

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

FINANCIAL STATEMENTS

31 December 2004

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THE NUFFIELD TRUST FOR THE FORCES OF THE CROWN

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 31 DECEMBER 2004

REPORT OF THE TRUSTEES FOR
THE NUFFIELD TRUST FOR THE FORCES OF THE CROWN
REGISTERED CHARITY NO. 210829

PERIOD OF REPORT

The Report covers the period 1 January to 31 December 2004.

STYLE AND FORMAT

These financial statements have been prepared in accordance with the guidelines published by the Charity Commission. These guidelines are contained in the Statement of Recommended Practice ("SORP 2000") that follows on from the Charities Act 1993.

GENERAL

The Trust finances recreational and welfare amenities and facilities that are likely to be of lasting benefit to the Armed Forces but which are not provided by public funds and which are beyond the resources of other non-public funds. The grants are one-time donations and there is no provision for insurance, maintenance or repair.

BACKGROUND AND GOVERNING INSTRUMENT

The late Lord Nuffield founded the Nuffield Trust for the Forces of the Crown in 1939. The Trust originally operated under the terms of a Trust Deed that was made on the 14 October 1939 but this was superseded by the Charity Commissioners' Scheme that was sealed on 13 February 1997. This Scheme reaffirms that *'the object of the Charity shall be to promote the welfare and efficiency of the Forces of the Crown either by the provision of facilities for recreation or by any other means'*. The Trustees achieve this with the help of an Executive Committee that includes, as Ex-Officio members, the serving Principal Personnel Officers of the Royal Navy, Army and Royal Air Force who are best qualified to advise on the relative priority of the various applications received.

APPOINTMENT OF TRUSTEES

The Trustees who have served during the year are as follows:

Admiral Sir John Brigstocke KCB
Sir Brian Jenkins GBE
Air Chief Marshal Sir Roger Palin KCB OBE
FDS Rosier MA
His Grace the Duke of Westminster KG OBE TD DL
General Sir Michael Wilkes KCB CBE

At the meeting of the Trustees that was held on 12 May 2004, the other Trustees re-elected The Duke of Westminster as the Chairman of the Trust for a further year.

THE NUFFIELD TRUST FOR THE FORCES OF THE CROWN

REPORT OF THE TRUSTEES (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2004

INVESTMENT MANAGEMENT

Throughout the year the Trust's portfolio of investments was actively managed by Barclays Global Investors Limited of 1 Royal Mint Court, LONDON EC3N 4HH. The Trustees meet formally with the Fund Managers twice a year to review the performance of the Trust Funds and to ensure that investments held have been acquired in accordance with the powers of the Trustees and any directions they have given. Investment policy is reviewed annually by the Trustees.

For the first nine months of the year, Barclays Global Investors Limited were instructed to maximise the total return from Trust Funds whilst maintaining a balanced investment portfolio recognizing the requirement to generate an income growing in real terms while maintaining the real capital value of the Trust Fund at its 1997 level adjusted for capital expenditure. At the overall fund level, the benchmark by which the fund was measured was set at 70% FTA All-Share Index: 30% British Government All Stocks Index. The Fund Manager had full discretion over asset allocation within the above guidelines and retained the flexibility to invest up to 5% of the portfolio in other assets including overseas equities.

The Trust was a subscriber to the Combined Actuarial Performance Service Limited (CAPS) monitoring service which provides quarterly assessments that directly compare the charity's performance against the selected benchmarks. The Fund Managers outperformed the Trustee benchmark overall and also outperformed in each of the component elements against the related indices.

The Trustees revised their investment policy in the year and Barclays Global Investors Limited were instructed to maximise the total return from the Trust's invested funds with priority given to enhancing the real capital value of those funds, both to secure future dividend growth and to enable an annual grant allocation to be made. The benchmark by which the fund was measured was altered to the WM Index of Charities (Unconstrained by Asset Class) excluding property and the Trust's capital value would continue to be measured against the 1997 adjusted capital value. This change of investment policy was implemented on 15th November 2004.

2004 saw the final year of the Government's progressive phasing out of the ability of charities to reclaim the tax deducted from dividends; the effects of this were mitigated by the re-emergence and growth of dividends as a feature of company returns and by the capital growth the portfolio had achieved. The Trustees therefore set a withdrawal target for the Fund of £1,110,000 for 2005.

