



Report & Financial Statements 2004

The Nuffield Foundation

**THE NUFFIELD FOUNDATION
REPORT AND
FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2004**

www.nuffieldfoundation.org

The Nuffield Foundation
Report and Financial Statements for the year ended 31st December 2004

LEGAL AND FINANCIAL INFORMATION

Principal Office

28 Bedford Square
London WC1B 3JS

Telephone: 020 7631 0566
Fax: 020 7323 4877

Trustees

The Baroness O'Neill CBE FBA
Sir Tony Atkinson MA FBA
Dr Peter Doyle CBE FRSE
Professor Lord May AC OM PRS
Professor Genevra Richardson LLB, LLM, HonFRCPsych
Professor Sir Michael Rutter CBE MD FRCP FRCPsych FRS
Mrs Anne Sofer MA Dip Ed

Bankers

Barclays Bank plc
54 Lombard Street
London EC3P 3AH

Investment Consultants

Cambridge Associates
105 Wigmore Street
London W1U 1QY

Custodian Trustee

Capita Trustee Services
Guildhall House
81-87 Gresham Street
London EC2V 7QE

Auditors

Horwath Clark Whitehill LLP
St Bride's House
10 Salisbury Square
London EC4Y 8EH

Solicitors

Bates Wells & Braithwaite
Cheapside House
138 Cheapside
London EC2V 6BB

Principal Investment Managers

Barclays Global Investors Ltd
Murray House
1 Royal Mint Court
London EC3N 4HH

OLIM Ltd
Pollen House
10/12 Cork Street
London W1S 3NP

Marathon Asset Management Ltd
Orion House
5 Upper St Martin's Lane
London WC2H 9EA

Payden & Rygel Global Ltd
10 King William Street
London EC4N 7TW

Global Custodian

The Northern Trust Company
50 Bank Street
London E14 5NT

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Constitution and objects

The Nuffield Foundation is an unincorporated charity registered with the Charity Commission (206601). It was established by trust deed on 9th June 1943 by Lord Nuffield, the celebrated philanthropist and founder of Morris Motors. The Foundation has wide objects. These include: the advancement of health; the advancement of social well being; the advancement of education; "the care and comfort of the aged poor"; the relief of handicaps; the benefit of the Commonwealth and "such other charitable purposes as shall be declared in writing by all the trustees".

The trust deed and organisation

The trust deed has been amended on a number of occasions, most recently in 2003. A Common Investment Fund was established by a Charity Commission scheme which took effect on 1st January 1980. It allowed the investments of different charities (but for which the Foundation trustees were also responsible) to be invested as one unit. Subsequently these funds (the Oliver Bird Fund, Elizabeth Nuffield Educational Fund and the Commonwealth Relations Trust) have been classified as 'subsidiary charities' of the Foundation and are only identified separately in the notes to these accounts.

The Foundation has seven trustees. Trustees are appointed by the other trustees. Following a review in 2003, it is the Foundation's policy to appoint trustees for an initial term of 5 years, with the option of renewal for a further 4 years, followed by a possible further and final term of 3 years. As well as employing professional staff the trustees are advised by a number of individuals, committees and panels having requisite experience in the relevant fields.

The trustees are advised by an Investment Committee (which includes three trustees and two independent investment professionals), an Audit Committee (which includes two trustees and an independent accountant), and a remuneration committee (comprising three trustees) to agree arrangements for the remuneration of staff. The trustees appoint an external Chairman of a 'Panel for Trustee Remuneration' which meets periodically to review the remuneration of trustees. For several of the grant programmes decisions are delegated to sub-committees and panels. Trustees set terms of reference for all committees and panels.

Review of activities

Lord Nuffield wanted the Foundation to 'advance social well being', particularly by research and practical experiment. It aims to achieve this by supporting work founded on careful reflection and informed by objective and reliable evidence which will bring about improvements in society. The wide range of activities it supports fall into two main categories:

- support of research and innovation that will bring about beneficial social change
- development of research and professional capacity, especially in the sciences and the social sciences, targeted at people in the early stages of their careers.

The Foundation pursues these goals by making grants to external organisations (listed at the back of this report), by supporting and hosting seminars and other events to encourage reflection of findings of areas of funded work, and by funding individuals and organisations to consider and report on particular fields. The Foundation also conducts its own programme of work in the area of the school curriculum through its in-house Curriculum Centre.

The measurement of social change is not straightforward and ascribing it unambiguously to the influence of individual projects or programmes is rarely possible (though sometimes tempting). It is frequently possible to identify outcomes of grants and projects in the form of simple numerical indicators (grants made, papers published, copies sold, numbers attending courses and so on). But these are no more than links in a causal chain that may or may not lead to change. The risk is that they can be confused with real effects, and thus themselves become targets. Objective indicators are of course important, but all they can do is inform human judgment, not substitute for it.

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Review of activities (continued)

With this firmly in mind, the Foundation reviews all its programmes regularly, usually every five years. The Foundation does not look for change for its own sake but these reviews (which usually involve some independent external input) frequently lead to significant modifications to programmes, or indeed to their closure. At the same time new initiatives and programmes are also being developed. Thus the overall shape of the Foundation's programme of activities is continually evolving. In 2004 the New Career Development Fellowship scheme was reviewed. In 2005 the Access to Justice programme, the Older People and their Families programme and the Science schemes are due for review.

Social Research and Innovation (£2.3m, 24%)

There are six main areas of work expressing the Foundation's interest in this field. Four of these are funded mainly through grants made by the Foundation to external bodies and (increasingly) by promoting discussion about these ideas at seminars and other events held at the Foundation's offices.

Child Protection and Family Justice supports work to help ensure that legal and institutional frameworks are well adapted to meet the needs of children and families. Topics of interest include UK systems of family justice (including the family court system, family law, local authority services for children and families); evidence about outcomes of interventions involving children at risk; and policies or practices related to the legal and financial issues of divorce or separation.

As an example - a grant was made to the National Children's Bureau and the Children's Legal Centre of £86,421 to carry out "child impact assessment" of up to four Bills per year. This involves the analysis of proposed legislation to determine its likely effect on children and young people. Special consideration will be given to Bills that directly affect children, but where children are not the specific subject of the Bill (for instance, identity cards).

Another development was the convening of a series of seminars for researchers, policy-makers and practitioners on trends in adolescent mental health, based initially on a project carried out by Dr Barbara Maughan, Dr Stephan Collishaw, Dr Robert Goodman and Dr Andrew Pickles, at the Institute of Psychiatry. In the course of the next year the Foundation will be considering how this work might be taken forward.

The current objectives of the **Access to Justice** programme are to promote developments in the administration of justice to improve its accessibility to all people; the promotion of developments in dispute resolution methods such as mediation; the better understanding of ethical and legal issues related to mental incapacity; human rights and civil justice; and the promotion of greater public understanding of the role of law.

An example is a grant to Dr Jacqueline Atkinson of the University of Glasgow to look at the use of advance statements as introduced in the Mental Health (Scotland) Act of 2003. This follows on from an earlier project by Dr Atkinson which investigated attitudes to advance statements among various groups of stakeholders.

Older People and their Families focuses on work that starts from the perspectives, needs and preferences of older people rather than those of service providers. Issues of interest include: family obligations and solidarity; autonomy and decision making; and financial circumstances and economic planning for later life. The programme (which will be reviewed in 2005) was underspent in 2005. A grant of £38,000 to the Pensions Policy Institute will support a series of seminars in 2005 examining various dimensions of pensions policy and practice. This is a particularly timely initiative as it will feed into the work of the government's own Pensions Commission, chaired by Adair Turner.

Two further areas are concerned with the promotion of research capacity in the Social Sciences.

