

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

INDEX

Page 1-5	Trustees' Report
6-9	Independent Auditors' Report
10	Statement of Financial Activities
11	Balance Sheet
12	Statement of Cash Flows
13-19	Notes to the Financial statements

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 (Trustee)

412121
.....
(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

		2020	2019
		£	£
Income from	Note	Unrestricted	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:

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

THE TOLKIEN TRUST

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

		2020 £	2019 £
	Note		
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) Grants Payable	(Note 5) 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>-</u>	<u>(315,215)</u>	<u>-</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	-	25,000	-	25,000
	<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	-	2,222,000	-	2,222,000
	<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	(5,872,453)	(3,457,491)
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).