

John Ellerman Foundation

**Annual Report and Financial Accounts
1 April 2015 – 31 March 2016**

Registered Charity Number 263207

www.ellerman.org.uk

Chairman's Introduction

Once again, this has been a tough year for charities. Financial pressures resulting from deepening local authority funding cuts and a government shift from more flexible grants to contracting for services have hit small to medium-sized charities hardest – exactly those we prioritise for our funding. While conscious that we are unable to make up for this, we hope that our long-standing offer of core funding serves as some counterbalance to these forces.

The changes in social welfare law, as well as cuts in legal aid, have greatly increased the demand on charities for their services. At the same time, charities have found themselves uncomfortably in the spotlight. High-profile coverage in the press of mismanagement in the sector and negative publicity about fundraising techniques have served to erode public confidence. We both fund and are part of the charity sector, so are deeply concerned about the increased scrutiny and reduced public trust not only for the effects on fundraising, which is the lifeblood of charities, but also on our individual and collective reputation.

Given all the pressures, Trustees were delighted to be able to increase the grants budget to £4.8m; this will rise to £5m next year. The new grant making strategy is bedding in well; spending was close to budget and we have seen a pleasing increase in grants in the environment category.

The Regional Museums & Galleries Fund is proving increasingly popular. This provides essential core funding for institutions particularly hard hit by local spending cuts. While there is some way to go with the evaluation, we can already see that the public benefit is greater than anticipated – ranging from support for early career curators, to investment in areas of substantial deprivation and providing a boost for the institution itself. Many of the grants have been in the north, where the public spending axe has fallen hardest. This success has led Trustees to continue this Fund into next year, at a similar level.

At the end of the year, our endowment was worth £128m. This represented a reduction of 5% over a year of volatile markets, but is still the second highest in our history. The total return on the portfolio was minus 0.6% which, while less than our long-term objective of 5.6%, outperformed our simple benchmark (comprising 80% equities and 20% fixed income), which fell by 2.4%. Our new investment strategy generates consistent levels of income. Short-term movements in markets do not affect our ability to make grants, and our spending policy is currently unchanged. We do, of course, keep this under review.

For the Foundation, this has been a year of considerable internal change. Our rather tired offices have been transformed into a bright and stimulating new working environment and, most importantly, with new space available for use by the charities we fund. As a relationship-based funder, we expect this to strengthen our links with those we support. I would also like to thank the Nuffield Foundation for their warm welcome during our relocation.

In last year's report, we said farewell to our Head of Finance & Resources, Patricia Yearley. Soon after Barbra Mazur, Head of Grants, moved to become the Inaugural Director of the Battersea Power Station Foundation, where she was later joined by Linda Crowhurst as Grants Co-ordinator; their departure left a significant gap in a small office, and we wish them the best in their new careers.

I am delighted to welcome our new team. Dorothee Irving, Head of Grants, brings 12 years' experience of grantmaking. Her assistant Emma Clarke has worked for a variety of charities. Matthew Whittell's background in the investment world provides invaluable expertise for the financial side of the operation. The Trustees are already much enjoying working with the new team.

We are also grateful to those individuals who provided sterling support in their interim roles – Hilary Hodgson, Acting Head of Grants, Phoebe Sutton, Administrator, and Andy McDaid from Isosceles on the accounting side.

Last, but not least, my fellow Trustees. The death last year of our colleague Diana Whitworth was keenly felt, not just because of the strength and depth of her knowledge of charities and the Welfare sector (our largest funding category), but also for her humour, intelligence and tenacity. We miss her presence, and her enthusiasm for the role and for the Foundation.

We are also sadly bidding farewell to Dominic Caldecott after 10 years' trustee service, latterly as Chairman of the Finance & Investment Committee. Knowing that our investments were in such capable hands has been hugely reassuring, and we will miss his sharp insights and perceptiveness about both the investment and charity worlds.

As their replacements, we are delighted to have recruited Geraldine Blake as lead Trustee for our Welfare category, and Gary Steinberg, who will serve on the Finance & Investment Committee. Both join us in July 2016.