Social Science Small Grants are available for social science research expenses. Awards are normally up to £7,500 and priority is given to younger researchers and also to projects that address the Foundation's wider interests. They can also be used to fund pilot projects that might in due course lead to a full scale application (whether to the Foundation or elsewhere).

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Review of activities (continued)

The scheme continues to attract good quality applications in large numbers. 80 awards were made in 2005.

The **New Career Development Fellowships** support social scientists in the early stages of their post doctoral careers. Three year fellowships are offered with support for an experienced partner who acts as a partner and mentor for the junior fellow. A maximum of four awards are made each year and the scheme is heavily over subscribed. The scheme was reviewed in 2004 and the trustees agreed that it should continue for a further five years, with some modifications.

Science (£1.2m, 12%)

The Foundation funds a range of activities aimed at developing research and professional capacity in science. It does this through a variety of grant programmes which cover different career stages. All the schemes, with the exception of the Oliver Bird Programme, will be reviewed in 2005.

Science Bursaries for Schools and Colleges of £70 per week are available to students studying an A Level or Higher post-16 science course. The scheme helps students to take part in science based projects, lasting 4-6 weeks, in universities, industry or research institutions during the summer holidays. Unlike work experience schemes, students carry out projects which are well defined from the start, have an outcome that is achievable within the time available and which will make a contribution to the work of the host organisation. Each year the Foundation offer about 600 bursaries, working through a network of 18 regional co-ordinators. The scheme has attracted significant co-funding, notably from the Wellcome Trust.

Undergraduate Research Bursaries provide support of £150 per week to enable science undergraduates who are considering scientific research as a career to work in a research laboratory during the summer vacation before their final year. The bursaries allow students practical experience of research as a career choice before they finally commit to that path. 241 grants were made in 2004, with a success rate of around 50%.

Newly Appointed Lecturers in Science, Engineering and Mathematics can apply for grants of up to £6,000 to help them develop innovative research projects in the early stages of their independent careers. The grants are not large, but for many of these young researchers it is their first peer reviewed grant and marks a significant achievement. 86 grants were awarded in 2004, with a success rate of a little over a third.

In 2003 the **Oliver Bird Rheumatism Programme** made five grants worth £2.8m in total to five UK academic institutions to establish a cohort of 25 highly talented young scientists who will receive comprehensive training in rheumatic disease research and its translation for the benefit of patients as part of their PhD studies. The programme got under way in 2004 and the first 18 students began their studies in October. We by The early progress of this programme has been greatly encouraging in terms of the quality of the students, the commitment and enthusiasm of the five participating Centres and also the reception the programme has received in the wider community.

Education (£2.3m, 24%)

Education has been a central feature of the Foundation's work for most of its life. Currently there are three strands:

Grants for research and development in education - There are four substantive priorities at the moment. In October 2003, the Foundation funded a multi-year Review of 14-19 Education and Training. This is an independent, long-term and international comparative synthesis of evidence about whether current educational provision gives young people the skills they need whatever educational path (academic or vocational) they choose. The first annual report was published in 2004 and suggested that there continues to be an unhelpful, hidden and structural polarisation between academic and vocational education which limits opportunity.

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Review of activities (continued)

Secondly (and recently) the Foundation has supported a cluster of projects on speech and language delays and disorders and the impact that they have on the progress of children at school. The largest grant was one to Professor Maggie Snowling of the University of York, to support a study of two school-based interventions for young children. It is planned to support one or possibly two more of these large scale intervention studies during 2005.

The third priority area is assessment, where the Foundation has a major project exploring assessment systems for the future using expert seminars and consultation meetings to explore teacher assessment in particular. The work was complemented during the year by a grant awarded to look at ways to improve formative assessment in further education.

The final priority is curriculum policy and practice where a small number of external projects are funded - for example a recent grant explored the use of puppets in teaching primary science. The aim is that these projects will link to the Foundation's own curriculum work, carried out by the Nuffield Curriculum Centre.

The **Nuffield Curriculum Centre** continues to play a major role in the design and development of teaching of individual subjects. It does this by developing new approaches and then offers a high level of support by working closely with teachers, lecturers, advisers and trainers. These projects have their own networks to keep in close touch with pioneering centres and to disseminate their ideas and to help teachers. Increasingly these projects are run in partnership with others such as teachers and researchers, publishers and, where appropriate, awarding bodies, to share the best of current thinking with schools and colleges.

In November, the centre launched the Salters-Nuffield Advanced Biology course. This redefines AS/A2 biology in the light of recent advances in the subject, caters for a range of learning styles through a diverse programme of activities, while developing the skills of data analysis, critical thinking, communication and collaborative work. The use of information and communication technologies (ICT) is integral to the teaching and learning. The course introduces the theory of biology through a range of contexts that illustrate its relevance and links biology to topical issues and places where people apply biological sciences in their work.

Science education continues to be a major emphasis, with the new Twenty First Century Science key stage 4 course in pilot phase. The centre has been collaborating with a range of organisations wishing to support new developments. It is working closely with the Gatsby Foundation to produce video resources to link applied science in school to the practice of science in the workplace and secondly to publish and disseminate an approach to teaching higher order learning skills in science. Use of the web sites continues to grow rapidly - notably the site called Re:act (for Advanced-level Chemistry students) which now gets over 30,000 visits each month.

During the year *Learning Citizenship* by Jenny Wales and Paul Clarke was published, describing practical strategies for teaching citizenship in secondary schools. The book arises from the 'Education for Citizenship' project that is looking at ways of guiding the non-specialist teacher of citizenship.

Grants for Women - These grants are made through the Elizabeth Nuffield Educational Fund (a gift from Lord Nuffield's wife). This small programme of grants is made to women studying to improve their employment prospects. At present grants are given only to women studying for a first qualification in higher education and represent a contribution to the care of children or other dependants with specific needs for the duration of the course. The Fund also helps a small number of women refugees who are studying for a professional re-qualification. In addition to grant-making studies are commissioned on the funding and caring needs of particular groups of women students (such as those with disabled children or adult dependants), and the findings are shared with relevant policy-makers and other interested parties.

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Review of activities (continued)

Open Door (£0.7m, 7%)

The Foundation keeps an "open door" to applications for grants that span its main areas of interest, or very occasionally the exceptions that lie outside those areas. These must have some bearing on our widest charitable object - 'the advancement of social well-being'. It is through Open Door funding that the Foundation from time to time identifies emerging areas that justify more sustained attention over several years.

Two contrasting examples typify this approach. A grant to Dr Lorraine Dearden of the Institute for Fiscal Studies will analyse the lifetime returns to Higher Education, while a second to Dr Kitty Stewart of the Centre for Analysis of Social Exclusion at the London School of Economics will examine employment trajectories for mothers in low-skilled work looking in particular at the trade-offs between time spent in mothering, training or work. Both will involve careful analysis of existing datasets to produce more fine-grained analyses than those currently available. The results should illuminate two important and contested areas of public debate.

Other Activities (£1.4m, 14%)

The **Nuffield Council on Bioethics** examines ethical issues raised by new developments in biology and medicine. Established by the Nuffield Foundation in 1991, the Council is funded jointly by the Foundation, the Medical Research Council and the Wellcome Trust but operates independently of all three. During 2004, a new working party on the ethics of prolonging life in fetuses and the newborn was launched, with Professor Margot Brazier in the chair. The Council is increasingly concerned to monitor developments after the publication of its Working Party reports and a Workshop on the ethics of research related to healthcare in developing countries was held in February as a follow up to its 2002 Report on the topic. The discussions that took place will be published in a Discussion Paper in 2005.

2005 will also see the publication of a major report on the ethics of research involving animals and the launch of a new working party on the ethics of public health.

