

**THE NUFFIELD FOUNDATION
REPORT AND
FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2006**

www.nuffieldfoundation.org

The Nuffield Foundation
Report and Financial Statements for the year ended 31st December 2006

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Structure, Governance and Management

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 recruitment process that involves advertisement and interview. 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. Trustees are given an induction appropriate their needs but this is not reflected in a formal policy.

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 two 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.

Objectives, activities and achievements

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.

In all areas of work the trustees look to make best use of the Foundation's defining characteristic, which is its independence, and to build on and develop its reputation as an organisation that supports objective studies and developments of high quality and relevance. They prefer not to support work that can be funded by government agencies (such as the Research Councils), although they will do so on occasion when a project is particularly close to the Foundation's interests. They are especially interested in funding projects where there is a good argument that government should not be the

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prime funder. The work of the Nuffield Council on Bioethics is one such example, as are many of the projects funded through the Access to Justice programme, and the various projects that the Foundation has funded over the years on constitutional reform and the role of parliament.

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 2006 a review of three of the foundation's science grant programmes was completed. This led to a decision to close one of the schemes and to use the funds thus saved to expand the other two. By contrast, the review of the Nuffield Curriculum Centre, also completed during the year, has not led to any substantial changes, but the review process has helped inform our thinking about the future of the centre and its role as part of the Foundation's overall work in education. A review of our Access to Justice Programme will be completed in 2007. However one decision that has already been agreed is that over the next few years the Foundation will run a substantial programme in the field of Administrative Justice. Details of these and other changes to our programmes are given below.

Social Research and Innovation (£2.4m, 22%)

The Foundation's interest in social research and social welfare is concentrated in a number of distinct topic areas, as well as through the 'Open Door' programme. In each of these, grants are made both for research and for practical and innovative projects. In addition, in each area the Foundation is increasingly active in promoting discussion and debate through programmes of seminars, lectures and other events, usually held at the Foundation's premises.

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.

In 2006, the Foundation maintained its interest on two important topics which have for some time been the centre of debate and discussion in family law: organising contact between children and parents following parental divorce or separation, and the legal and social consequences of cohabitation, as compared to marriage.

On the issue of contact between children and parents following divorce or separation, the Foundation awarded a grant to Vicki Peacey (One Parent Families) for a project to survey separated parents' arrangements around child contact. The aim of the survey was to design, with the help of an advisory group from different organizations, a report about a range of problems found.

Continuing its interest on cohabitation, the Foundation hosted a seminar on 'cohabitation and financial obligation' to address issues raised by the Law Commission's consultation paper. The aim was that this discussion would improve the consultation responses to the proposals. This year the Foundation also hosted the launch of the 'community of property regime', a study by Professor Elizabeth Cook, Ms Anne Barlow and Dr Therese Callus aimed at investigating the benefits and disadvantages of a European-style community of property regime for married and cohabiting couples, as compared with the system of separate property which exists in England and Wales. On this same topic, we funded a small research study by Professors Kathleen Kiernan and Anne Barlow to see if the introduction of Australian legislation giving cohabitants some property claims had any effects on the numbers of people getting married.

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During 2006, the Foundation also held a number of seminars on various topics: 'Implementing Interventions for Children' focused on how to think about and provide interventions that have the most chance of succeeding, producing better outcomes for both children and researchers. The foundation also hosted a seminar for One Plus One on the 'Fragile Families Study', with a discussion focused on the extent to which marriage helped stability and what questions might be asked in a UK setting about the role of parental stability and particularly issues to do with fathers. We also made a grant to One Parent Families for a series of seminars on the Child Support Regime and have agreed to fund two further seminars on Child Support Policy. Additionally, we part-funded two conferences, hosted by University of East Anglia on Adoption Research and the second on Children and Divorce.

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; human rights and civil justice; and the promotion of greater public understanding of the role of law.

The Foundation has continued to prepare the ground for its initiative on Administrative Justice, with seminars co-ordinated by Professor Maurice Sunkin, at the University of Essex. These seminars resulted in the approval of a major programme of funding on Administrative Justice, which is being launched in early 2007.

The final report of the Nuffield Inquiry on Empirical Research in Law was launched in November. It is hoped that its recommendations will lead to funders, universities and researchers to take concrete steps to improve our capacity to study how law actually works in society. The Foundation is funding an aftercare programme to engage stakeholders and unlock funding.

In addition, the Foundation has continued funding various other projects as part of its grant-making activity in this area: A grant was awarded to Mr Conrad Hayley (Public Law Project) for a project which aims to explore the feasibility of using mediation in a number of cases that go to judicial review. A grant was also made to Philip Leach (Human Rights & Social Justice Research at London Metropolitan University) to carry out an analysis of fact-finding and mission of the European Court of Human Rights and provide some guidance on how this might be carried out more systematically and fairly.

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.

In 2006, Financial Planning for Later Life emerged as a central topic in this scheme. The Foundation hosted a series of seminars on pension reform led by the Pensions Policy Institute, bringing together researchers, practitioners and policy makers to discuss different models and outcomes of reforms in this area. The Foundation also funded work by the Pensions Policy Institute to model long-term policy reform options in the UK pension system.

Work continued on the **Adolescent Mental Health initiative**, a three year programme of research funded by trustees in 2005. This consists largely of reviews and critical evaluation of existing data seeking to analyse the life experiences of adolescents in the UK today, especially in comparison with young people in other countries. It is intended to take a multidisciplinary look at adolescent mental health problems, and their relationship to education, family and social lives, and to explore the role of social change in framing these experiences. To date projects have been funded at the Institute of Education (London), and the Universities of Manchester and Oxford, and an ongoing seminar series also provides opportunities for debate and dissemination.

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

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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). The scheme continues to attract good quality applications in large numbers. 56 awards were made in 2006.

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 (£1.3m, 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.

The Oliver Bird Rheumatism Programme which provides doctoral training in rheumatic disease research for 25 students in five UK universities is now into its second full year of PhD studentships and has attracted three additionally funded studentships. Coordinators have recruited excellent and committed students for the last five studentships for 2006/7. The highlight of the year was undoubtedly the second student conference in Newcastle and its follow on to the British Society for Matrix Biology meeting. Each Centre is developing its own distinctive training model. Several students have begun to publish some of their early research work and have won prizes at meetings for their presentations. Eight students are non-UK/EU nationals and the Programme is gaining an international profile by developing links with European societies and other international partnership training groups.

For some years now the Foundation has run three other science grant programmes.

Science Bursaries for Schools and Colleges of £75 per week are available to students studying academic or vocational post-16 science courses such as Advanced levels or Highers. 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. 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.

Undergraduate Research Bursaries provided support of £155-£165 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 offer students practical experience of research as a career choice before they finally commit to that path.