With a new team and a new office, we look forward to a stimulating year ahead.



Sarah Riddell
Chairman

Trustees' Report

Our history

John Ellerman Foundation was created from a combination of the wealth and generosity of a father and son. The former, the first John Ellerman (1862-1933), had built up from scratch an empire of shipping and other businesses in the early part of the 20th century. At the age of 23, his son, also called John, inherited his father's baronetcy and very considerable fortune. Although in charge of the family firm, his real interests lay elsewhere. Like his father a publicity-shy man, the second Sir John became a distinguished zoologist and world expert in the study of rodents. In 1971, two years before his death, he donated the funds from the Ellerman Lines business to form the original Foundation.

The current Foundation is governed by a Scheme, approved by the Charity Commissioners for England and Wales in March 2002. This brought together the funds originally donated in 1971 with a smaller trust fund set up under the first Sir John's will, and the Trustees were granted incorporation under the Charities Act 1993 as the Trustees of the John Ellerman Foundation. The Scheme provides wide powers for the Trustees to carry out their duties.

Aim and objectives

Our aim is to advance the wellbeing of people, society and the natural world. We intend to achieve this by:

1. funding charities with a national footprint to make a practical difference, in the fields of arts, environment and welfare; and
2. managing our funds in such a way that balances the desire to maintain grantmaking capacity with operating in the long term, which means in excess of 30 years.

The Foundation's strategy and policies are reviewed at board meetings and through setting annual objectives for governance, administration, investment and grantmaking. Away days are held every few years and provide a forum to reflect in greater depth on experience and the Foundation's future direction. A special meeting to discuss the spend policy took place in April 2015, and the next full away day is planned for Autumn 2016.

Public benefit

This flows from the Foundation making grants to charities engaged in activities which support their beneficiaries. Core funding has long been our signature, which reflects Trustees' belief in the value of a thriving charity sector.

Trustees confirm they have referred to the Charity Commission's guidance on public benefit when reviewing their objectives and aims, making any relevant decisions and reviewing grantmaking policy.

Achievements and Performance

Consolidation

The past four years have seen considerable change, with reviews of the two sides of the Foundation's work – the grant making strategy and the management of the investment portfolio.

Revised grant guidelines published in Summer 2013 have now bedded in, and we are getting a good feel for how they work in practice. As we approach the third anniversary of operating this new approach, we can detect an overall shift towards larger grants, for longer periods. The section on grant making later in this report says more about the trends.

The simplified investment strategy was implemented by the end of 2013. Since then the Finance & Investment Committee has assumed a role of strategy and scrutiny rather than the more tactical approach previously applied. Our balance sheet and long-term view makes us better placed to ride the peaks and troughs of markets than those charities with more immediate financial pressures and shorter time horizons.

Practical changes

Having completed the review of the grants and investment strategies, the past year has been one of significant operational change. We completed a long-planned office refurbishment. Not only did this improve the working environment, but it also created meeting spaces for use by others, mainly our grantees. The office is convenient for the West End, Whitehall and the City, and easily accessible from all mainline stations. The work and charities we fund have a national footprint, so we hope our premises will be a valuable central place for people to come together.

The comprehensive refurbishment involved our relocation for three months. We are very grateful to our colleagues at Nuffield Foundation for being such welcoming hosts. This coincided with the changes at staff and Trustee level described in the Chairman's report. The new team is now firmly established in the newly refurbished premises, ready to welcome visitors and looking forward to an exciting year.

Monitoring, reflection and learning

Making a difference is important to us. However, as a grant maker we do this by supporting other charities. We therefore rely on what they tell us to understand the impact of our funding. This is a growing area of interest, which has its own challenges. Do we capture impact by making demands of grantees to report in a set format (easier for the donor), or by sitting alongside them as they work with their beneficiaries (more interesting, but complex and difficult to aggregate)? As a relationship-based funder we aim to build trust with those we support, from which we believe both sides will gain richer learning. However, measurement is a challenge, and moving from simply monitoring progress to deepening our shared appreciation of what makes a difference is a live issue for us.

