

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

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

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# THE TOLKIEN TRUST

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# THE TOLKIEN TRUST

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

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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](http://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

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### 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*

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### **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*

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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

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### 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

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### **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

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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**

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**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**

	Notes	Unrestricted funds 2023 £	Unrestricted funds 2022 £
<b><u>Income from:</u></b>			
Investments	<b>3</b>	538,437	614,641
Royalties		9,155,049	5,270,353
<b>Total income</b>		<u>9,693,486</u>	<u>5,884,994</u>
<b><u>Expenditure on:</u></b>			
Raising funds	<b>4</b>	<u>295,592</u>	<u>313,117</u>
Charitable activities	<b>5</b>	<u>5,515,733</u>	<u>5,918,573</u>
<b>Total expenditure</b>		<u>5,811,325</u>	<u>6,231,690</u>
Net gains/(losses) on investments	<b>11</b>	<u>1,853,241</u>	<u>(4,291,947)</u>
<b>Net income and net movement in funds</b>		<u>5,735,402</u>	<u>(4,638,643)</u>
Fund balances at 1 January 2023		<u>31,652,887</u>	<u>36,291,530</u>
<b>Fund balances at 31 December 2023</b>		<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 £	£
<b>Fixed assets</b>					
Heritage assets	14	279,000		279,000	
Investments	15	25,619,620		23,335,492	
		25,898,620		23,614,492	
<b>Current assets</b>					
Debtors	16	4,537,212		1,934,311	
Cash at bank and in hand		9,129,336		7,768,058	
		13,666,548		9,702,369	
<b>Creditors: amounts falling due within one year</b>	17	(1,636,879)		(658,974)	
Net current assets		12,029,669		9,043,395	
<b>Total assets less current liabilities</b>		37,928,289		32,657,887	
<b>Creditors: amounts falling due after more than one year</b>	18	(540,000)		(1,005,000)	
<b>Net assets</b>		37,388,289		31,652,887	
<b>Income funds</b>					
Unrestricted funds		37,388,289		31,652,887	
		37,388,289		31,652,887	

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 £	£
<b>Cash flows from operating activities</b>					
Cash generated from/(absorbed by) operations	22		1,253,728		(2,498,528)
<b>Investing activities</b>					
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	
<b>Net cash generated from investing activities</b>			107,550		102,305
<b>Net cash used in financing activities</b>			-		-
<b>Net increase/(decrease) in cash and cash equivalents</b>			1,361,278		(2,396,223)
Cash and cash equivalents at beginning of year			7,768,058		10,164,281
<b>Cash and cash equivalents at end of year</b>			9,129,336		7,768,058

# THE TOLKIEN TRUST

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

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### 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

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### 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		
Investment management fees	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 £
<b>Direct costs</b>		
Grant funding of activities (see note 6)	5,250,000	5,651,000
<b>Share of support and governance costs (see note 7)</b>		
Support	184,779	188,116
Governance	80,954	79,457
	<u>5,515,733</u>	<u>5,918,573</u>
<b>Analysis by fund</b>		
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's 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	-
	Reprieve	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 Number	2022 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
	£	£	£	£
<b>Cost or valuation</b>				
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
<b>Carrying amount</b>				
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 £
<b>Amounts falling due within one year:</b>		
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
	£	£	£	£
<b>2023 movements</b>				
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
	£	£	£	£
<b>2022 movements</b>				
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>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Previous year:</b>	<b>At 1 January 2022</b>	<b>Income</b>	<b>Expenditure</b>	<b>Gains and losses</b>	<b>At 31 December 2022</b>
	£	£	£	£	£
General funds	36,291,530	5,884,994	(6,231,690)	(4,291,947)	31,652,887
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </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)
<b>Cash generated from/(absorbed by) operations</b>	<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.