Newly Appointed Lecturers in Science, Engineering and Mathematics could apply for grants of up to £6,000 to help them develop innovative research projects in the early stages of their independent careers.

In 2006 the Foundation invited Sir Richard Brook and Dr David Clark to review these three schemes. Their findings were clear. All three programmes were funding high quality work. However while the two bursary schemes were in different ways distinctive, the New Lecturers schemes was offering support of a kind that was available from other sources. Because the bursary schemes are targeted at key moments in the careers of young people they offer potentially "life changing" experiences. The reviewers' only substantial criticism was that the scale of the schemes was too small.

The trustees therefore agreed to close the NAL scheme and reallocate the funds to the two bursary schemes. This increased funding will form the basis of an expansion which will, we hope, increase substantially the numbers of students able to benefit from the programme. In 2007 we will increase the number of school and college bursaries from the present 650 to

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1000, and the number of undergraduate bursaries from 330 to 450. In the longer term we hope to be able to increase the number of school bursaries to 2000 and the undergraduates to 600. This expansion will depend on our being able to identify funding partners in addition to our existing partners (such as the Wellcome Trust and the Royal Society), who currently support the school scheme.

Education (£2.6 m, 24%)

Grants for research and development in education

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

The education and training of 14-19 year olds in England and Wales continues to be a major area of interest, with the Nuffield Review of the area now well-established and providing a focal point for the synthesis of research and evidence in the field. During the year, trustees made a substantial follow-on grant to the Review team, led by Professor Richard Pring at the University of Oxford. Support for a second three year term will allow the Review to address its organising question of what skills, qualities and attributes do we expect of an educated nineteen year-old and what kind of system and process do we need to support these. The Review will concentrate in its final term on dissemination, impact, engagement and identifying recommendations.

We launched during the year two major projects in another of the Foundation's priority areas, **Speech and Language Delays and Disorders**. Dr Catherine Adams and Dr Elaine Clark of the University of Manchester, and Dr Victoria Joffe of City University, received substantial grants to undertake intervention studies in this field of inquiry. The two projects are specifically designed to generate useful findings for the development of policy and professional practice. They follow in a tradition of Nuffield-supported work in the area and were launched at a time when some of the former grants were beginning to generate interesting findings, showcased for a series of seminars held on a monthly basis at the Foundation. Plans for 2007 include a proposal for an initiative specifically to support capacity building in this field in order to strengthen the relationship between research and the professional practice of speech and language therapists, educational psychologists and others working with the growing numbers of children and young people identified with a speech and language difficulty.

The Foundation's focus on **assessment** as an area of interest paid dividends during the year. The Assessment Reform Group's project on Assessment Systems for the Future was influential in changes to educational assessment in Wales, Scotland and Northern Ireland. A new project grant in the series was made to Professor John Gardner, Queen's University Belfast, for the "Analysis and Review of Innovations in Assessment".

The final priority is **curriculum policy and practice**, where the Foundation's principal interests are expressed through the Nuffield Curriculum Centre.

2006 saw the establishment of a high level Education Advisory Committee, which will provide guidance to the Foundation on the balance of the portfolio of work in education and curriculum, future opportunities and current concerns.

The **Nuffield Curriculum Centre** continues to play a major role in the design and development of teaching of individual subjects. The main areas of interest are Science, Design and Technology, Mathematics and Citizenship. During the year the Curriculum centre's formative role in the curriculum development was endorsed by the Review of activities over the last five years. The Centre is now one of the few remaining independent organisations doing curriculum development; in such circumstances, the value conferred by independence assumes even greater importance.

The highlight of 2006 was the launch of the suite of GCSE Science courses developed by the Twenty First Century Science team in partnership with the University of York Science Education Group. The programme has been adopted by about 1000 schools. During the year Oxford University Press published fifty print and electronic resources to support the range of courses designed for all 14 – 16 year olds.

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In 2006 the first group of students following the Salter-Nuffield Advanced Biology course took the AS examinations. The course helps students to explore modern biology in a range of contemporary contexts. Also during this year, staff of the Curriculum Centre were extensively involved in the consultations about the planning and implementation of changes to A-level courses which will take effect from September 2008.

The centre continues to collaborate with a range of organisations wishing to enhance teaching and learning. One notable success has been the collaboration with the Gatsby Science Enhancement Programme to publish an Activity Book and Teachers' Guide called Learning Skills for Science. The approach is based on work undertaken at the Weizmann Institute. The file of resources is only available to teachers that have attended a training course. The response by teachers to the training programme and resources has been very encouraging.

Another successful collaboration has been with 4Science to help build links between applied science courses in schools and the worlds of science in practice. The outcome is a series of collections of video clips with associated teaching and learning activities. Much of the material has been incorporated into the resources for the Applied Science course in Twenty First Century Science.

Following the success of the Practical Physics web site, developed with the Institute of Physics, the Curriculum Centre embarked on a similar collaboration with the Royal Society of Chemistry. The Practical Chemistry web site was launched at the end of the year. Both web sites support all teachers of physics and chemistry with detailed advice about how to succeed with hundreds of laboratory activities and make effective use of them in class.

The Centre has continued to run and host seminars and workshop to explore curriculum issues in its areas of interest. Three reports were published in 2006: Citizenship – looking forward, the Future of Advanced Economics and Business and Know your stuff! about meeting the needs of science and Design and Technology teachers through subject-based professional development.

Grants for Women

These grants are made through the Elizabeth Nuffield Educational Fund (a gift from Lord Nuffield's wife) to women studying to improve their employment prospects. Awards are made by the ENEF Committee, which also monitors the changing landscape of support for women students with caring responsibilities, identifying gaps in provision that the Fund can help to plug.

In addition to supporting individuals, ENEF makes grants to fund initiatives that will help inform and shape its future policy. The Fund celebrated its 50th anniversary in 2006. In keeping with tradition, and in response to policy changes, ENEF once again refocused its grant-making activities. Following reports of swingeing cuts in further education (FE) funding, particularly those likely to affect the ENEF target group of mature women students with caring responsibilities wishing to progress into higher education, ENEF ran a pilot project with five Colleges of Further Education in London. Colleges were awarded £25,000 each to set up the ENEF College Discretionary Fund from which grants of up to £1,000 were made to 150 women studying at level 3 who were at risk of dropping out of their course due to unforeseen financial hardship.

The needs of family carers, as well as those of their disabled family members, are issues central to the Government's current welfare reform programme, and in 2006 ENEF supported a pilot project run with a group of Local Authorities to raise awareness and improve access and support for adult learners caring for disabled children or other family members. A practical guide for Local Authorities on implementation of their duties under recent disability legislation has been written and will be launched at a seminar in Spring 2007.

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ENEF has been helping women to improve their employment prospects through education for 50 years. As part of the celebrations, a collection of biographies of past award-holders was published on the Fund's website. Several of those award-holders, amongst them a former ENEF Chair, joined other friends of the Fund at the 50th birthday party in July. Also published and available to download from the site was a web-based resource for women seeking funding for educational purposes.