At this stage, we are aiming to do two things – to ensure we are funding those charities which think hard about what they are doing, review their own progress and change course accordingly, and to improve our own grant making. It is very much work in progress. We have begun a programme of Trustees visiting grantees, and the independent evaluation of the Museums & Galleries Fund continues. Our future plans include using our convening power and other resources to complement this – for example, by bringing people together who work in similar fields, and offering our meeting space to others.

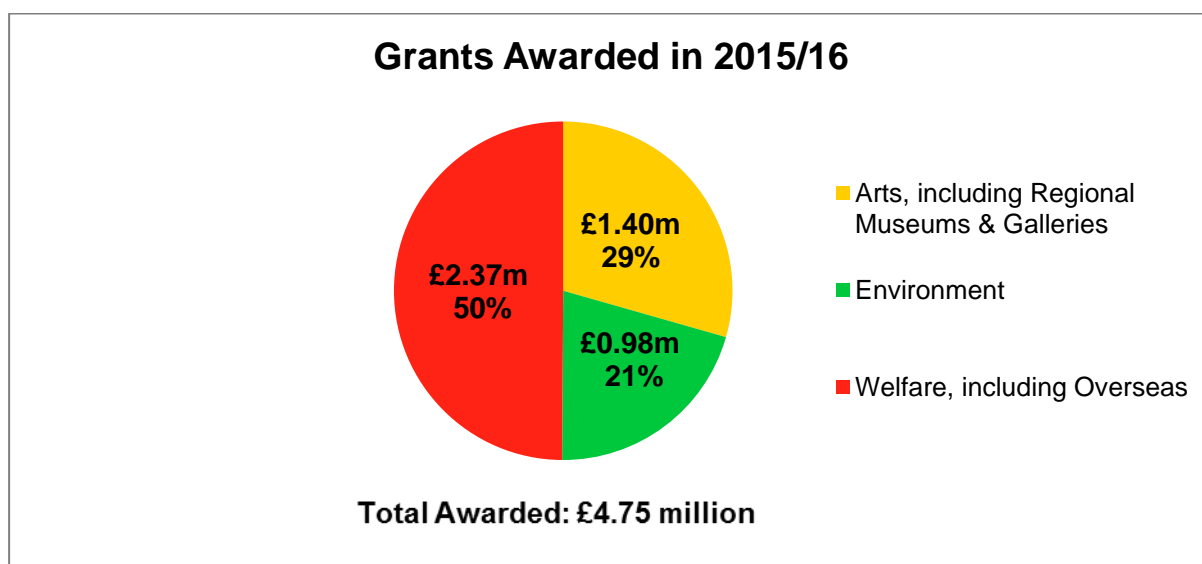
Flexibility

While Trustees have set a strategy for the Foundation, as an independently endowed charity we can be flexible where this contributes to our aim. This enabled Trustees to commemorate the contribution of one of their number, Diana Whitworth, by making a donation to a charity of her family's choice. The grant to the Smith School is another example of using this flexibility to respond to a newly identified need, in this case for environmental NGOs to develop their financial and investment knowledge and skills, thereby creating new routes to environmental benefit. It also means that we can continue to support the Rachel Swart Fund, a South African charity set up by our settlor, Sir John Ellerman.

Grants made 2015/16

In what was the second full year of operation since the Trustees reviewed our policies and formulated a new grant-making strategy in 2013, we have seen a further increase in the number and overall value of grants awarded.

We publish details of grants approved on our website following Board meetings, which take place six times a year at regular intervals. A full list is included later in this report.



In the year to 31 March 2016:

- We made 62 grants worth £4.75 million and incurred a further £0.02 million of grant-related expenditure
- The budget allocation for the three categories was:
 - Arts - 25%
 - Environment - 25%
 - Welfare - 50%
- The average size of a grant was £30,000 per annum (£36,000 last year), or £76,000 overall (£82,000 last year)
- 47 out of the 62 grants were for core funding, representing 75%, a similar proportion to last year
- Most grants were for more than one year:
 - 4 were for one year
 - 23 were for two years
 - 35 were for three years
- In the Arts category, 14 grants were for the performing arts and six went to regional museums and galleries, through our special Fund.