The **Commonwealth Programme** supports initiatives that will bring about long-term improvements in health, education and civil justice in Eastern and Southern Africa and will foster North-South partnerships. It focuses on projects that improve services through the development of the expertise and experience of practitioners and policy makers, and where active involvement from the UK-based organisation will increase the initiative's effectiveness. A grant competition is held every two years and sufficient funds are available to fund four grants of up to £250,000 each. A strong group of applications for the 2004 competition was received from which four grants were made. The grants, which are for five years, will support the development of primary care in mental health (in Kenya); training centres for community eye health (based in Tanzania and South Africa); a maternal mortality prevention project (in the remote Mandera district of Kenya); and the training of African medical scientists in the science of research synthesis (based in South Africa).

Investment, management and administration (£1.8m, 19%)

The finances of the Foundation continue to suffer pressure from the harsh bear market of 2000 - 2003. Despite this programmes have been able to continue in the same substantive form over the last three years. There are three reasons: first, the Foundation's overall expenditure is based on a total return figure which is smoothed over a number of years, secondly the Foundation has drawn on its under-spending against earlier budgets, and finally opportunities have been taken to re-examine budgets which were not being fully utilised.

Expenditure (excluding investment management costs) in the year was £8.2m, though the trustees had planned to spend £8.7m. The difference was due mainly to under-spending on the larger grant programmes, the Older People and their Families grant programme in particular. £5.6m was spent on grants, £2m on the direct costs of running programmes, hosting seminars and promoting dissemination and reflection of the findings. Management and administration costs were £0.35m

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Review of activities (continued)

Investment performance continued to reflect the recovery in market values and to benefit from the re-organisation of mandates in March 2003. Although the cost of investment management has increased substantially in recent years (2004: £1.5m, 2003: £0.8m, 2002: £0.4m) the improved performance has more than offset these costs. During 2004 one investment manager received a performance fee of £0.5m for creating £4m of additional returns above the target return – not simply the benchmark return. The overall performance summarised below is all shown net of fees.

Total Returns	1 Year	3 Years	5 Years
Nuffield Foundation	12.3	2.9	-0.5
Bespoke Benchmark	11.4	3.4	-0.1
WM Total Charities	11.3	2.8	-0.8
Key			
Nuffield Foundation	Actual performance		
Bespoke Benchmark	WM2000 to 3/03; then bespoke		
WM Total Charities	Including property		

Full details of the trustees' investment policy are given on page 25.

Reserves policy

The Foundation's policy is to distribute 4% of the trailing twelve-quarter average market value of its investments. The intention is to produce a consistent and sustainable amount for expenditure and to maintain (at least) the purchasing power of the endowment over the long term. In order to monitor this, an agreed value of the Foundation's endowment is increased by our experience of inflation during the year. This agreed value was determined as £188m - which is the average market value of the investments over the twelve quarters to 30th June 2004. This value, increased for inflation, is in effect the base value of the Foundation's endowment.

The Foundation will re-visit its distribution rate when the market value of its assets exceeds or falls short of this indexed level (subject to expected market volatility). Therefore the reserves policy of the Foundation is driven by total return calculations and is not based on surplus investment income.

The reserves of the Foundation at the year end were £202m. This included an expendable endowment of £196m, a permanent endowment of £8m, and negative restricted income funds of £1m. The Foundation has no free reserves. The trustees are mindful of their need to protect the capital of the two permanent endowments and are considering seeking formal approval from the Charity Commission for adoption of a Total Return Order.

The restricted income reserves of the Foundation are represented by a negative balance of £1.3m which is expected to return to surplus by 2007; these balances arise from grants which have been deducted from the relevant reserves, but not yet paid.

Staff, volunteers and applicants

The Foundation is indebted to grant applicants, to the many people who sit on committees and panels, review applications, contribute to seminars and contribute to the Foundation's work in myriad other ways. Finally thanks are due to the staff of the Foundation for their hard work and commitment during the year.

Paddy Lancaster

The Foundation suffered a grievous blow in August when Paddy Lancaster, the Director's PA and Clerk to the Trustees, died after a long illness. Paddy had been with the Foundation for only five years but in that short time she had become a pivotal member of the staff. Blessed with natural charm and authority, as well as a real gift for getting on with people, she was liked and respected by staff and trustees alike. She bore her painful and debilitating illness with extraordinary courage and unflinching good humour. She is missed both as a colleague and as a friend.

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Review of activities (continued)

Grant making policy

The Foundation currently operates 12 different grant programmes. Each programme publishes a comprehensive guide on its aims, policies and process for application, together with expectations for evaluation. All applications are reviewed by independent referees. Details of all programmes, together with application forms which can be downloaded, can be found on the Foundation's web site. All principal grants are shown in the list of grants at the back of this document.

Custodian Trustees

The Foundation uses two custodian trustees: the Northern Trust Company had responsibility during the year for providing custody services for all investment assets (£208m). Capita IRG hold leasehold assets and programme related investments on behalf of the trustees (£3.3m).

Risk statement

The trustees are responsible for the management of the risks faced by the charity. Detailed considerations of risk are delegated to the Audit Committee, who are assisted by senior charity staff. Risks are identified, assessed and controls established throughout the year. A formal review of the charity's risk management processes is undertaken on an annual basis. The key controls used by the charity include:

- Established organisational and governance structure and lines of reporting
- Detailed terms of reference for all sub-committees
- Comprehensive financial planning, budgeting and management accounting
- Formal written policies and hierarchical authorisation and approval levels
- Regular review of current risks to the Foundation.

Through the risk management processes established for the charity, the trustees are satisfied that the major risks identified have been adequately mitigated where necessary. It is recognised that systems can only provide reasonable but not absolute assurance that major risks have been adequately managed.

Statement of Trustees' Responsibilities

Law applicable to charities in England and Wales requires the trustees of the Nuffield Foundation to prepare financial statements for each financial year that 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 financial statements giving a true and fair view, the trustees should follow best practice and:

- 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 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 proper accounting records, which disclose with reasonable accuracy, the financial position of the Foundation and which enable them to ensure that the financial statements comply with the Trust Deed. They are also responsible for safeguarding the assets of the Foundation, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the trustees on 6th May 2005 and signed on their behalf by



The Baroness O'Neill
Chairman

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INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE NUFFIELD FOUNDATION

We have audited the financial statements of the Nuffield Foundation for the year ended 31st December 2004 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the charity trustees, as a body, in accordance with Regulation 6(2) of the Charities (Accounts and Reports) Regulations 1995 (SI 1995/2724) as amended by Regulation 4(a) of the Charities (Accounts and Reports) Regulations 2000 (SI 2000/2868). Our audit work has been undertaken so that we might state to the charity trustees 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 charity trustees, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of trustees and auditors

The trustees' responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom 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' Annual 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 read the other information contained in trustees' Annual 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 opinion

We conducted our audit in accordance with United Kingdom 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 judgments 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 information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether 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.