Open Door (£1.6m, 15%)

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.

During 2006 we funded a number of research studies, significant for policy, around economic and social structure: A grant was made to Professor Richard Blundell (Institute of Fiscal Studies) to part-fund a review project on tax systems reforms. For this review the IFS is bringing together leading experts in tax and public economies to identify what makes a good tax system in the 21st century and to come up with specific proposals for its reform in Britain. Professor Anthony Heath received funding for a project to investigate the effectiveness and mode of operation of the 'affirmative action' policies carried out in Northern Ireland; This is one of the most innovative programmes in the world for addressing equality of opportunity and the aim of the project is to determine whether the programme has been successful and how this has been achieved. Funding was awarded to Ms Sarah Spencer CBE to examine the future need for migrant health and social care staff in UK in the context of ageing societies and ageing workforces. Dr Katherine Rake received funding for an exploration of women's pensions savings and debt, and implications for policy.

Following collaborative development work undertaken with the US Social Science Research Council, a new International Fellowships Program, The Children of Immigrants in Schools, was launched with £210k of Open Door Funding piggy-backing onto substantial National Science Foundation (NSF) funds. International fellows from five European countries and the US are supported to undertake comparative research on different aspects of educating second generation immigrants. This is a new area, a new way of funding and a new partnership for the Foundation.

Other activities (£1.7m, 15%)

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.

In November 2006, the Council published a Report *Critical care decisions in fetal and neonatal medicine: ethical issues*. It examined the ethical, social, economic and legal issues raised about the care of babies born extremely prematurely or with a critical health problem and made practical recommendations for future policy and practice. The Report set out guidelines on when to give intensive care to extremely premature babies. Advice for parents and doctors was provided, on a week-by-week basis, for treating babies born before 22 weeks up to those born after 25 weeks. Other topics covered included: decision making during pregnancy when fetal abnormalities are present; how the best interests of a baby may be assessed; the lifelong implications for a baby and their family; the decision-making process and resolving disputes; social and economic implications; and information requirements, including the need for research.

The Council established a Working Party in January 2006 to consider the ethical issues raised in the context of public health. Major themes include challenges posed when seeking to balance individual choice and community benefit, and the role of third parties, such as the role of the food and drink industry. In addition, a Working Group on the forensic use of bioinformation was set up in September 2006. This Group is focusing on the issues raised by the use and storage of DNA collected by the police. Reports from both projects will be published in autumn 2007.

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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.

Trustees agreed funding for four grant competitions held every two years and 2006 was the last of those rounds. Four new grants were made to develop marine science in Mozambique, deliver training in methods for epidemiologic, clinical and operations research for African health professionals, build educational capacity for the training and professional development of health managers in East Africa, train multidisciplinary health workers in Zimbabwe in paediatric HIV and use of ARVs.

Trustees will be reviewing the progress of the Programme during 2007 before deciding on its future focus and direction

Financial review

The Foundation had a good year; it spent £10.9m and its investment portfolio increased in value by £23m (9%) after drawing income of £6m. The balance was drawn from capital in line with its total return spending policy.

Total income for the year was £7.2m (2005: £7.7m) which includes a magnificent gift from the McLaren Foundation of £210k together with £140k of royalties from the new Twenty First Century science course. Charitable expenditure was £9.6m (2005: £8.0m) after a broadly fruitful year of good quality applications. Net assets were £250m (2005: £230m). Both the restricted and unrestricted funds have negative balances of £855k and £838k respectively. This is due to the SORP requirement to charge the full three year cost of grants in the year of award. Future income will be to restore these deficits.

Increasingly the Foundation makes large grants (over £250k) which require considerable planning. It is difficult to predict when these applications will be sufficiently far advanced to be confirmed as grants which meet accounting criteria, and the trustees are keen that such decisions should not be driven by a financial timetable so are prepared to accept considerable volatility in annual spending. Non grant costs were in line with the budget for the year. Activities are delivered through different mechanisms; sometimes responsive grant-making is the most appropriate, but on other occasions a series of seminars may be more fruitful. These distinctions are analysed in Note 3 to the accounts which separates grants, other direct costs, and an allocation of overhead costs. Each component plays an appropriate and indispensable part in how the Foundation delivers its objectives.

Investment management and governance (£1.3m, 12%)

The investment performance for periods ending 31st December is summarised below.

Total Returns	1 Year	3 Years	5 Years
Nuffield Foundation (net of fees)	12.5	14.0	7.5
Bespoke Benchmark	12.2	14.2	8.1
WM Total Charities (gross of fees)	12.8	14.5	8.1
Key			
Nuffield Foundation	Actual net performance		
Bespoke Benchmark	WM2000 to 3/03; then bespoke		
WM Total Charities	Including property		

Performance in the year was fair; over the past three years the Foundation has been increasing its exposure to Private Equity which has led to temporary distortions against our benchmark as money is invested but shows no immediate return. The portfolio returns excluding Private Equity for one year were 12.8% (bespoke benchmark: 11.7%), and since March 2003 17.1% pa (bespoke benchmark 16.5%). Full details of the trustees' investment policy are given at the end of this document.

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Investment management fees of £1.2m (2005: £1.2m) continued to reflect the costs of active management. Managers are measured net of fees to ensure that these costs are recouped through improved performance.

Accounting for Total Returns and Reserves Policy

The trustees' policy is to distribute 4% of the trailing twelve-quarter average market value of its investments (based on values at 30th June). Cambridge Associates have advised this as a sustainable amount to distribute. 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.

The trustees' Reserves Policy is driven by two components: the first is to keep the unrestricted 'Expenditure Reserve' at a level of + / - £2m to allow for cumulative under-spending or overspending from year to year. Stepping outside this range would trigger a review of spending. On 31st December this reserve was worth -£838k. We expect this figure to move toward -£2m in 2007 before beginning to move back towards zero in 2008 as distributions from the endowment increase (reflecting the increasing market values of the endowment). Similarly the restricted reserve is expected to return to a positive value due to the combination of restrained expenditure and increasing distributions from the endowment.

The second part of this policy reflects how the trustees seek to preserve the endowment's value. The 'Core Endowment' represents that part of the assets which the trustees seek to maintain (at least) in real terms. It is based on the value of the endowments on 31st December 2003 together with an allowance for subsequent inflation. Because stock markets fluctuate an 'allowance for market volatility' is also included. This accounts for the difference between the Core Endowment and the actual value of the endowment. However if this allowance became too large (or small) for a sustained period a review of the distribution rate would be triggered (without necessarily leading to a change). At 31st December 2006 this allowance for volatility represented 20% of the core endowment, above the 'normal' range of + / - 16%, which is also the volatility implicit in the investment portfolio.