Share of grants between the different categories

Trustees are flexible in deploying the funds allocated to the three categories, which allows them to respond to the number and quality of applications. Interestingly, spending in the welfare category was exactly on target at 50% of the total grant-making budget, which is similar to last year.

Spending on the arts took 29% of the total, which was slightly down on last year's 31%. This remains the budget which has the greatest demand for grants. As forecast in last year's report, spending on the environment was closer to target at 21% (17% last year).

Unusually, we also made two overseas grants this year, both in the field of welfare. One was to the Rachel Swart Fund, a charity set up by our founder Sir John Ellerman in South Africa in 1960, where the Foundation has been a regular supporter. The other was an exceptional grant to commemorate Diana Whitworth, our Trustee who sadly died in 2015; her family chose as a recipient a UK charity operating in Africa to reflect her interest in international development.

Environment funding criteria

Most of the grants we made in this category (six out of ten) related to marine conservation, one of two current priority areas in our environmental giving. The rest were of a more varied nature. Trustees plan to review the environment criteria later this year.

Crossover of programme areas

Our overall aim is to advance wellbeing, which connects all three of our grant-making categories. In the past year we have funded an increasing number of projects that straddle two categories, specifically welfare and arts (six) and welfare and environment (two). Trustees are interested in this crossover and welcome applications that show synergies with more than one area. However, as each category has its own criteria, there is a risk that applications fall between the two. As such, it is an area where additional advice to applicants is often required.

National footprint

A signature JEF grant is characterised by a strong national footprint, and this remains the main area of difficulty for potential applicants; it is the largest single reason for applications being turned down at the first stage, with 62 out of 163 ineligible applications (38%) failing on this count. We encourage people to call and discuss this if they are unsure.

Applications and success rates

This year's application rate was nearly identical to last year, with 447 applications compared to 446 in the previous year. However this figure does not reflect the many email and telephone conversations we have in advance of an application, giving advice and feedback on ideas or draft outlines. This can lead to applicants deciding not to proceed with a proposal as it would not fit our criteria – most commonly as the work does not have a national footprint, or the charity focuses on a single organ, medical condition or disease.

Of the 447 initial applications received, 163 were not eligible as they did not match the guidelines. Trustees therefore considered 284 applications, and 26% of those were invited to second stage. Of the 74 second stage applications, 62 (84%) received a grant. Compared to the previous full year, the number of applications invited to second stage and receiving a grant increased slightly. Total Grant expenditure rose to £4.77m (£4.5m last year).

Funding regional museums and galleries

This Fund is the channel for our visual arts funding. It concentrates on museums and galleries outside London, with a focus on strengthening and supporting curatorial development. Demand for this Fund has grown year on year, with 62 applications in this, its third year, from which Trustees agreed six grants – a 1:10 success rate compared with 1:5 for our responsive grant applications. As a discrete programme of work we have also commissioned an independent evaluation, which is on-going.

Having said the Fund would run for an initial three years, Trustees have reviewed progress and considered how to support museums and galleries. Feedback indicates that the Fund occupies a distinct niche, in providing core support for curatorial work across all disciplines, compared with other funds which focus more on time-limited conservation and collections work. This, combined with the hardening economic landscape outside London and the growing demand, led Trustees to decide to continue the Fund for a further year to 2017.

Looking ahead

These continue to be difficult times for charities. Trustees remain conscious of the economic situation and its effect on charities and their beneficiaries, and have therefore agreed to increase the grants budget to £5 million for 2016/17.

Now that the grant and investment strategies have settled, Trustees plan to reflect on the experience of this new approach. The arrival of a new staff team and some changes on the Board make this a good year to take stock and plan. Our main focus for the coming year is therefore the Away Day planned for the Autumn.

Financial Review

Investments

The Foundation's investment aim is to manage its funds so as to balance Trustees' desire to maintain its grantmaking capacity with that of operating in the long term. This aim provides the underlying basis for our investment objective, which is to achieve a real return of 4% per annum over the long term. Trustees have adopted a Total Return approach, which means that both income from the portfolio and the underlying capital can be used to support the Foundation's activities.