Unqualified opinion

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

Horwath Clark Whitehill LLP
Chartered Accountants and Registered Auditors
Date: 9 May 2005

St Bride's House
10 Salisbury Square
London
EC4Y 8EH

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STATEMENT OF FINANCIAL ACTIVITIES

	Notes	Unrestricted Funds £000s	Restricted Funds £000s	Endowed Funds £000s	Total 2004 £000s	Total 2003 £000s
INCOMING RESOURCES						
Grants and donations	2	-	544	-	544	348
Activities in furtherance of the charity's objects						
Sales, royalties and fee income		150	-	-	150	117
Investment income						
Investment portfolio	6	6,067	694	-	6,761	6,325
Other interest		34	4	-	38	162
Other income		86	-	-	86	27
Total incoming resources		<u>6,337</u>	<u>1,242</u>	<u>-</u>	<u>7,579</u>	<u>6,979</u>
RESOURCES EXPENDED						
Costs of generating funds:						
Investment management costs		(24)	-	(1,477)	(1,501)	(805)
Net incoming resources available for charitable application		<u>6,313</u>	<u>1,242</u>	<u>(1,477)</u>	<u>6,078</u>	<u>6,174</u>
Charitable expenditure:						
Costs of activities in furtherance of the charity's objects:						
Social research & innovation		2,310	-	-	2,310	2,688
Science		1,058	156	-	1,214	3,989
Education		2,230	58	-	2,288	2,491
Open Door		726	-	-	726	841
Other activities		237	1,113	-	1,350	1,360
Management and administration		348	-	-	348	271
Total charitable expenditure		<u>6,909</u>	<u>1,327</u>	<u>-</u>	<u>8,236</u>	<u>11,640</u>
Total resources expended	3	<u>6,933</u>	<u>1,327</u>	<u>1,477</u>	<u>9,737</u>	<u>12,445</u>
NET OUTGOING RESOURCES before transfers						
		<u>(596)</u>	<u>(85)</u>	<u>(1,477)</u>	<u>(2,158)</u>	<u>(5,466)</u>
Transfers	9	59	-	(59)	-	-
NET OUTGOING RESOURCES after transfers						
		<u>(537)</u>	<u>(85)</u>	<u>(1,536)</u>	<u>(2,158)</u>	<u>(5,466)</u>
Revaluation of Fixed Assets		-	-	-	-	-
Net gain on investment assets	6	282	-	16,953	17,235	20,130
NET MOVEMENT IN FUNDS		<u>(255)</u>	<u>(85)</u>	<u>15,417</u>	<u>15,077</u>	<u>14,664</u>
Fund balances brought forward at 1 January		<u>255</u>	<u>(1,218)</u>	<u>188,311</u>	<u>187,348</u>	<u>172,684</u>
Fund balances carried forward at 31 December	9	<u>-</u>	<u>(1,303)</u>	<u>203,728</u>	<u>202,425</u>	<u>187,348</u>

Notes 1 – 9 form part of these Financial Statements

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BALANCE SHEET

		2004	<i>2003</i>
		£000s	<i>£000s</i>
FIXED ASSETS			
	Tangible fixed assets	5 3,538	3,556
	Investments	6 208,125	191,443
	Programme related investments	6 100	100
		<u>211,763</u>	<u>195,099</u>
CURRENT ASSETS			
	Debtors	7 635	770
	Bank and cash	946	2,491
		<u>1,581</u>	<u>3,261</u>
CREDITORS: amounts falling due within one year			
	Grants payable	8 (10,008)	(10,369)
	Creditors	8 (911)	(643)
		<u>(10,919)</u>	<u>(11,012)</u>
NET CURRENT LIABILITIES			
		<u>(9,338)</u>	<u>(7,751)</u>
NET ASSETS			
		<u>202,425</u>	<u>187,348</u>
FUNDS			
	Unrestricted funds	-	255
	Restricted funds	(1,303)	(1,218)
	Endowed funds	<u>203,728</u>	<u>188,311</u>
TOTAL FUNDS			
		9 <u>202,425</u>	<u>187,348</u>

Notes 1 – 9 form part of these Financial Statements

These financial statements were approved by the trustees on 6th May 2005 and were signed on their behalf by:



The Baroness O'Neill
Chairman

The Nuffield Foundation
Report and Financial Statements for the year ended 31st December 2004

CASH FLOW STATEMENT

	2004 £000s	2003 £000s
Net cash outflow from operating activities	(7,275)	(7,982)
Returns on investment and servicing of finance		
Investment income	6,761	6,325
Interest received	38	162
	<u>6,799</u>	<u>6,487</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(121)	(38)
Receipts from sale of fixed assets	-	-
Additional investment in portfolio	(948)	(2,775)
Reduction in investment in portfolio	-	-
	<u>(1,069)</u>	<u>(2,813)</u>
Decrease in cash during the year	<u>(1,545)</u>	<u>(4,308)</u>

Analysis of changes in net cash during the year

Cash at bank and in hand		
At 1 January	2,491	6,799
At 31 December	946	2,491
Decrease in cash during the year	<u>(1,545)</u>	<u>(4,308)</u>

RECONCILIATION OF NET OUTGOING RESOURCES TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

Net outgoing resources for the year	(2,158)	(5,466)
Depreciation	139	136
Investment income (including interest received)	(6,799)	(6,487)
Investment management fees	1,501	805
Movement in current assets/liabilities :		
(Decrease)/Increase in grant commitments	(361)	2,495
Increase in creditors	268	248
Decrease in debtors	135	287
Net cash outflow from operating activities	<u>(7,275)</u>	<u>(7,982)</u>

Notes 1 – 9 form part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and in accordance with applicable Accounting Standards. The trustees have adopted the recommendations contained within the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP) issued by the Charity Commission in October 2000.

Separate accounts for the Commonwealth Relations Trust are not prepared as the trust is recognised as a subsidiary charity by the Charity Commission. Steps are being taken to remove the separate registration for the Trust.

(b) Income

Investment income represents dividends and interest on fixed investments and deposits, with any associated tax credits or recoverable taxation, which are included on an accruals basis.

Grants and donations are credited to incoming resources when they are due. They are deferred where the donor has imposed restrictions upon when the money can be spent.

(c) Expenditure

Costs of generating funds represent amounts paid to the Foundation's external investment advisors.

Charitable expenditure comprises grants and other payments made by the trustees in accordance with criteria set out in the trust deed. Grants are charged to the statement of financial activities when allocations are approved by the trustees and promised to the recipient, less any awards cancelled or refunded.

'Other costs' include staffing, hosting seminars and conferences, commissioned research or evaluations together with any direct costs immediately attributable to a specific activity. 'Support costs' reflect the apportionment of costs shared by all activities. The basis of this apportionment is headcount. 'Management and administration' comprises costs incurred in trust administration and compliance with regulatory requirements, together with apportionment of costs shared by all activities.

(d) Basis of allocation of costs

Investment management costs and charity administration costs are allocated to the funds in proportion to their holding in the Common Investment Fund at the beginning of the year. Other identifiable costs are attributed to appropriate activities and funds, either in full or by apportionment on the basis of staff time.

(e) Investments

Investments are included in the accounts at mid market value at the balance sheet date.

(f) Taxation

The Foundation carries on activities which are exempt from corporation tax and income tax. Irrecoverable VAT is included with the expenditure to which it relates.

(g) Exchange gains and losses

All realised and unrealised exchange gains and losses on investments are accounted for in the Statement of Financial Activities.

The Nuffield Foundation
Report and Financial Statements for the year ended 31st December 2004

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(h) Fixed assets

The property at 28 Bedford Square together with certain furnishings is stated at market value. Art and Antiques are based on a frozen valuation (in accordance with the transitional provisions of FRS 15 'Accounting for fixed assets') made by Phillips in March 1999. Other fixed assets are stated at cost less depreciation.

Assets over a value of £1,000 are capitalised. Depreciation has been calculated at the following annual rates, in order to write off each asset over its estimated useful life.

Leasehold property	- Length of the lease
Art and Antiques	- 20 years
Fixtures and fittings	- 10 years
Other equipment	- 5 years
Computer equipment	- 3 years

(i) Fund Accounting

Unrestricted funds are donations or other income received or generated for the objects of the charity without further specified purpose and is available as general funds.

Restricted funds have arisen from restrictions applied by donors. Expenditure that meets these criteria is identified to the fund, together with a fair allocation of support and charity administration costs.