STATEMENT OF FINANCIAL ACTIVITIES ("SOFA")

2004 saw a reversal of the downturn in the Stock Market albeit with significant quarterly swings in returns. Over the year the Trust's investment capital value had risen by £2,253,336 (2003 £2,666,279 decrease) to £32,731,401. On a dividends receivable basis, as required by the SOFA, the Trust's income was £895,210 (2003 £1,028,930), all of which was expended on grants and the administration of the charity as detailed below.

The administrative costs of the charity increased by £2,913 in comparison with 2003.

THE NUFFIELD TRUST FOR THE FORCES OF THE CROWN

REPORT OF THE TRUSTEES (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2004

RISK MANAGEMENT

The Trustees, at their meeting on 23rd November 2004, considered the Risk Assessment which had been tabled by the General Secretary and agreed that the Trust's existing procedures provided adequate mitigation of potential risks; however, they sought a review of the Trust's key financial controls. This review formed part of the 2004 Annual Audit and the results are included within the Trust auditors' management letter to the Trustees.

RESERVES

In May 1997 the Charity Commission confirmed that 'both capital and income of the fund can be expended on furthering the objects of the Charity'. The Trustees remain committed to disbursing the annual income to recipients and did so in 2004. No specific reserves are held for this or other purposes.

CATEGORIES OF GRANTS

Basic allocations to the Royal Navy, Army and Royal Air Force are made on a proportional basis relative to the current strength of each Service. This well-established system provides an equitable arrangement for the fair distribution of the money made available by the Trust. Bids for **Major Grants** i.e. those in excess of £5,000 with an upper limit of £25,000, are made once a year and are considered by the Executive Committee Meeting which is normally held in March. This Committee decides on priorities and makes detailed recommendations to the Trustees concerning the amounts of these grants. The balance of the basic allocations is then earmarked for **Minor Grants** i.e. those under £5,000 which may be applied for at any time during the rest of the year.

The Trustees were also willing to consider **Capital Grants** (over £25,000) for major projects from any Service, subject only to the project's suitability and the availability of funds. Under an agreement made with the Ministry of Defence on 25th November 2003, Capital Grants for any fixed assets provided on Ministry of Defence land require assurances on security of tenure and compensation if such assets are lost on the closure of units.

The Trust also makes special grants as circumstances require and gives **Operational Welfare Grants** with the object of providing a quick and flexible response to meet the particular needs of those serving in the regular, or reserve, forces deployed in an emergency to areas of conflict or disaster.

REVIEW OF ACTIVITIES DURING THE YEAR

Grant allocations for the year totalled £1 million before any adjustment for surpluses on grants not expended (note 3). This brought the grand total so far paid out by the Trust, for the direct benefit of those serving in the Armed Forces throughout the World, to some £37.6 million, which today would be valued at over £159 million.

The Trust received many letters of thanks from recipients and their Commanding Officers. In particular, these emphasised the value of recreational activity to Servicemen and women who had been involved in high intensity operations, and that without the provision of equipment and facilities by the Trust many of these recreational activities would not be possible.

THE NUFFIELD TRUST FOR THE FORCES OF THE CROWN

REPORT OF THE TRUSTEES (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2004

RECIPIENTS OF GRANTS

Recipients of grants were spread throughout the World wherever HM Armed Forces are stationed or deployed. They include HM Ships and Naval Establishments; Royal Marine Units; Army Garrisons and Units; RAF Stations and Establishments and individual Sports Associations of all three Services.

Three Capital Grants (£200,000: £70,705: £37,500), 38 Major Grants (average £15,401), 115 Minor Grants (average £3,150), one Operational Welfare Grant (£1,950), and 74 Reservist grants (average £1,042) via the Reserve Forces Ulysses Trust were awarded towards the cost of items such as enhancements to sports premises, messes and wardrooms for all ranks; yachts; minibuses; sailing dinghies; water ski boats; canoes; fitness and weight training equipment; Alpine, Nordic & Pentathlon skiing equipment; mountain bikes; windsurfing and diving equipment; large screen television sets; digital video disc players and stereo equipment.