		Total £000s
Core endowment		
	'Preserved Value' at 31 Dec. 2003	188,311
	Allowance for inflation	21,673
	Balance at 31 st December 2006	209,984
	Allowance for market volatility	41,697
Endowment total		251,681
Expenditure Reserve		
	Restricted	(855)
	Unrestricted	(838)
Total funds		249,988

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.

Future Plans

The work of the Foundation continues to evolve as demanded by the changing environment in which it works and the different activities that it supports. This is described in some detail above.

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

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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.

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 11th May 2007 and signed on their behalf by



The Baroness O'Neill
Chairman

The Nuffield Foundation

Report and Financial Statements for the year ended 31st December 2006

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE NUFFIELD FOUNDATION

We have audited the financial statements of the Nuffield Foundation for the year ended 31 December 2006 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 accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with section 43 of the Charities Act 1993 and regulations made under section 44 of that Act. Our audit work has been undertaken so that we might state to the charity's 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 its 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 (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it. We also read the other information included and consider whether it is consistent with the audited financial statements. This other information comprises only the information on grants awarded during the year and the summary of financial objectives and investment strategy. 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charity as at 31 December 2006 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: 14 May 2007

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

The Nuffield Foundation
Report and Financial Statements for the year ended 31st December 2006

STATEMENT OF FINANCIAL ACTIVITIES

	Notes	Unrestricted Funds £000s	Restricted Funds £000s	Endowed Funds £000s	Total 2006 £000s	Total 2005 £000s
INCOMING RESOURCES						
Incoming resources from generated funds						
	2	210	614	-	824	509
		193	-	-	193	44
Investment income						
	6	-	-	6,155	6,155	7,127
		33	-	-	33	37
Other income						
		21	-	-	21	28
Total incoming resources		<u>457</u>	<u>614</u>	<u>6,155</u>	<u>7,226</u>	<u>7,745</u>
RESOURCES EXPENDED						
Costs of generating funds						
		-	-	1,239	1,239	1,202
Charitable activities						
		2,382	-	-	2,382	2,566
		1,233	110	-	1,343	1,244
		2,233	336	-	2,569	2,446
		1,622	-	-	1,622	741
		660	994	-	1,654	986
Charitable activities		<u>8,130</u>	<u>1,440</u>	-	<u>9,570</u>	<u>7,983</u>
Governance						
		94	-	-	94	110
Total resources expended	3	<u>8,224</u>	<u>1,440</u>	<u>1,239</u>	<u>10,903</u>	<u>9,295</u>
NET OUTGOING RESOURCES before transfers						
		(7,767)	(826)	4,916	(3,677)	(1,550)
Transfers	11	6,775	789	(7,564)	-	-
NET OUTGOING RESOURCES after transfers						
		(992)	(37)	(2,648)	(3,677)	(1,550)
Net gain on investment assets	6	-	-	23,364	23,364	29,426
NET MOVEMENT IN FUNDS						
		(992)	(37)	20,716	19,687	27,876
Fund balances brought forward at 1 January						
		<u>154</u>	<u>(818)</u>	<u>230,965</u>	<u>230,301</u>	<u>202,425</u>
Fund balances carried forward at 31 December						
	11	<u>(838)</u>	<u>(855)</u>	<u>251,681</u>	<u>249,988</u>	<u>230,301</u>

Notes 1 – 11 form part of these Financial Statements

The Nuffield Foundation
Report and Financial Statements for the year ended 31st December 2006

BALANCE SHEET

		2006	2005
		£000s	£000s
FIXED ASSETS			
	Tangible fixed assets	5 3,340	3,446
	Investments	6 256,184	235,540
	Programme related investments	6 100	100
		<u>259,624</u>	<u>239,086</u>
CURRENT ASSETS			
	Debtors	7 649	651
	Bank and cash	526	447
		<u>1,175</u>	<u>1,098</u>
LIABILITIES: amounts falling due within one year			
	Provision for grants payable	8 (6,605)	(5,803)
	Creditors	9 (1,017)	(535)
		<u>(7,622)</u>	<u>(6,338)</u>
NET CURRENT LIABILITIES		<u>(6,447)</u>	<u>(5,240)</u>
LIABILITIES FALLING DUE AFTER ONE YEAR			
	Provision for grants payable	8 (3,189)	(3,545)
NET ASSETS		<u>249,988</u>	<u>230,301</u>
FUNDS			
	Unrestricted funds	(838)	154
	Restricted funds	(855)	(818)
	Endowed funds	10 251,681	230,965
TOTAL FUNDS		<u>249,988</u>	<u>230,301</u>

Notes 1 – 11 form part of these Financial Statements

These financial statements were approved by the trustees on 11th May 2007 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 2006

CASH FLOW STATEMENT

	2006	2005
	£000s	£000s
Net cash outflow from operating activities	(8,795)	(9,631)
Returns on investment and servicing of finance		
Investment income	6,155	7,127
Interest received	33	37
	<u>6,188</u>	<u>7,164</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(34)	(43)
Receipts from sale of fixed assets	-	-
Disinvestment from portfolio	2,720	2,011
	<u>2,686</u>	<u>1,968</u>
Decrease in cash during the year	<u>79</u>	<u>(499)</u>

Analysis of changes in net cash during the year

Cash at bank and in hand		
At 1 January	447	946
At 31 December	526	447
Increase/(decrease) in cash during the year	<u>79</u>	<u>(499)</u>

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

Net outgoing resources for the year	(3,677)	(1,550)
Depreciation	140	135
Investment income (including interest received)	(6,188)	(7,164)
Movement in current assets/liabilities :		
(Decrease)/Increase in grant commitments	446	(660)
Increase in creditors	482	(376)
Decrease/(increase) in debtors	2	(16)
Net cash outflow from operating activities	<u>(8,795)</u>	<u>(9,631)</u>

Notes 1 – 11 form part of these Financial Statements

The Nuffield Foundation
Report and Financial Statements for the year ended 31st December 2006

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 March 2005, applicable UK accounting standards, and the Charities Act 1993.

(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. Investment income and other gains (or losses) are allocated to the individual funds in proportion to their holding in the Common Investment Fund at the beginning of the year

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. Grants which are awarded subject to conditions are included as expenditure at the point at which the trustees agree that they no longer have control over the fulfilment of the condition.

'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. 'Governance' comprises costs incurred in trust administration and compliance with regulatory requirements, together its share of apportioned costs.

(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. Where identifiable costs related to Charitable Activities or Governance are attributed to appropriate activities and funds in full, or where not separately identifiable they are apportioned on the basis of headcount.