The year to 31 March 2016 was the second full year following a significant change to our investment strategy. The main objectives of this change were to simplify the investment portfolio, adjust the balance of responsibilities between the Committee and Fund Managers, and to raise the yield on the portfolio to deliver a greater proportion of the Foundation's total expenditure out of income. As a consequence, the Committee's responsibilities are now focussed on the overall investment strategy, while the investment managers have day-to-day responsibility for portfolio management. We retain six investment managers who have responsibility for all asset allocation decisions within an overarching framework set by the Finance & Investment Committee. Investec, Ruffer and Smith & Williamson manage segregated portfolios, while the investments with Newton, Barings and the Charities Property Fund are held in pooled funds.

Investment performance

The Finance & Investment Committee monitors the performance of each manager against two benchmarks. First, the managers' actual performance net of costs is measured against the real return target of 4% per annum and second, a comparison with a simple benchmark of 80% UK equities and 20% UK government bonds is used to provide evidence of the benefit of running the diversified, actively managed investment structure.

Stanhope Consulting continues to support the Committee with performance measurement analysis, commentary on the managers' performance and modelling options to assist with the review and planning of the investment strategy. This year, following consideration of expected long term returns from the main asset classes, the Committee adjusted its simple benchmark from a mix of 70% equity: 30% fixed income to 80% equity: 20% fixed income in order to reflect the level of exposure to real assets likely to be required to achieve the real 4% return target.

At 31 March 2016, the Foundation's investment portfolio was valued at £128m, a decline of 5.2% from the previous year's level of £135m. The portfolio Total Return for the financial year ending 31 March 2016 was minus 0.6% (2014/15: 13.3%), compared to the long-term objective of 5.6% (2014/15: 4.9%) and the total return for the simple benchmark of minus 2.4% (2014/15: 9.1%).

Income and expenditure

The Foundation's income derives exclusively from its investment portfolio. Total investment income increased to £3.9m from £3.7m the previous year.

The Foundation has three significant items of expenditure: the grants that we make, the costs of managing the investment portfolio and the running costs of the Foundation (of which staff costs are the major component). Total expenditure was £6.0m, compared to £5.7m last year. Grants were £4.8m (2014/15: £4.5m); Investment Management costs at £0.6m were marginally lower than previous years; and the running costs of the Foundation of £0.6m were 11.5% (2014/15: £0.6m, 11.5%) of total expenditure (excluding investment costs). Trustees are mindful of the need to control running costs in order to maximise the amount available to spend on grants. We continue to monitor these closely.

The Foundation refurbished its office premises during the year, at a total cost of £324,000. In accordance with our policies, the major part of this expenditure has been capitalised and will be depreciated over the coming years. The depreciation charge in this year's financial statements reflects the fact that the refurbishment was completed during the fourth quarter of the year. Certain costs arising from the refurbishment, amounting to some £25,000 have been expensed during the year and are non-recurring in nature. This significant project serves to maintain the value of our long term investment in the property as well as improve working conditions for staff and other users. An important motivation behind the refurbishment was to provide facilities for use by our grantees, saving expenses they might otherwise have incurred. The Trustees are considering how to reflect the value of this service to grantees in the future.

Spending policy

We manage our assets and expenditure for the long term – which we define as in excess of 30 years. Trustees regard our present spending policy as stretching, but currently sustainable. In April 2015 Trustees held a special meeting to determine an appropriate spending policy, concluding that annual expenditure would be set at 4.5% of the value of the Foundation's net

assets, averaged over the quarter end values of the last three calendar years. The Finance & Investment Committee reviews this policy each year and reports to the Trustees.

Reserves policy

For the Foundation, the reserves policy is inextricably linked with the spending policy. The Total Return approach means that actual income received each year will be supplemented, if necessary, from distributable capital. It follows that the reserves policy is to retain the capital value of the investment portfolio, to support charities over the long term. Given that all of the Foundation's endowment funds are expendable, the Trustees have sufficient flexibility to respond to unforeseen circumstances if necessary, and therefore it is not considered appropriate to identify a level of free reserves that need to be maintained.

