
Glass Door Homeless Charity	80,000	40,000
Greenpeace Environmental Trust	150,000	80,283
Help Refugees	100,000	-
Humanity and Inclusion UK	10,000	10,000
Jane Grigson Trust	15,000	-
Kent Refugee Action Network	13,000	-
La Cimade	100,000	43,000
Linda Norgrove Foundation	20,000	20,000
Linkage Community Trust	50,000	50,000
Maison Shalom	30,000	30,000

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

4 GRANTS TO INSTITUTIONS (continued)

	2020	2019
	£	£
Médecins du Monde	130,000	94,000
Médecins Sans Frontières (Libya/Yemen)	250,000	250,000
Neuro Therapy Centre	-	80,000
New Bridge Foundation	10,000	10,000
Operation Fistula	-	150,000
Oxford Bach Choir	15,000	25,000
Oxford Food Bank	-	40,000
Oxford Lieder Festival	25,000	25,000
Oxford Philharmonic Orchestra	20,000	20,000
Oxford Playhouse Trust	10,000	10,000
Oxford Sanctuary Housing	-	15,000
Oxford Shakespeare Ensemble (Creation Theatre Company)	20,000	20,000
Panzi Foundation	70,000	70,000
Pesticide Action Network UK	170,000	217,302
Photography Oxford	15,000	-
Pilotes Volontaires	50,000	50,000
Primo Levi Centre	40,000	40,000
Prism the Gift Fund (REFUAID)	-	50,000
Prism the Gift Fund (The Hope Project)	50,000	30,000
Prism the Gift Fund (Help Refugees)	100,000	-
Prison Phoenix Trust	15,000	15,000
Prisoners Abroad	110,000	88,000
The Porch	80,000	20,000
Reading List Foundation	20,000	20,000
Remodel (Haiti Orphanage)	-	(5,000)
Refugees at Home	40,000	40,000
Reprieve	95,000	95,000
Road to Recovery	30,000	20,000
San Marcos High School AAPLE Academy	25,453	25,000
Sanctuary Hosting	15,000	-
Schoolreaders	20,000	30,000
Settle Support	40,000	-
Shelter Cymru	30,000	84,108
Solidarités International	130,000	100,000
SOS Mediterranee	25,000	50,000
Southampton and Winchester Visitors' Group	20,000	20,000
Support a Survivor of Torture	40,000	35,000
The Tablet Trust	15,000	20,000
Tempus Novo	-	80,000
Theatres Trust, The	20,000	10,000
The Howard League for Penal Reform	-	40,000
TREAT (Trust for Research and Education on the Arms Trade)	120,000	70,000
Uganda Childbirth Injury Fund	30,000	30,000
Videre est Credere	30,000	30,000
Wiener Library	15,000	-
Working Chance	40,000	40,000
Total	<u>3,530,453</u>	<u>3,367,693</u>

THE TOLKIEN TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

5 SUPPORT COSTS

	2020	2019
	£	£
UK legal fees relating to grant distribution	10,866	10,227
Other professional fees	191,659	191,513
Governance costs (note 6)	66,150	49,079
Other	<u>1,139</u>	<u>612</u>
	<u>269,814</u>	<u>251,431</u>

6 GOVERNANCE COSTS

	2020	2019
	£	£
UK legal fees relating to administration of the Trust	61,575	39,974
Auditors' remuneration – current year estimate	7,000	8,890
Auditors' remuneration – adjustment in respect of prior year	<u>(2,425)</u>	<u>215</u>
	<u>66,150</u>	<u>49,079</u>

No trustees were reimbursed travel and accommodation expenses in either year. No trustee received any remuneration in either year.

7 COPYRIGHT ASSETS

The charity's literary assets comprise:

- 7.1 Certain US copyrights in *The Lord of the Rings*; and the worldwide copyrights in *Smith of Wootton Major*, *Tree and Leaf*, *Roverandom*, *Mythopoeia*, *The Legend of Sigurd and Gudrun*, *The Fall of Arthur* and *Beowulf: A Translation and Commentary*, all by J R R Tolkien.
- 7.2 The copyrights in the published editions of various philological writings and fragments by J R R Tolkien.
- 7.3 Certain unpublished papers, letters, artistic works, pictures, photographs and other documents originally forming part of the Estate of J R R Tolkien, and the copyright in such materials formerly owned by the Estate.