(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 2006

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
Equipment, fixtures and fittings	- 3 years to 20 years

(i) Total Return Accounting

The Charity Commission permitted the Foundation to adopt the use of total return in relation to its permanent endowment on 7th February 2006. The power permits the trustees to invest permanent endowments to maximise total return and to make available an appropriate portion of the total return for expenditure each year. Until this power is exercised the total return shall be an 'unapplied total return' and remain as part of the permanent endowment. The trustees have decided that it is in the interests of the Foundation to present its expendable endowment in the same manner, although there is no legal restriction on the power to distribute the expendable endowment.

The trustees have used the values of the permanent endowments at 31st December 2003 to represent the 'Preserved Value' of the original gift.

(j) 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.

(k) Pension costs

Pension costs in respect of the multi employer pension scheme are accounted for as if it were a defined contribution scheme and are charged as they are incurred.

2 Incoming resources from generated funds

	2006	2005
	£000s	£000s
Voluntary Income		
Grants received in support of:		
Nuffield Council on Bioethics	291	322
School Science Bursaries	85	73
Other restricted activities	238	114
Unrestricted activities	210	-
	<u>824</u>	<u>509</u>
	2006	2005
	£000s	£000s
Activities for generating funds		
Sales, Royalties and Fee income	193	44

The Nuffield Foundation
Report and Financial Statements for the year ended 31st December 2006

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Resources expended

	Direct costs		Support Costs £000s	Total 2006 £000s	Total 2005 £000s
	Grants £000s	Other £000s			
Cost of Generating Funds					
Investment management	-	1,239	-	1,239	1,202
Charitable Expenditure					
Social Research & Innovation					
Child Protection & Family Law	358	82	39	479	863
Social Science Small Grants	363	44	48	455	565
New Career Development Fellowships	584	22	18	624	386
Older People & Their Families	145	33	18	196	261
Access to Justice	461	43	18	522	428
Adolescent Mental Health	-	50	56	106	63
	<u>1,911</u>	<u>274</u>	<u>197</u>	<u>2,382</u>	<u>2,566</u>
Science					
Newly Appointed Lecturers	339	21	18	378	465
Undergraduate Research Bursaries	415	36	18	469	422
School Science Bursaries	187	160	39	386	292
Rheumatism	3	68	39	110	65
	<u>944</u>	<u>285</u>	<u>114</u>	<u>1,343</u>	<u>1,244</u>
Education					
Nuffield Curriculum Centre	-	741	264	1,005	988
Education Grants	1,058	98	56	1,212	809
Grants for Women	229	67	56	352	649
	<u>1,287</u>	<u>906</u>	<u>376</u>	<u>2,569</u>	<u>2,446</u>
Open Door*	1,543	50	29	1,622	741
Other Activities					
Nuffield Council on Bioethics	-	575	301	876	757
Commonwealth Programme	725	35	18	778	229
	<u>725</u>	<u>610</u>	<u>319</u>	<u>1,654</u>	<u>986</u>
Governance costs					
Audit fee	-	17	-	17	16
General costs	-	-	-	-	42
Trustees' remuneration	-	55	-	55	51
Trustees' expenses	-	2	-	2	1
Legal fees	-	20	-	20	-
	<u>-</u>	<u>94</u>	<u>-</u>	<u>94</u>	<u>110</u>
Total Charitable Expenditure	<u>6,410</u>	<u>2,219</u>	<u>1,035</u>	<u>9,664</u>	<u>8,093</u>
Total Resources Expended	<u>6,410</u>	<u>3,458</u>	<u>1,035</u>	<u>10,903</u>	<u>9,295</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 £7,250 per annum. During the year four trustees claimed re-imbursement of travel and subsistence expenses (2005: two).

The Nuffield Foundation
Report and Financial Statements for the year ended 31st December 2006

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Personnel costs

	2006	2005
	£000s	£000s
Wages and salaries	1,544	1,070
Social security costs	116	111
Other pension contributions	97	97
	<u>1,757</u>	<u>1,278</u>
Average full time equivalent number of staff employed in year:	No.	No.
Grant making	11	10
Nuffield Curriculum Centre	6	3
Nuffield Council on Bioethics	8	6
Support services	10	10
	<u>35</u>	<u>29</u>
Remuneration of Higher Paid Staff	No.	No.
Between £60,000 and £69,999	1	1
Between £70,000 and £79,999	1	1
Between £80,000 and £89,999	1	-

Employer's pension contributions for higher paid staff were in total £22k.

The Foundation contributes to a multi-employer pension scheme run by the Pensions Trust. The latest actuarial valuation of the scheme showed it as being 96% funded. It is not possible to identify separately the Foundation's underlying assets and liabilities. The Foundation's contribution to the scheme is twice that of each employee, up to a maximum of 10% of gross salary.

5 Tangible Fixed Assets

	Leasehold Property £000s	Other assets £000s	Total £000s
Cost or valuation			
At 1 January	3,300	606	3,906
Additions	-	34	34
Disposals	-	-	-
At 31 December	<u>3,300</u>	<u>640</u>	<u>3,940</u>
Depreciation and amortisation			
At 1 January	191	269	460
Charge for year	39	101	140
Disposals	-	-	-
At 31 December	<u>230</u>	<u>370</u>	<u>600</u>
Net book value			
At 31 December	<u>3,070</u>	<u>270</u>	<u>3,340</u>
<i>At 1 January</i>	<u>3,109</u>	<u>337</u>	<u>3,446</u>

All tangible fixed assets are held for continuing use in the Foundation's activities. The depreciated historic cost of the leasehold property is £1,254k. The lease expires on 24th December 2084 and was revalued in 2001 by Cotton Thompson Cole, Chartered Surveyors.

The Nuffield Foundation
Report and Financial Statements for the year ended 31st December 2006

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Investments

a) Investments at Market Value	2006	2005
	£000s	£000s
Market Value at 1 st January	235,540	208,125
Net disinvestment in portfolio	(2,720)	(2,011)
Realised and unrealised gains/(losses)	<u>23,364</u>	<u>29,426</u>
Market Value at 31 st December	<u>256,184</u>	<u>235,540</u>
Historic cost of listed investments at 31 st December	<u>197,418</u>	<u>180,498</u>

b) Disposition of Investments	2006	2005
	£000s	£000s
UK Equities	98,122	105,608
Overseas Equities	78,383	58,185
UK Property Unit Trusts	27,050	23,133
Private Equity (unlisted)	9,990	4,773
Overseas Fixed Interest and Index Linked Stocks	35,367	34,937
Cash	<u>7,272</u>	<u>8,904</u>
Total	<u>256,184</u>	<u>235,540</u>

All assets are held directly other than £84m held in pooled funds

c) Income from Investments	2006	2005
	£000s	£000s
UK Equities	4,082	3,597
Overseas Equities	915	977
UK Property Unit Trusts	1,019	895
Private Equity	28	-
Overseas Fixed Interest and Index Linked Stocks	-	1,604
Cash	<u>111</u>	<u>54</u>
	<u>6,155</u>	<u>7,127</u>

d) Five Largest Holdings	2006
	£000s
Payden and Rygel International Bond Fund	32,006
Schroder Exempt Property Unit Trust	15,741
Lloyd George Investment Management	15,465
BGI LIBOR Sterling Cash fund	7,210
BlackRock Property Fund	6,756

