

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	Prima 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 Prima 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 £5,351,000 (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.

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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.

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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.

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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

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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

	Notes	Unrestricted funds 2022 £	Unrestricted funds 2021 £
<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	<u>(658,974)</u>	<u>(2,239,644)</u>		
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	<u>(1,005,000)</u>		<u>(1,520,000)</u>	
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

M.R. 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	
Net cash generated from/(used in) investing activities			102,305		(167,361)
Net cash used in financing activities			-		-
Net decrease in cash and cash equivalents			(2,396,223)		(370,803)
Cash and cash equivalents at beginning of year			10,164,281		10,535,084
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.

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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 2022	Grant funding 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>

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

6 Grants payable

	Grant funding	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
Basmeah & Zeitoneh	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	-
Cotteslowe 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	-
	Reprieve	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
	<u>5,651,000</u>	<u>5,472,000</u>

7 Support costs

	Support costs £	Governance costs £	2022 Support costs £	2022 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
Auditors' fees - audit - prior year adjustment	-	1,685	1,685	-	(255)
Auditors' fees - tax compliance	-	-	-	-	750
Legal and professional	-	69,272	69,272	-	76,357
	<u>188,116</u>	<u>79,457</u>	<u>267,573</u>	<u>195,356</u>	<u>279,208</u>
Analysed between					
Charitable activities	<u>188,116</u>	<u>79,457</u>	<u>267,573</u>	<u>195,356</u>	<u>279,208</u>

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)
At 31 December 2022	20,564,137	2,318,934	452,421	23,335,492
Carrying amount				
At 31 December 2022	20,564,137	2,318,934	452,421	23,335,492
At 31 December 2021	24,608,512	2,005,242	501,349	27,115,103

14 Debtors

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

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
	658,974	2,239,644

16 Creditors: amounts falling due after more than one year

	2022	2021
	£	£
Grants awarded not yet paid	1,005,000	1,520,000

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)	(342,228)
	Fair value gains and losses on investments	4,291,947	(2,384,315)
	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	(2,498,528)	(203,442)
20	Analysis of changes in net funds		
	The charity had no debt during the year.		