8 INVESTMENTS

	Market Value b/fwd £	Purchases in Year £	Sales in Year £	Change in Market Value £	Market Value c/fwd £
Equities	20,275,227	4,208,033	(3,898,557)	818,570	21,403,273
Fixed interest securities	<u>2,231,443</u>	<u>563,779</u>	<u>(100,000)</u>	<u>5,613</u>	<u>2,700,835</u>
	22,506,670	4,771,812	(3,998,557)	824,183	24,104,108
Cash held by investment managers	<u>711,306</u>	-	<u>(315,215)</u>	-	<u>396,091</u>
	<u>23,217,976</u>	<u>4,771,812</u>	<u>(4,313,772)</u>	<u>824,183</u>	<u>24,500,199</u>

THE TOLKIEN TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

9 DEBTORS

	2020	2019
	£	£
Royalties receivable	2,147,145	2,393,550
VAT	<u>9,293</u>	<u>11,117</u>
	<u>2,156,438</u>	<u>2,404,667</u>

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Grants awarded not yet paid (note 12)	270,000	2,467,000
Accruals	<u>115,016</u>	<u>102,790</u>
	<u>385,016</u>	<u>2,569,790</u>

11 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2020	2019
	£	£
Grants awarded not yet paid (note 12)	<u>715,000</u>	<u>860,000</u>

THE TOLKIEN TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

12 GRANTS AWARDED NOT YET PAID

	At 1 January 2020 £	Amounts Awarded £	Payments Made £	At 31 December 2020 £
2020 movements				
University of Manitoba				
Alan Klass Memorial Fund Programme	270,000	-	90,000	180,000
Bodleian Archivist	340,000	-	45,000	295,000
Bodleian Curator of Medieval Manuscripts	445,000	-	60,000	385,000
Cite Internationale de la tapisserie Aubusson	50,000	150,000	100,000	100,000
Awarded 2019; paid in 2020	2,222,000	-	2,222,000	-
Awarded and paid in 2020	-	3,355,453	3,355,453	-
Awarded December 2020; paid in 2021	-	<u>25,000</u>	-	<u>25,000</u>
	<u>3,327,000</u>	<u>3,530,453</u>	<u>5,872,453</u>	<u>985,000</u>

	At 1 January 2019 £	Amounts Awarded £	Payments Made £	At 31 December 2019 £
2019 movements				
University of Manitoba				
Alan Klass Memorial Fund Programme	360,000	-	90,000	270,000
Bodleian Archivist	385,000	-	45,000	340,000
Bodleian Curator of Medieval Manuscripts	505,000	-	60,000	445,000
Cite Internationale de la tapisserie Aubusson	100,000	-	50,000	50,000
Future Hope UK	32,947	-	32,947	-
The Haiti Orphanage Clinic Project	5,000	(5,000)	-	-
Awarded 2018; paid in 2019	2,028,851	-	2,028,851	-
Awarded and paid in 2019	-	1,150,693	1,150,693	-
Awarded December 2019; paid in 2020	-	<u>2,222,000</u>	-	<u>2,222,000</u>
	<u>3,416,798</u>	<u>3,367,693</u>	<u>3,457,491</u>	<u>3,327,000</u>

Movement in recognised provisions and funding commitments during the year

	Charitable commitments accrued 2020 £	Charitable commitments accrued 2019 £
Grant commitments recognised at the start of the year	3,327,000	3,416,798
New grant commitments charged to the Statement of Financial Activities in the year (see note 3)	3,530,453	3,367,693
Grants paid during the year	<u>(5,872,453)</u>	<u>(3,457,491)</u>
Amount of grant commitments recognised as at 31 December 2020	<u>985,000</u>	<u>3,327,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

13 MEMBERS' LIABILITY AND CHARITY INFORMATION

The Tolkien Trust is a company limited by guarantee (incorporated in England and Wales) and does not have share capital. The members undertake to contribute a sum, not exceeding £10, to the assets of the company in the event of the company being wound up. Its registered office is Prama House, 267 Banbury Road, Oxford, OX2 7HT.

14 RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2020	2019
	£	£
Net income as per Statement of Financial Activities	2,750,458	4,307,889
Deduct investment income in investing activities	(595,264)	(819,994)
Decrease/(increase) in debtors	248,229	(573,867)
(Decrease)/increase in creditors	(2,329,774)	(121,125)
Deduct gains/add back losses on investments	<u>(824,183)</u>	<u>(3,079,793)</u>
Net cash used in operating activities	<u>(750,534)</u>	<u>(286,890)</u>

15 RELATED PARTY TRANSACTIONS

There were no related party transactions in the reporting period that require disclosure (2019: Nil).