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 2006

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 Debtors and prepayments

	2006	<i>2005</i>
	£000s	<i>£000s</i>
Secured loans	37	40
Accrued Income	458	439
Other debtors	154	172
	649	651
Contingent assets (potentially recoverable grants)	26	28

8 Grants Payable

a) Grants Payable

	2006	<i>2005</i>
	£000s	<i>£000s</i>
Grants awarded but not paid at 1 January	9,348	10,008
Grants awarded in the year	6,691	5,666
Grants cancelled in the year	(281)	(445)
Grants paid in the year	(5,964)	(5,881)
Grants awarded but not paid at 31 December	9,794	9,348
Payable within one year	6,605	5,803
Payable after one year	3,189	3,545
	9,794	9,348

b) Analysis of grants awarded

	2006	<i>2005</i>
	£000s	<i>£000s</i>
Awarded to individuals	251	578
Awarded to institutions	6,440	5,088
	6,691	5,666

Five largest contributions

	2006
	£000s
University of Oxford	971
University of Manchester	414
University of Leeds	314
Durham University	209
University of Wales, Bangor	182

9 Creditors: amounts falling due within one year

	2006	<i>2005</i>
	£000s	<i>£000s</i>
Deferred income		
Income Tax and National Insurance	39	34
Accruals	740	433
Other creditors	238	68
	1,017	535

The Nuffield Foundation
Report and Financial Statements for the year ended 31st December 2006

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Statement of Total Returns

Calculation of Total Return

	Permanent Endowments £000s	Expendable endowments £000s	Total £000s
Investment Return			
Investment income	248	5,907	6,155
Capital Gains	941	22,423	23,364
Investment Management costs	(50)	(1,189)	(1,239)
Total Return for year	1,139	27,141	28,280
Less:			
Application of Return to Expenditure Reserve	(304)	(7,260)	(7,564)
Net Total Return for the year	835	19,881	20,716
Unapplied Total Return			
at 1 st January 2006	1,724	40,930	42,654
At 31st December 2006	2,559	60,811	63,370
‘Preserved Value’ at 31 Dec. 2003	7,581	180,730	188,311

11 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 research into the prevention and cure of rheumatism. It is used to fund the Rheumatism grant programme. Unspent income is restricted to this purpose.
- 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).
- The 'Expenditure Reserve' is referred to in the Total Return Order made by the Charity Commission as the 'Trust for Application (income)'. It is that part of the Foundation's net assets that the trustees have determined is available for distribution.

The Nuffield Foundation
Report and Financial Statements for the year ended 31st December 2006

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Funds (continued)

b) Fund Movements

	Balance at 1 st January 2006	Movement in Incoming Resources	Resources Outgoing Resources	Unrealised Gain/(Loss)	Transfers	Balance at 31 st December 2006
Capital Funds						
Endowments						
Permanent Endowment						
Elizabeth Nuffield Fund	1,996	53	(11)	202	(65)	2,175
Commonwealth Relations Trust	7,309	195	(39)	739	(239)	7,965
	<u>9,305</u>	<u>248</u>	<u>(50)</u>	<u>941</u>	<u>(304)</u>	<u>10,140</u>
Expendable Endowments						
Oliver Bird Fund	14,815	395	(79)	1,499	(485)	16,145
Main Fund	206,845	5,512	(1,110)	20,924	(6,775)	225,396
	<u>221,660</u>	<u>5,907</u>	<u>(1,189)</u>	<u>22,423</u>	<u>(7,260)</u>	<u>241,541</u>
Total Endowed Funds	<u>230,965</u>	<u>6,155</u>	<u>(1,239)</u>	<u>23,364</u>	<u>(7,564)</u>	<u>251,681</u>
Expenditure Reserve						
Restricted Funds						
Elizabeth Nuffield Fund	-	-	(65)	-	65	-
Commonwealth Relations Trust	(321)	-	(703)	-	239	(785)
Oliver Bird Fund	(533)	-	(110)	-	485	(158)
Other Restricted Funds	36	614	(562)	-	-	88
	<u>(818)</u>	<u>614</u>	<u>(1,440)</u>	<u>-</u>	<u>789</u>	<u>(855)</u>
Unrestricted Funds						
General Fund	154	457	(8,224)	-	6,775	(838)
Total Expenditure Reserve	<u>(664)</u>	<u>1,071</u>	<u>(9,664)</u>	<u>-</u>	<u>7,564</u>	<u>(1,693)</u>
Total Funds	<u>230,301</u>	<u>7,226</u>	<u>(10,903)</u>	<u>23,364</u>	<u>-</u>	<u>249,988</u>

c) Analysis of Funds

	Unrestricted Funds £000s	Restricted Funds £000s	Expendable Endowment £000s	Permanent Endowment £000s	Total £000s
Investments	-	-	246,044	10,140	256,184
Other fixed assets	-	-	3,440	-	3,440
Net current assets (liabilities)	(838)	(855)	(4,754)	-	(6,447)
Liabilities due in over one year	-	-	(3,189)	-	(3,189)
Total funds	<u>(838)</u>	<u>(855)</u>	<u>241,541</u>	<u>10,140</u>	<u>249,988</u>

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GRANTS AWARDED DURING THE YEAR (visit www.nuffieldfoundation.org for a full list of all grants)

Name	Purpose	Value (£)	Term (m)
Social research and Innovation			
Child Protection & Family Law			
Ms Vicki Peacey; One Parent Families	Problematic contact after separation and divorce	145,992	21
Professor Susan Golombok; Centre for Family Research, University of Cambridge	Young adults raised from infancy in lesbian mother families	87,351	24
Ms Emma Knights; Daycare Trust	Childcare - the state of the nation	65,000	8
Ms Lisa Payne; National Children's Bureau	Child impact assessment	42,884	12
Ms Ceridwen Roberts; Department of Social Policy and Social Work, University of Oxford	Briefing papers aimed at informing a policy and practitioner audience about key family policy issues	29,902	6
Professor Susan Golombok; Centre for Family Research, University of Cambridge	Adolescents conceived by donor insemination	15,000	24
Mr Chris Pond; One Parent Families	Seminars on child support reform and proposals	15,000	12
Ms Marian Morris; National Foundation for Educational Research	Engaging, and re-engaging, young people in learning: A research review	15,000	4
Mr Chris Pond; One Parent Families	Seminars on child support policy	15,000	3
Ms Joan Hunt; Department of Social Policy and Social Work, University of Oxford	Review of research on parental perspectives on the family justice system	14,985	10
Mr John Haskey; Department of Social Policy and Social Work, University of Oxford	'Beyond the household' - social and demographic analyses on non - co-residential relationships	13,006	8
	Other grants	33,286	
	Cancelled grants	(134,194)	
	Total: Child Protection & Family Law	358,212	
New Career Development Fellowships			
Dr Roy Gilbar; School of Law Queen Mary, University of London	The status of the family in the medical decision-making process	149,529	36
Dr Serena Heckler; Department of Anthropology, Durham University	Towards an engaged anthropology: Advancing methodological approaches to indigenous knowledge research and community well-being	148,807	36
Dr Sonali Shah; School of Sociology and Social Policy, University of Leeds	Including a new generation? Using qualitative longitudinal methods to understand disabled people's lives in the 21st century	147,388	36
Dr Judith Spicksley; Wilberforce Institute for the Study of Slavery and Emancipation, University of Hull	Debt, poverty and slavery in historical perspective	146,416	36
	Other grants	28,174	
	Cancelled grants	(36,459)	
	Total: New Career Development Fellowships	583,855	