In year, HMS Heron purchased a powered glider with the aid of a Capital Grant (£70,705) and the renovated changing rooms at Southwick Park Naval Recreational Centre were completed with the aid of a Capital Grant of £200,000. The RAF Gliding and Soaring Association Hangar at RAF Halton, which had been completed with the aid of a £345,000 grant from the Trust, was officially opened by General Sir Michael Wilkes on 12th July 2004. The completion of this project secured the future of the centre of excellence for Joint Service gliding.

FUTURE COMMITMENTS

At their Meeting, which was held on 23rd November 2004, the Trustees approved the following allocations for 2005.

2005	
Capital Grants -	
Southwick Park Naval	
Recreational Centre	£ 20,000
Major/Minor Grants	£ 940,000
Ulysses Trust (Reserves)	£ 69,000
Operational Welfare	£ Nil

Grants Allocation	£ 1,029,000
Administration	£ 81,000

Total Allocation	£ 1,110,000
	=====

In addition, the Trustees reallocated a sum of £17,541 on a one-off basis from the Operational Welfare Fund to the Reserve Forces Ulysses Trust.

BANKERS

The Trust's bankers are Barclays Bank, Cheltenham Branch, Cheltenham and North Cotswolds Group, 128 High Street, Cheltenham, Gloucestershire GL50 1EL

THE NUFFIELD TRUST FOR THE FORCES OF THE CROWN

REPORT OF THE TRUSTEES (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2004

AUDITORS

The Trust's auditors are Hazlewoods of Staverton Court, Staverton, Cheltenham GL51 0UX and their report is shown on pages 7 and 8.

SOLICITORS

The Trust's solicitors continue to be Messrs Herbert Mallam Gowers, Solicitors of Oxford, 126 High Street, OX1 4DG.

REGISTERED OFFICE

Barclays Bank at 128 High Street, Cheltenham, GL50 1EL

GENERAL SECRETARY AND ADDRESS FOR ALL CORRESPONDENCE

Group Captain T M Arnot OBE
23 Estcourt Road
Gloucester
GL1 3LU

The Board of Trustees approved this Report on 4th May 2005

**His Grace The Duke of Westminster KG OBE TD DL
Chairman**

THE NUFFIELD TRUST FOR THE FORCES OF THE CROWN

STATEMENT OF TRUSTEES' RESPONSIBILITIES

Law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the Charity's financial activities during the year and of its financial position at the end of the year. In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Act 1993. 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 AUDITORS' REPORT

To the Trustees of

THE NUFFIELD TRUST FOR THE FORCES OF THE CROWN

We have audited the financial statements of The Nuffield Trust for the Forces of the Crown for the year ended 31 December 2004 on pages 9 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Trustees, as a body, in accordance with Section 44 of the Charities Act 1993. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

The Trustees' responsibilities for the preparation of the Trustees' Report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the Statement of Trustees' Responsibilities.

We have been appointed as auditors under Section 43 of the Charities Act 1993 and report in accordance with regulations made under Section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the Charity has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We are not required to consider whether the statement in the Trustees' Report concerning the major risks to which the Charity is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the Charity's risk management and control procedures.

We read other information contained in the Trustees' Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT (Continued)

To the Trustees of

THE NUFFIELD TRUST FOR THE FORCES OF THE CROWN

Opinion

In our opinion the financial statements give a true and fair view of the state of the Charity's affairs at 31 December 2004 and of its incoming resources and applications of resources for the year then ended and have been properly prepared in accordance with the Charities Act 1993.

HAZLEWOODS

Staverton, Cheltenham

**Chartered Accountants and
Registered Auditors**

THE NUFFIELD TRUST FOR THE FORCES OF THE CROWN

STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2004

	Note	Unrestricted funds 2004	Unrestricted funds 2003
Incoming resources			
Investment income	2	895,210	1,028,930
Resources Expended			
Direct charitable expenditure	3	973,288	1,004,743
Management and administration of the charity	4	134,187	131,274
Total resources expended		1,107,475	1,136,017
Net outgoing resources for the year		(212,265)	(107,087)
Other recognised gains and losses			
Net change in market value of investments	6	2,674,581	3,011,122
Net movement in funds		2,462,316	2,904,035
Balance brought forward at 1 January 2004		30,452,617	27,548,582
Balance carried forward at 31 December 2004		£ 32,914,933	£ 30,452,617

All amounts relate to continuing operations.