The endowed funds of the Foundation are capital funds where normally only the income arising may be applied, in some case on restricted purposes. These are either permanent or expendable, depending on whether the trustees have power to spend the capital.

(j) Pension costs

Pension costs in respect of defined contribution schemes are written off as they are incurred.

2 Grants and donations

	2004	<i>2003</i>
	£000s	<i>£000s</i>
Biotechnology & Biological Sciences Research Council	1	1
Engineering & Physical Sciences Research Council	7	7
The Royal Society	9	9
Wellcome Trust	258	177
NESTA	-	25
Rockerfeller Foundation	-	23
Department for International Development	24	-
Medical Research Council	245	106
	544	<i>348</i>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Resources expended

	Direct costs		Support Costs £000s	Total 2004 £000s	Total 2003 £000s
	Grants £000s	Other £000s			
Cost of Generating Funds					
Investment management	-	1,501	-	1,501	805
Charitable Expenditure					
Social Research & Innovation					
Child Protection & Family Law	662	103	26	791	626
Social Science Small Grants	447	42	31	520	511
New Career Development Fellowships	470	19	12	501	494
Older People & Their Families	94	28	12	134	296
Access to Justice	322	29	13	364	751
Phoenix	-	-	-	-	10
	<u>1,995</u>	<u>221</u>	<u>94</u>	<u>2,310</u>	<u>2,688</u>
Science					
Newly Appointed Lecturers	391	33	12	436	359
Undergraduate Research Bursaries	343	30	13	386	411
School Science Bursaries	269	35	-	304	319
Rheumatism	10	53	25	88	2,900
	<u>1,013</u>	<u>151</u>	<u>50</u>	<u>1,214</u>	<u>3,989</u>
Education					
Nuffield Curriculum Centre	-	576	201	777	864
Education Grants	915	107	38	1,060	1,054
Grants for Women	391	35	25	451	573
	<u>1,306</u>	<u>718</u>	<u>264</u>	<u>2,288</u>	<u>2,491</u>
Open Door*	667	40	19	726	841
Other Activities					
Nuffield Council on Bioethics	-	507	201	708	572
Commonwealth Programme	601	27	13	641	630
Nuffield Languages Programme	-	1	-	1	158
	<u>601</u>	<u>535</u>	<u>214</u>	<u>1,350</u>	<u>1,360</u>
Management & Administration					
Audit fee	-	15	-	15	15
General costs	-	-	289	289	204
Trustees' remuneration	-	39	-	39	41
Trustees' expenses	-	1	-	1	1
Legal fees	-	4	-	4	10
	<u>-</u>	<u>59</u>	<u>289</u>	<u>348</u>	<u>271</u>
Total Charitable Expenditure	<u>5,582</u>	<u>1,724</u>	<u>930</u>	<u>8,236</u>	<u>11,640</u>
Total Resources Expended	<u>5,582</u>	<u>3,225</u>	<u>930</u>	<u>9,737</u>	<u>12,445</u>

* The 'Open Door' funds projects of exceptional merit lying outside the areas of special interest.

Each trustee is entitled to an annual allowance by virtue of the provisions of the Trust Deed. This is currently £5,600 per annum. One trustee waived £600 of this entitlement and two trustees directed that payment in lieu of an allowance (in full or in part) be made to other charitable institutions. During the year two trustees claimed reimbursement of travel and subsistence expenses (2003: three).

The Nuffield Foundation
Report and Financial Statements for the year ended 31st December 2004

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Personnel costs

	2004	2003
	£000s	£000s
Wages and salaries	947	1,026
Social security costs	102	108
Other pension contributions	90	93
	1,139	1,227
Average full time equivalent number of staff employed in year:	No.	No.
Grant making	9	9
Nuffield Languages Programme	-	1
Nuffield Curriculum Centre	4	4
Nuffield Council on Bioethics	8	7
Support services	10	10
	31	31
Remuneration of Higher Paid Staff	No.	No.
Between £50,000 and £59,999	2	2
Between £60,000 and £69,999	1	1
Between £70,000 and £79,999	1	1

Employer's pension contributions for higher paid staff were in total £24k.

5 Tangible Fixed Assets

	Leasehold Property	Other assets	Total
	£000s	£000s	£000s
Cost or valuation			
At 1 January	3,300	551	3,851
Additions	-	121	121
Disposals	-	(80)	(80)
At 31 December	3,300	592	3,892
Depreciation and amortisation			
At 1 January	114	181	295
Charge for year	38	101	139
Disposals	-	(80)	(80)
At 31 December	152	202	354
Net book value			
At 31 December	3,148	390	3,538
<i>At 1 January</i>	<i>3,186</i>	<i>370</i>	<i>3,556</i>

All tangible fixed assets are held for continuing use in the Foundation's activities. The depreciated historic cost of the leasehold property is £1,292k. It was revalued in 2001 by Cotton Thompson Cole, Chartered Surveyors. The trustees have reviewed this and are of the opinion that no impairment has occurred to this valuation.

The Nuffield Foundation
Report and Financial Statements for the year ended 31st December 2004

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Investments

a) Investments at Market Value	2004	<i>2003</i>
	£000s	<i>£000s</i>
Market Value at 1 st January	191,443	169,343
Net additional investment/(disinvestment) in portfolio	948	2,775
Fees paid in the year	(1,501)	(805)
Realised and unrealised gains/(losses)	17,235	20,130
	<hr/>	<hr/>
Market Value at 31 st December	208,125	191,443
	<hr/>	<hr/>
Historic cost of listed investments at 31 st December	171,721	166,877
	<hr/>	<hr/>

b) Disposition of Investments	2004	<i>2003</i>
	£000s	<i>£000s</i>
UK Equities	98,581	87,117
Overseas Equities	47,841	41,496
UK Property Unit Trusts	20,083	17,707
Private Equity (unlisted)	2,104	1,351
UK Fixed Interest and Index Linked Stocks	-	-
Overseas Fixed Interest and Index Linked Stocks	28,846	26,973
Cash	10,670	16,799
Total	<hr/>	<hr/>
	208,125	191,443

All assets are held directly other than £60m held in pooled funds

c) Income from Investments	2004	<i>2003</i>
	£000s	<i>£000s</i>
UK Equities	3,239	2,970
Overseas Equities	792	764
UK Property Unit Trusts	921	767
UK Fixed Interest and Index Linked Stocks	-	187
Overseas Fixed Interest and Index Linked Stocks	1,336	1,296
Cash	473	341
	<hr/>	<hr/>
	6,761	6,325

d) Transitional Relief	2004	<i>2003</i>
	£000s	<i>£000s</i>
Transitional relief on reclaims of tax credits (included above)	-	73
	<hr/>	<hr/>

e) Five Largest Holdings	2004
	£000s
Payden and Rygel International Bond Fund	21,651
Schroder Exempt Property Unit Trust	11,621
Payden and Rygel High Yield Bond Fund	7,131
BP PLC Ordinary	5,999
GlaxoSmithKline PLC (Ordinary 25p)	5,672

All investments are held in the Nuffield Foundation Charities Common Investment Fund.

f) Programme Related Investments

The Foundation holds 100,000 £1 fully paid Non cumulative Preference Shares in the Charity Bank Ltd.