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Name	Purpose	Value (£)	Term
Social Science Small Grants			
	56 awards	388,663	
	Grants cancelled	(26,064)	
		362,599	
Older People & their Families			
Professor Stephen McNair; National Institute of Adult Continuing Education	Learning and later life	99,660	18
Mr Chris Curry; Pensions Policy Institute	Evaluating long-term policy reform options in the UK pension system	14,320	4
Dr Gillian Dalley; The Relatives and Residents Association	Investigating denials of access to social care assessment: the problems of self-funders	12,000	7
	Other grants	20,959	
	Grants cancelled	(1,824)	
	Total: Older People & their Families	145,115	
Access to Justice			
Mr Conrad Haley; Public Law Project	Mediation and judicial review - an action research study	95,000	12
Professor Tim Valentine; Department of Psychology, Goldsmiths College	Street identifications and their role in the criminal justice system	93,325	30
Mr Philip Leach; Human Rights and Social Justice Research Institute, London Metropolitan University	International human rights and fact-finding: An analysis of fact-finding and missions of the European Court (and Commission) of Human Rights	75,772	18
Ms Amaia Portelli; Central London Law Centre	A set of three complimentary employment law publications	60,380	25
Dr Sharon Shalev; Mannheim Centre for Criminology, London School of Economics	A handbook on solitary confinement	54,222	18
Dr Robert Thomas; School of Law, University of Manchester	Asylum adjudication: a study of the procedure and determination of asylum appeals	15,000	18
Mr Nicholas Howen; International Commission of Jurists	Eminent Jurists Panel on Terrorism, Counter-terrorism and Human Rights	15,000	12
Professor Dame Hazel Genn; Faculty of Laws, University College London	Nuffield Inquiry on Empirical Research in Law	14,825	3
Ms Sarah Craig; School of Law, University of Glasgow	An evaluation of onward immigration and asylum appeals in Scotland	10,000	18
Ms Alison Hannah; Legal Action Group	Youth Justice book revisions	10,000	12
	Other grants	18,924	
	Grants cancelled	(1,110)	
	Total: Access to Justice	461,338	
	Total: Social Research & Innovation	1,911,119	

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Name	Purpose	Value (£)	Term
Science			

Rheumatism Programme

Other grants	3,661
Cancelled grants	-
Total: Rheumatism	3,661

Undergraduate Research Bursaries

330 Awards 445,210

Newly Appointed Lecturers

72 Awards 341,143

School Science Bursaries

653 Awards 187,110

Cancelled grants (32,480)

Total: Science 944,644

Education

Education

Dr Geoff Hayward; Department of Educational Studies, University of Oxford	Review of 14-19 Education and Training, England and Wales	505,273	36
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Dr Catherine Adams; School of Psychological Sciences, University of Manchester	Effectiveness of speech and language therapy intervention for children with pragmatic language impairments: an interdisciplinary study	355,838	28
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Professor John Gardner; School of Education, Queen's University Belfast	Analysis and Review of Innovations in Assessment in the UK (ARIA)	140,980	18
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Ann King; The Mary Glasgow Language Trust	Effective 14-19 curriculum development in modern foreign languages	39,800	40
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Other grants 15,665

Total: Education 1,057,556

Grants for Women's Education

254 awards 276,320

Cancelled grants (47,507)

228,813

Total Education 1,286,369

Other activities

Open Door

Professor Richard Blundell; Institute for Fiscal Studies	The Mirrlees Review: Reforming the tax system for the 21st century	312,500	21
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Professor Anthony Heath; Department of Sociology, University of Oxford	Assessing the affirmative action programme in Northern Ireland	172,238	27
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Ms Sarah Spencer; Centre on Migration, Policy and Society, University of Oxford	The role of migrant health and social care workers in ageing societies: Planning for the future	137,571	24
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Name	Purpose	Value (£)	Term
Open Door (continued)			
Dr Yaël Brinbaum, Ap Ecole d'Economie de Paris Mr Johannes Lunneblad, Goteborgs Universitet Ms Helga de Valk, Universiteit van Amsterdam Dr Vikki Boliver, University of Oxford Ms Maribel Arteaga, Universitat Autonoma de Barcelona Mr Jordi Rovira, Universitat Autonoma de Barcelona Professor Richard Alba, The State University of New York (website development)	International Fellowships Programme: Children of Immigrants in School	180,911	24
Mr Alex Brazier; Hansard Society	Influence and efficiency in the legislative process: parliament, government, the public - and how laws are made.	135,704	24
Dr Katherine Rake; The Fawcett Society	Understanding women's assets: An exploration of women's pensions, savings and debt and implications for policy making	118,250	18
Mrs Sibylla Tindale; University of Cape Town Trust	Early career chemistry fellowships at the University of Cape Town	83,300	36
Mr Gary Williams; Sound Seekers	Providing an audiology outreach service to the Gambia	56,700	12
Dr Linda Shaw; The Co-operative College	Education for the co-operative sector in East Africa	50,000	12
Mr Mike Brewer; Institute for Fiscal Studies	Poverty and Inequality in Britain: 2007 - 2009	48,071	27
Ms Ceila Petty; Evidence for Development	Building national expertise in the assessment, monitoring and evaluation of projects to assist children affected by HIV/AIDS in Malawi	42,435	9
Andy Pollak; Centre for Cross Border Studies	SCoTENS network	40,000	24
Professor Robert Hazell; The Constitution Unit, University College London	Constitutional Futures 2	39,207	12
Professor Kenneth Ruthven; Faculty of Education, University of Cambridge	Mathematical Knowledge in Teaching Seminars	14,980	24
Professor Ann Oakley; Social Science Research Unit, Institute of Education	Preparatory work for a history of the Cochrane Collaboration	14,970	6
Ms Niki Cleal; Pensions Policy Institute	Maintaining a long-term pensions consensus	14,680	4
Ms Erin Leigh; Women's Budget Group	Reviewing incapacity benefits reform proposals from a gender perspective	12,520	4
Professor Michael Farber; Department of Mathematical Sciences, Durham University	Prospects in Mathematics: A symposium for potential research students: annual conferences in 2006, 2007 and 2008	12,500	36
Professor Elroy Dimson; London Business School	Foundation and Endowment Asset Management Course	20,000	36