THE NUFFIELD TRUST FOR THE FORCES OF THE CROWN

BALANCE SHEET

31 December 2004

	Note	2004	2003
FIXED ASSETS			
Tangible fixed assets	5	4,132	5,200
Investments	6	32,731,401	30,478,065
		<hr/>	<hr/>
		32,735,533	30,483,265
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	7	120,022	154,240
Investments	6	-	350,000
Cash at bank and in hand		697,328	719,344
		<hr/>	<hr/>
		817,350	1,223,584
CREDITORS			
amounts falling due within one year	8	(637,950)	(1,254,232)
		<hr/>	<hr/>
NET CURRENT ASSETS/(LIABILITIES)		179,400	(30,648)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		£ 32,914,933	£ 30,452,617
		<hr/> <hr/>	<hr/> <hr/>
FUNDS			
Other charitable funds		32,914,933	30,452,617
		<hr/>	<hr/>
CHARITY FUNDS		£ 32,914,933	£ 30,452,617
		<hr/> <hr/>	<hr/> <hr/>

Approved by the Board of Trustees on 18th May 2005 and signed on its behalf by:

**His Grace The Duke Of Westminster KG OBE TD DL
Chairman**

THE NUFFIELD TRUST FOR THE FORCES OF THE CROWN

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

1 ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of investments at market value, and in accordance with the Statement of Recommended Practice, "Accounting and Reporting for Charities" ("SORP 2000"), issued in October 2000 and the Charities Act 1993.

Grants payable

Grants committed to during the year are charged to the Statement of Financial Activities ("SOFA"). Those unpaid at the year-end are included in creditors.

Administration costs

Administration costs are charged to the profit and loss account on the accruals basis.

Depreciation

Depreciation is calculated to write down the cost of fixtures and fittings by the reducing balance method at a rate of 25% over their expected useful lives.

Investments

Investments comprise listed investments and are included on the balance sheet at market value. Gains or losses on investments sold during the year are recorded as realised and included, in the SOFA, within the net change in market value of investments as other recognised gains and losses.

Investment income

Interest is accounted for on an accrual basis, dividends on a receivable basis.

Pensions

The pension costs represent contributions made to employees' defined contribution schemes and are charged to the SOFA as the contributions become payable.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date, or if appropriate at the forward contract rate. Non-monetary assets denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of acquisition of the assets. Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction, or at the contracted rate if the transaction is covered by a forward exchange contract. All revaluation differences and realised foreign exchange differences are taken to the profit and loss account.

Commitments

Charitable commitments are included as liabilities where the trustees have promised financial support to a recipient as part of a binding commitment to that recipient. Where the amount is payable in instalments, the amount is charged to the SOFA in the year in which the commitment was entered into. Where a promise of financial support is not binding on the trustees and the trustees have decided to incur the expenditure out of existing funds, a transfer is made to designated funds.

THE NUFFIELD TRUST FOR THE FORCES OF THE CROWN

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2004

2 INVESTMENT INCOME

	2004	2003
Investment income, representing income from UK and overseas assets, derive from:		
Listed investments	873,004	978,374
Cash deposits	3,493	31,423
Bank interest	28,058	19,133
Loss on foreign currency	(9,345)	-
	<hr/>	<hr/>
	£ 895,210	£ 1,028,930
	<hr/> <hr/>	<hr/> <hr/>

THE NUFFIELD TRUST FOR THE FORCES OF THE CROWN

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2004

3 DIRECT CHARITABLE EXPENDITURE

Direct charitable expenditure represents grants made to institutions. These grants are analysed as follows:

	2004	2003
Royal Navy	318,567	207,900
Army	393,035	573,300
Royal Air Force	194,686	236,543
Reserve Forces	65,050	65,000
Operational welfare	1,950	(78,000)
	<hr/>	<hr/>
	£ 973,288	£ 1,004,743
	<hr/> <hr/>	<hr/> <hr/>

Grants approved are included in the financial statements. To the extent that such grants are not fully expended, surpluses are credited to grant expenditure following completion of the project.