The Nuffield Foundation
Report and Financial Statements for the year ended 31st December 2004

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 Debtors and prepayments

	2004	<i>2003</i>
	£000s	<i>£000s</i>
Secured loans	43	46
Accrued Income including Income Tax recoverable	415	536
Other debtors	177	188
	635	770
Contingent assets (potentially recoverable grants)	30	33

8 Creditors: amounts falling due within one year

a) Grants Payable

	2004	<i>2003</i>
	£000s	<i>£000s</i>
Grants awarded but not paid at 1 January	10,369	7,874
Grants awarded in the year	5,815	9,266
Grants paid in the year	(5,942)	(6,370)
Grants cancelled in the year	(234)	(401)
Grants awarded but not paid at 31 December	10,008	10,369

b) Creditors

	2004	<i>2003</i>
	£000s	<i>£000s</i>
Income Tax and National Insurance	32	36
Accruals	780	373
Other creditors	99	234
	911	643

9 Funds

a) Description of funds

- The Elizabeth Nuffield Educational Fund was a gift from the wife of Lord Nuffield for the advancement of education and in particular the award of scholarships, grants or loans to women and girls who require financial assistance. It is used to fund the 'Education for Women' grant programme. Unspent income is restricted to this purpose.
- The Commonwealth Relations Trust was created for the purposes of promoting a common understanding between the unity of ideals in the United Kingdom and the other members of the British Commonwealth of Nations. Unspent income is restricted to this purpose.
- The Oliver Bird Fund was given by Captain Bird for the relief of incurable cases of rheumatism or the advancement of health and the prevention and relief of sickness other than rheumatism. It is used to fund the Rheumatism grant programme. Unspent income is restricted to this purpose. Although the Income Fund is in deficit no grants are expected to be awarded for the next four years. This will restore the income fund to surplus.
- The Main Fund includes Lord Nuffield's original endowment and the Auxiliary Fund, together with a number of subsequent gifts including the Ada Newit bequest and the Albert Leslie Stewart Bequest (both subsumed into this fund in 2003). This fund was known as the 'Auxiliary Fund' prior to 2004; the change was made following the modification of the Trust Deed in 2003).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 FUNDS (continued)

b) Fund Movements

	Balance at 1 st January 2004	Movement in Incoming Resources	Resources Outgoing Resources	Unrealised Gain/(Loss)	Transfers	Balance at 31 st December 2004
Capital Funds						
Endowments						
Permanent Endowment						
Elizabeth Nuffield Fund	1,626	-	(13)	147	-	1,760
Commonwealth Relations Trust	5,955	-	(47)	536	-	6,444
	<u>7,581</u>	<u>-</u>	<u>(60)</u>	<u>683</u>	<u>-</u>	<u>8,204</u>
Expendable Endowments						
Oliver Bird Fund	12,073	-	(95)	1,086	-	13,064
Main Fund	168,657	-	(1,322)	15,184	(59)	182,460
	<u>180,730</u>	<u>-</u>	<u>(1,417)</u>	<u>16,720</u>	<u>(59)</u>	<u>195,524</u>
Total Endowed Funds	<u>188,311</u>	<u>-</u>	<u>(1,477)</u>	<u>16,953</u>	<u>(59)</u>	<u>203,728</u>
Income Funds						
Restricted Funds						
Elizabeth Nuffield Fund	-	58	(58)	-	-	-
Commonwealth Relations Trust	85	211	(641)	-	-	(345)
Oliver Bird Fund	(1,321)	429	(88)	-	-	(980)
Other Restricted Funds	18	544	(540)	-	-	22
	<u>(1,218)</u>	<u>1,242</u>	<u>(1,327)</u>	<u>-</u>	<u>-</u>	<u>(1,303)</u>
Unrestricted Funds						
General Fund	255	6,337	(6,933)	282	59	-
Total Income Funds	<u>(963)</u>	<u>7,579</u>	<u>(8,260)</u>	<u>282</u>	<u>59</u>	<u>(1,303)</u>
Total Funds	<u>187,348</u>	<u>7,579</u>	<u>(9,737)</u>	<u>17,235</u>	<u>-</u>	<u>202,425</u>

During 2003 grant commitments of £2.8m for rheumatism research (as described in the Trustees' Report) were funded by the Oliver Bird permanent endowment. This has caused the income reserve of this fund to be negative (£0.1m). As this is a commitment, rather than payment, and no material spending is anticipated over the next four years, this income fund will be restored to a positive figure by the end of 2007. Similarly the Commonwealth Relations Trust is expected to return to surplus in the future.

c) Analysis of Funds

	Unrestricted Funds £000s	Restricted Funds £000s	Expendable Endowment £000s	Permanent Endowment £000s	Total £000s
Investments	4,397	-	195,524	8,204	208,125
Other fixed assets	3,638	-	-	-	3,638
Net current liabilities	(8,035)	(1,303)	-	-	(9,338)
Total funds	<u>-</u>	<u>(1,303)</u>	<u>195,524</u>	<u>8,204</u>	<u>202,425</u>

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GRANTS AWARDED DURING THE YEAR

Name	Purpose	Value (£)	Term
Social research and Innovation			
Child Protection & Family Law			
Dr J Barlow et al; Department of Public Health, University of Warwick	The Oxfordshire Home Visiting Study: three-year follow-up	111,718	18 months
Ms E Cooke, Ms A Barlow, Dr T Callus; School of Law, University of Reading	Community of property - a regime for England and Wales	91,353	21 months
Ms L Payne; National Children's Bureau	Child impact assessment	86,421	24 months
Dr O Reitman; Gender Institute, London School of Economics	Divorce regulation in multicultural society: implications for law and policy	85,105	23 months
Dr B Maughan et al; Social, Genetic and Developmental Psychiatry Research Centre, King's College London	Secular trends in child and adolescent mental health	71,065	24 months
Professor N Lowe; Cardiff Law School, Cardiff University	A statistical survey of Hague Abduction Convention Applications	42,139	18 months
Ms K Hinds et al; Scottish Centre for Social Research	Extending Scottish family law to include a wider range of relationships: public knowledge and views	37,801	24 months
Ms L Kendall; The Maternity Alliance	Young parents in care and leaving care	36,828	10 months
Dr E Neil, Dr E Trinder; Centre for Research on the Child and Family, University of East Anglia	Adoption and Divorce International Conferences, July 2006	15,000	22 months
Mrs A Moore; Children 1 st	Children 1 st - A history	12,500	7 months
Mrs L Chesterman; Grandparents' Association	To meet the shortfall in the budget until the Community Fund grant is available	10,000	2 months
Mr W Baginsky; NSPCC	Power Pack for children with learning disabilities	10,000	6 months
Mr R Tapsfield; The Fostering Network	Seminar on long term fostering - implications of research findings for policy, practice and the organisation of fostering services	4,250	10 months
Dr M Little; Warren House Group at Dartington	Seminar: Can the Corporate State Parent?	2,460	9 months
	Supplementary grants	97,495	
	Cancelled grants	(52,209)	
	Total: Child Protection & Family Law	661,926	
New Career Development Fellowships			
Dr M Hinton; Law Department, London School of Economics	Globalisation and democratic policing: The effects of new migratory waves on police governance in London, New York and Paris	119,540	36 months
Mr C Psaltis; Department of Experimental Psychology, University of Oxford	Intergroup contact between Greek-Cypriots and Turkish-Cypriots	119,466	30 months