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Name	Purpose	Value (£)	Term
Open Door (continued)			
	Other grants	38,307	
	Cancelled grants	(1,267)	
	Total: Open Door	1,543,577	
Commonwealth Programme			
Dr Stephen Gordon; Clinical Research Group, Liverpool School of Tropical Medicine	Research training in methods for epidemiologic, clinical and operations research	181,577	60
Dr David Bowers; School of Ocean Sciences, University of Wales, Bangor	Developing marine science in Mozambique	170,888	24
Professor Andrew Green; Nuffield Centre for International Health and Development, University of Leeds	Transferring educational capacity for the training and professional development of health professionals from the UK to Eastern Africa	152,696	36
Professor Rachel Jenkins; WHO Collaborating Centre and the Section of Mental Health Policy, King's College London	Developing primary care of mental disorders in Kenya	85,800	48
Mr Graham Blois; Mildmay International	Paediatric HIV and use of ARVs for multidisciplinary health workers	75,000	18
Ms Gill Gordon; International HIV/AIDS Alliance	Training Teachers in Zambia to provide sexuality and life skills education to pupils aged 8-14 years	28,821	30
	Other grants	29,713	
	Total: Commonwealth	724,495	
	Total: Other Activities	2,268,072	
	Total: Grants Awarded	6,691,109	
	Total: Grants Cancelled	(280,905)	
	Total All Programmes	6,410,204	

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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 the endowment value of £188,310k (the value on 31st December 2003).
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	30%	+/- 8%
O'seas Equities	30%	
Private Equity	10%	
Fixed Interest	15%	+/- 3%
Cash	5%	
Property	10%	+/- 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, OLIM
O'sea Equities	Marathon, Lloyd George
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	-

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.

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	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Statement of Financial Activities										
Incoming Resources										
Investment income (net of charges)	7.53	7.77	7.95	6.94	7.29	5.67	5.52	5.26	5.92	4.92
Other income	0.72	0.95	0.81	1.26	1.35	0.69	0.65	0.82	0.62	1.07
Total incoming resources	8.25	8.72	8.76	8.20	8.64	6.36	6.17	6.08	6.54	5.99
Expenditure										
Grants made										
Projects managed internally										
Curriculum Development	0.64	0.94	0.89	0.74	0.70	0.80	0.86	0.78	0.99	1.01
Council on Bioethics	0.18	0.24	0.30	0.34	0.56	0.78	0.57	0.71	0.76	0.88
Other projects	0.07	0.15	0.22	0.23	0.01	0.24	0.12	0.18	-	-
Support costs	0.92	0.86	0.83	0.88	1.13	0.87	0.95	0.64	1.02	1.28
	1.81	2.19	2.24	2.19	2.40	2.69	2.51	2.31	2.76	3.16
Charity administration	0.11	0.11	0.11	0.09	0.11	0.15	0.27	0.35	0.11	0.09
Total Expenditure	7.43	7.51	9.17	8.88	7.73	9.21	11.64	8.24	8.09	9.66
Net Movement on Funds	0.82	1.21	(0.41)	(0.68)	0.91	(2.85)	(5.47)	(2.16)	(1.56)	(3.68)
Other Gains and losses	19.60	12.48	31.69	(8.64)	(28.79)	(38.28)	20.13	17.24	29.43	23.36
Funds at beginning of year	185.63	206.05	219.74	251.02	241.70	213.82	172.69	187.35	202.43	230.30
Funds at end of year	206.05	219.74	251.02	241.70	213.82	172.69	187.35	202.43	230.30	249.99
Balance Sheets										
Fixed Assets										
Investments	203.06	215.55	247.24	238.60	207.60	169.34	191.44	208.13	235.54	256.18
Tangible Fixed Assets	1.51	1.59	1.55	1.53	3.72	3.66	3.56	3.54	3.45	3.34
Programme Related Investment	-	-	-	-	-	0.10	0.10	0.10	0.10	0.10
	204.57	217.14	248.79	240.13	211.32	173.10	195.10	211.76	239.09	259.62
Current Assets										
Cash and short term deposits	7.90	8.07	9.03	9.40	8.72	6.80	2.49	0.95	0.45	0.65
Other current assets	0.76	1.15	1.02	1.26	1.80	1.06	0.77	0.64	0.65	0.53
	8.66	9.22	10.05	10.66	10.52	7.86	3.26	1.58	1.10	1.18
Liabilities	(7.18)	(6.62)	(7.82)	(9.09)	(8.02)	(8.27)	(11.01)	(10.92)	(9.88)	(10.81)
Net Current Assets	1.48	2.60	2.23	1.57	2.50	(0.41)	(7.75)	(9.34)	(8.79)	(9.64)
Total Net Assets	206.05	219.74	251.02	241.70	213.82	172.69	187.35	202.43	230.30	249.99
Reserves										
Income/Expenditure reserves	2.50	3.75	3.43	2.73	5.75	3.35	(0.96)	(1.30)	(0.66)	(1.69)
Endowments	203.55	215.99	247.59	238.97	208.07	169.34	188.31	203.73	230.97	251.68
	206.05	219.74	251.02	241.70	213.82	172.69	187.35	202.43	230.30	249.99
Performance										
Total Returns (12 months to 31 Dec.)										
Investments (net of fees)	15.0%	10.4%	19.1%	-0.5%	-10.2%	-17.4%	15.2%	12.3%	17.3%	12.5%
Benchmark (WM 2000/Bespoke)	16.2%	13.2%	21.2%	-2.1%	-9.7%	-16.5%	16.5%	11.4%	19.1%	12.2%
Change in Indices (12 months to 31 Dec.)										
Expenditure/Investments	3.7%	3.5%	3.7%	3.7%	3.7%	5.4%	6.1%	4.0%	3.4%	3.8%
Growth in Foundation Expenditure	-2.5%	1.1%	22.1%	-3.2%	-13.0%	19.2%	26.4%	-29.3%	-1.7%	19.4%
Increase in RPI	3.6%	2.8%	1.8%	2.9%	0.7%	2.9%	2.8%	3.5%	2.2%	4.4%
Increase in Average Earnings	4.9%	4.0%	5.8%	5.3%	2.1%	3.4%	3.4%	4.2%	3.8%	3.8%

Notes

- 1 These statements have been extracted from previously audited financial statements
- 2 These statements do not form part of the trustees' Report and Accounts.