The number of grants awarded and paid during the year for each of the major institutions are as follows:

	2004	2003
	No	No
Royal Navy	37	35
Army	78	99
Royal Air Force	27	21
Interservice	11	11
Reserve Forces	74	73
Operational welfare	1	3
	<hr/>	<hr/>
	228	242
	<hr/> <hr/>	<hr/> <hr/>

Interservice represents grants for the combined benefit of Royal Navy, Army and Royal Air Force.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2004

4 MANAGEMENT AND ADMINISTRATION

	2004	2003
Management and administrative expenses are as follows:		
Bank investment charges	58,330	53,955
	<hr/>	<hr/>
Other expenses:		
Expenses reimbursed to Trustees	853	222
Salaries	50,729	50,242
Audit fees	4,242	4,113
Professional advice	175	626
Publicity	-	338
Secretarial assistance	1,182	1,146
Printing and stationery	353	496
Telephone	336	241
Postage	146	180
Travelling and subsistence expenses	1,413	1,246
Web site costs	613	412
Meetings, seminars and training	677	620
Depreciation – office equipment	1,378	1,734
Bank charges	283	309
Chairman’s funds	-	1,941
Consultancy fees	1,225	1,183
Sundry	-	18
	<hr/>	<hr/>
	63,605	65,067
	<hr/>	<hr/>
Pension contributions: employer	12,252	12,252
	<hr/>	<hr/>
	£ 134,187	£ 131,274
	<hr/> <hr/>	<hr/> <hr/>

Expenses reimbursed to Trustees represented travelling expenses and were claimed by three Trustees in 2004 (2003: two).

The Trust had one employee (2003: one) during the year. No remuneration is paid to Trustees.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2004

5 TANGIBLE FIXED ASSETS

	Fixtures and fittings
At 1 January 2004	5,200
Additions in the year	310
Depreciation charge for the year	(1,378)
	<hr/>
At 31 December 2004	£ 4,132
	<hr/> <hr/>

6 INVESTMENTS

Fixed asset investments are all securities listed on recognised stock exchanges, with the exception of unit trust investments.

	2004	2003
Market value at 1 January 2004	30,478,065	27,811,786
Acquisitions	24,856,217	17,371,474
Sale proceeds	(25,277,462)	(17,716,317)
Net change in market value	2,674,581	3,011,122
	<hr/>	<hr/>
Market value at 31 December 2004	£ 32,731,401	£ 30,478,065
	<hr/> <hr/>	<hr/> <hr/>

Investments are analysed as follows:

UK investments	25,745,614	30,478,065
Overseas investments	6,985,787	-
	<hr/>	<hr/>
	32,731,401	30,478,065
	<hr/> <hr/>	<hr/> <hr/>
UK equities	19,199,382	21,129,747
Overseas equities	6,985,787	-
UK unit trusts	-	4,504,072
UK fixed interest and index linked gilts	4,289,495	4,844,246
Mixed equity and cash-like funds	2,256,737	-
	<hr/>	<hr/>
	32,731,401	30,478,065
	<hr/> <hr/>	<hr/> <hr/>
Current asset investments: short-term deposits	£ -	£ 350,000
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2004

6 INVESTMENTS (Continued)

Trustee, Sir Brian Jenkins retired as a director of the Barclays Group on 1st September 2004. The Trust held an investment in this company which had a market value of £523,896 (2003 £524,159).

Sir Brian Jenkins retired as an Alderman on 14th December 2004.

No investments were more than 5% of the portfolio by value at 31 December 2004.

7 DEBTORS	2004	2003
Income tax recoverable	34,289	41,848
Accrued income	65,733	112,392
Prepaid grants	20,000	-
	<hr/>	<hr/>
	£ 120,022	£ 154,240
	<hr/> <hr/>	<hr/> <hr/>

8 CREDITORS - amounts falling due within one year

Unpaid grants	618,566	1,235,907
Accruals	19,384	18,325
	<hr/>	<hr/>
	£ 637,950	£ 1,254,232
	<hr/> <hr/>	<hr/> <hr/>

9 TAXATION

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