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Name	Purpose	Value (£)	Term
New Career Development Fellowships (continued)			
Dr C Norbury; Department of Experimental Psychology, University of Oxford	Social well-being: Tracking the links to language	119,287	36 months
Dr M Chinouya; Department of Applied Social Science, London Metropolitan University	Getting on with life: Black African families affected by HIV and AIDS in England	89,589	24 months
	Supplementary grants	22,214	
	Total: New Career Development Fellowships	470,096	
Social Science Small Grants			
	80 awards	480,394	
	Grants cancelled	(33,692)	
		446,702	
Older People & their Families			
Ms A O'Connell, Mr C Curry; Pensions Policy Institute	Shaping a stable pensions solution	38,000	15 months
	Supplementary grants	59,115	
	Grants cancelled	(2,887)	
	Total: Older People & their Families	94,228	
Access to Justice			
Dr J Atkinson, Mr W Harper Gilmour; Public Health and Health Policy, University of Glasgow	An exploration of the use of advance statements as introduced in the Mental Health (Care and Treatment) (Scotland) Act 2003	119,974	32 months
Dr R Thomas; School of Law, University of Manchester	Asylum adjudication: a study of the procedure and determination of asylum appeals	82,561	18 months
Dr K Rose-Sender; The Redress Trust	Examining state immunity to allegations of serious crimes and to justice	51,964	13 months
Ms M Dustin, Ms S Spencer, Mr P Grattan; Equality and Diversity Forum, Third Age Employment Network	Equality and Diversity Forum development of a cross-strand equality and human rights policy agenda	26,900	12 months
Ms V Bondy; Public Law Project	Mediation and public law	13,860	4 months
Mr R Smith; Justice	A strategy for legal aid	10,000	7 months
Mr B Reed; Gender Identity Research & Education Society	Good practice guidelines for the administration of hormonal medication in the treatment of adolescents dealing with gender identity issues	2,500	18 months
Ms J Lyon; Prison Reform Trust	Accurate, up to date information booklets for lifers in the penal system and those seeking parole	2,500	12 months
	Supplementary grants	46,213	
	Grants cancelled	(34,407)	
	Total: Access to Justice	322,065	
	Total: Social Research & Innovation	1,995,017	

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Name	Purpose	Value (£)	Term
Science			
Rheumatism Programme			
	Supplementary grants	10,146	
	Cancelled grants	-	
	Total: Rheumatism	10,146	
Undergraduate Research Bursaries	241 Awards	359,502	
Newly Appointed Lecturers	86 Awards	403,420	
School Science Bursaries	631 Awards	269,347	
	Cancelled grants	(29,708)	
	Total: Science	1,012,707	

Education			
Education			
Professor M Snowling; Department of Psychology, University of York	Efficacy of two theoretically motivated school-based interventions for children with speech and language difficulties	218,857	36 months
Professor Richard Pring and Dr Geoff Hayward, Department of Educational Studies, University of Oxford	Nuffield Review of 14-19 Education (second year of three year grant)	163,617	12 months
Professor R Millar; University of York	Twenty First Century Science (years 4 and 5)	120,000	24 months
Dr K Ecclestone; School of Education and Lifelong Learning, University of Exeter	Improving formative assessment in post 14 and post-compulsory education	100,004	36 months
Professor J Law; Centre for Integrated Healthcare Research, Queen Margaret University College	The development of the Nuffield Foundation Speech and Language Review Group	87,511	15 months
Dr S Knight; Atmospheric, Oceanic and Planetary Physics, University of Oxford	Climateprediction.net: climate prediction in schools	19,532	6 months
Professor P Hannon; School of Education, University of Sheffield	Success in family literacy	9,617	5 months
	Grants subject to confirmation	200,000	
	Supplementary grants	11,187	
	Cancelled grants	(15,744)	
	Total: Education	914,581	
Grants for Women's Education	149 awards	400,292	
	Cancelled grants	(8,932)	
		391,360	
	Total Education	1,305,941	

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Name	Purpose	Value (£)	Term
Other activities			
Open Door			
Dr L Dearden; Institute for Fiscal Studies	Higher Education Funding Policies and the Lifetime Returns to Higher Education	85,731	9 months
Professor S Sutton; Department of Public Health and Primary Care, University of Cambridge	Harnessing dynamic computer images for equitable access to health promotion - development of practical innovation in the communication of risk	71,802	24 months
Dr H Rolfe; National Institute of Economic and Social Research	Mental Health Problems at Work	63,447	8 months
Ms A Park; National Centre for Social Research	Matters of life and death - public attitudes towards end of life decision making	56,600	25 months
Ms C Bryson, Mr M Barnes, Mr M Clark; National Centre for Social Research	Family life and atypical working hours	54,220	12 months
Dr K Stewart; Centre for Analysis of Social Exclusion, London School of Economics	Employment trajectories for mothers in low-skilled work	52,934	28 months
Dr M Russell; The Constitution Unit, University College London	The governance of Parliament	47,222	24 months
Mr J Andrews; Low Incomes Tax Reform Group, Chartered Institute of Taxation	Access to the Law	35,000	11 months
Mr J Sloan; Overseas Partnering and Training Initiative, Leeds General Infirmary	Training in post-surgical nursing skills at Kamuli Hospital, Uganda	29,871	36 months
Dr L Brabin, Dr S Roberts, Professor H Kitchener; Academic Unit of Obstetrics & Gynaecology, University of Manchester	Parental attitudes to vaccination of school children against human papillomavirus	28,953	12 months
Mr P Robinson; Institute for Public Policy Research	The balance of funding between the individual and the state	25,000	6 months
Professor A Phillips; Dr S Saharso; Gender Institute, London School of Economics	Gender equality, cultural diversity: European comparisons and lessons	22,620	24 months
Professor M Farber; Department of Mathematical Sciences, University of Durham	Prospects in Mathematics: A symposium for potential research students	10,500	3 months
Professor J MacDermot; Imperial College London	Learning Resources for Medical Students of the University of Gambia	9,941	12 months
Professor N Rose; Department of Sociology, London School of Economics	Values and Conflicts in Mental Health: The Placebo Effect in Psychiatry and its Implications	9,810	3 months
Ms H Grice; Sense International	Development of a network of deafblind adults in Uganda	9,750	2 months
Dr D McHugh; Hansard Society, London School of Economics	Review of the modernisation of parliamentary procedure and practice since 1997	9,731	7 months

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Name	Purpose	Value (£)	Term
Mr C Judge; Oxford Bus Museum Trust Ltd	Morris Motors Museum & Exhibition Hall	5,000	0 months
Ms J Lyon; Prison Reform Trust	Pension provision for prisoners	2,500	6 months
	Supplementary grants	81,050	
	Cancelled grants	(44,773)	
	Total: Open Door	666,909	
Commonwealth Programme			
Professor R Jenkins; WHO Collaborating Centre for Research and Training for Mental Health, King's College London	Developing primary care of mental disorders in Kenya	181,575	36 months
Professor A Foster; International Centre for Eye Health, London School of Hygiene and Tropical Medicine	Developing African training centres in community eye health	164,020	36 months
Professor P Garner; Liverpool School of Tropical Medicine, University of Liverpool	Training in the science of research synthesis	150,087	36 months
Ms A Ferron; Health Unlimited	Maternal mortality prevention in Mandera District, Kenya	100,000	24 months
	Supplementary grants	17,020	
	Cancelled grants	(11,280)	
	Total: Commonwealth	601,422	
	Total: Other Activities	1,268,331	
	Total: Grants Awarded	5,815,628	
	Total: Grants Cancelled	(233,632)	
	Total All Programmes	5,581,996	

The Nuffield Foundation
Report and Financial Statements for the year ended 31st December 2004

Summary of Financial Objectives and Investment Strategy

Objectives

1. Financial Objective
 - 1.1. to maintain (at least) the Foundation's endowment in real terms
 - 1.2. to produce a consistent and sustainable amount for expenditure
 - 1.3. to deliver 1.1) and 1.2) within acceptable levels of risk
2. Capital Maintenance
 - 2.1. The Foundation seeks to protect its endowment from its current experience of inflation (based on 62% Average Earnings Index and 38% Retail Price Index).
 - 2.2. The Foundation's composite inflation index will be applied to a base value of £187,257,506 (the average of previous twelve quarter market values on 30th June 2004).
3. Distribution rate
 - 3.1. The Foundation intends to distribute 4% of the average of the previous twelve quarter rolling market values.
 - 3.2. Where market values lie outside the indexed base value with an allowance for volatility (+/- 16%) a review of distribution rates will be triggered.

Investment Principles

4. Decision Making & Governance
 - 4.1. The Investment Committee is responsible to the trustees for investment decisions. It includes three trustee members and two independent investment professionals as advisors (who serve for three year terms). The committee is supported by staff of the Foundation. It is advised by investment consultants (appointed annually).
 - 4.2. The committee appoints investment managers (and terminates their appointments), recommends to trustees strategic asset allocations and reviews investment performance.
 - 4.3. Investment management is delegated to authorised commercial discretionary managers, properly licensed by the FSA, whose appointments are reviewed at least every three years
5. Investment objective
 - 5.1. The Foundation requires a diversified portfolio which will provide the best return for an agreed measure of risk and liquidity

6. Ethical and other restrictions
 - 6.1. Prohibitions on segregated investment in tobacco companies (equity or bond).
 - 6.2. No stock lending, nor speculative hedging or other derivative products.

7. Asset allocation and ranges

Asset Class	Target	Range
UK Equities	40%	+/- 5%
O'seas Equities	20%	+/- 5%
Private Equity	10%	-
Fixed Interest	15%	+/- 5%
Property	10%	+/- 5%
Cash	5%	+/- 2%

8. Principal benchmarks
 - 8.1. Investment performance will be assessed against total returns relative to a composite benchmark based on asset allocation at the beginning of each period.
 - 8.2. Performance is also compared to the WM Charities Unconstrained Index
 - 8.3. Individual manager benchmarks are set out below.

9. Manager Structure and benchmarks

Asset Class	Manager
UK Equities	BGI Active UK Growth
UK Equities	OLIM
O'sea Equities	Marathon
Private Equity	Various
Fixed Interest	Payden & Rygel
Cash	BGI
Property	3 pooled funds
Custodian	Northern Trust

Asset Class	Benchmark	Target
UK Equities	FTSE All Share	+ 2%
O'seas Equities	FTSE All World Ex UK	+ 2%
Private Equity	FTSE All Share	+ 4%
Fixed Interest	85% World Gov; 15% High Yield	-
Property	IPD	-
Cash	30 day LIBID	+0%

10. Performance assessment
 - 10.1. Performance is assessed in £GBP on rolling twelve quarter periods.
 - 10.2. Performance targets are net of fees
11. Effective from 1st April 2003; Arrangements prior to this date provided Schroder Investment Management with a discretionary mandate and a target to out-perform the WM 2000 index by 0.5% over rolling 5 year periods.

The Nuffield Foundation

Report and Financial Statements for the year ended 31st December 2004

Statement of Financial Activities

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Incoming Resources										
Investment income (net of charges)	6.52	7.54	7.53	7.77	7.95	6.94	7.29	5.67	5.52	5.26
Other income	0.58	0.67	0.72	0.95	0.81	1.26	1.35	0.69	0.65	0.82
Total incoming resources	7.10	8.21	8.25	8.72	8.76	8.20	8.64	6.36	6.17	6.08
Expenditure										
Grants made	5.31	5.73	5.51	5.21	6.82	6.60	5.22	6.37	8.87	5.58
Projects managed internally										
Curriculum Development	0.83	0.61	0.64	0.94	0.89	0.74	0.70	0.80	0.86	0.78
Council on Bioethics	0.06	0.06	0.18	0.24	0.30	0.34	0.56	0.78	0.57	0.71
Other projects	0.29	0.37	0.07	0.15	0.22	0.23	0.01	0.24	0.12	0.18
	1.18	1.04	0.89	1.33	1.41	1.31	1.27	1.82	1.56	1.67
Support costs	0.85	0.85	0.92	0.86	0.83	0.88	1.13	0.87	0.95	0.64
Charity administration	-	-	0.11	0.11	0.11	0.09	0.11	0.15	0.27	0.35
Total Expenditure	7.34	7.62	7.43	7.51	9.17	8.88	7.73	9.21	11.64	8.24
Net Movement on Funds	(0.24)	0.59	0.82	1.21	(0.41)	(0.68)	0.91	(2.85)	(5.47)	(2.16)
Other Gains and losses	23.55	12.04	19.60	12.48	31.69	(8.64)	(28.79)	(38.28)	20.13	17.24
Funds at beginning of year	149.69	173.00	185.63	206.05	219.74	251.02	241.70	213.82	172.69	187.35
Funds at end of year	173.00	185.63	206.05	219.74	251.02	241.70	213.82	172.69	187.35	202.43
Balance Sheets										
Fixed Assets										
Investments	171.43	183.47	203.06	215.55	247.24	238.60	207.60	169.34	191.44	208.13
Tangible Fixed Assets	1.56	1.52	1.51	1.59	1.55	1.53	3.72	3.66	3.56	3.54
Programme Related Investment	-	-	-	-	-	-	-	0.10	0.10	0.10
	172.99	184.99	204.57	217.14	248.79	240.13	211.32	173.10	195.10	211.76
Current Assets										
Cash and short term deposits	3.94	5.76	7.90	8.07	9.03	9.40	8.72	6.80	2.49	0.95
Other current assets	1.30	1.05	0.76	1.15	1.02	1.26	1.80	1.06	0.77	0.64
	5.24	6.81	8.66	9.22	10.05	10.66	10.52	7.86	3.26	1.58
Current Liabilities	(5.23)	(6.17)	(7.18)	(6.62)	(7.82)	(9.09)	(8.02)	(8.27)	(11.01)	(10.92)
Net Current Assets	0.01	0.64	1.48	2.60	2.23	1.57	2.50	(0.41)	(7.75)	(9.34)
Total Net Assets	173.00	185.63	206.05	219.74	251.02	241.70	213.82	172.69	187.35	202.43
Reserves										
Income reserves	0.99	1.63	2.50	3.75	3.43	2.73	5.75	3.35	(0.96)	(1.30)
Endowments	172.01	184.00	203.55	215.99	247.59	238.97	208.07	169.34	188.31	203.73
	173.00	185.63	206.05	219.74	251.02	241.70	213.82	172.69	187.35	202.43
Performance										
Total Returns (12 months to 31 Dec.)										
Investments	21.2%	11.7%	15.0%	10.4%	19.1%	-0.5%	-10.2%	-17.4%	15.2%	12.3%
Benchmark (WM 2000/Bespoke)	20.0%	11.3%	16.2%	13.2%	21.2%	-2.1%	-9.7%	-16.5%	16.5%	11.4%
Change in Indices (12 months to 31 Dec.)										
Expenditure/Investments	4.3%	4.2%	3.7%	3.5%	3.7%	3.7%	3.7%	5.4%	6.1%	4.0%
Growth in Foundation Expenditure	6.7%	3.8%	-2.5%	1.1%	22.1%	-3.2%	-13.0%	19.2%	26.4%	-29.3%
Increase in RPI	3.2%	2.5%	3.6%	2.8%	1.8%	2.9%	0.7%	2.9%	2.8%	3.5%
Increase in Average Earnings	2.9%	4.2%	4.9%	4.0%	5.8%	5.3%	2.1%	3.4%	3.4%	4.4%

Notes

- 1 These statements have been extracted from previously audited financial statements
- 2 Costs of Managed Projects have been re-analysed as such in line with SoRP treatment (previously treated as Grants)
- 3 The Charity SoRP was introduced in 1997. Accounts are shown as published.
- 4 These statements do not form part of the trustees' Report and Accounts.



**The
Nuffield
Foundation**

The Nuffield Foundation
28 Bedford Square
London WC1B 3JS
Telephone 020 7631 0566
Fax 020 7323 4877
www.nuffieldfoundation.org