Remuneration policy

Trustees have agreed that staff salaries should be based on the median salary among the foundation peer group. Pay is reviewed annually by the Remuneration Committee, taking into account external market conditions, such as RPI and cost of living awards in other sectors, and the cost as a proportion of overall expenditure. Trustee remuneration is linked to an external benchmark of RPI in a specified month, and as such is not considered by Trustees themselves.

Socially responsible investment

To recognise the link between the Foundation's investments and grantmaking activities, Trustees exclude investment in tobacco-related companies wherever practically possible.

Social investment

In 2007, the Foundation made a social investment of £250,000 in Charity Bank, in the form of an unsecured 10-year loan. This combines a social and financial return. Charity Bank lends to charities and, as the loans are repaid to the bank, the funds become available to help additional charities. The Foundation receives interest annually and the loan is expected to be repaid next year. Trustees understand that the financial return on the loan could be lower than other investments over the same period.

In 2014/15, Trustees approved a second social investment, of up to £250,000, in a Fund created by Social Finance to expand the number of Shared Lives schemes in England. These schemes provide a home and family life, instead of life in an institution, for adults who are unable to manage on their own. They are a personal, highly-rated form of care about which Trustees are enthusiastic. This investment follows a grant to Shared Lives Plus in 2012, and is intended to help with scaling up a selection of Schemes in a way that a grant could not. In its first year, due diligence, legal work and administration was completed and the first draw-down was made in April 2015. In 2015/16, progress and the level of drawdowns accelerated and we currently have £68,000 out of a commitment of £250,000 extended to the programme.

Grants made in the year ended 31 March 2016

Grants are included in the Statement of Financial Activities once they have been approved by the Trustees and grantees informed. This is a list of the new grants awarded in 2015/16.

Arts

Artichoke Towards core costs, specifically the salary of the Artistic Director, to research and develop new programmes of work.	£60,000 over two years
Ballet Black Towards core costs, specifically the salary of an Administrator, to support the company's artistic and touring programmes.	£40,320 over two years
Clean Break Towards the core costs of the artistic programme, focusing on partnerships with regional theatres.	£60,000 over two years
Ex Cathedra Towards core costs, specifically the salary of a Fundraising Manager, to support expansion.	£69,441 over two years
Graeae Theatre Company Towards core costs to develop opportunities in the performing arts for deaf and disabled actors, writers and directors in the North.	£50,000 over two years
Northern Ballet Towards the costs of the mid-scale touring programme which brings live ballet to new areas and audiences.	£60,000 over two years
Northern Stage Towards core costs, specifically the Associate Director's salary.	£105,000 over three years
Paines Plough Towards core costs to enable them to consolidate, plan and continue to deliver the scale and range of work to their national audiences and partners.	£70,000 over two years
Phoenix Dance Theatre Towards core costs, specifically the salary of a permanent Producer, to increase touring and develop new partnerships.	£40,000 over two years
Situations Towards core costs, specifically the salary of the Artistic Director/Chief Executive, to expand the national footprint of its public art commissioning.	£60,000 over two years
Sound and Music Towards core costs, specifically the salary of a Creative Project Leader, to develop and improve their programmes, including work by new composers and for new audiences.	£75,000 over three years
Tara Arts Towards core costs, specifically the national touring programme "Black Theatre Live".	£30,000 over three years

Tobacco Factory Theatres £99,360
Towards core costs, specifically the salaries of the production team, to over three years
increase their productions and touring programmes.

Tutti Frutti Productions £75,000
Towards the core costs of its work with children and family audiences. over three years

Total Arts Grants £894,121

Regional Museums & Galleries Fund

Beamish Museum £78,000
Towards the costs of curatorial activity in the "Remaking Beamish" project, over three years
which aims to create authentic and immersive settings that are representative of the North East.

National Army Museum £66,085
Towards the costs of supporting a national network of regional army museums over two years
to broaden audiences, share good practice and support curatorial development.

National Maritime Museum Cornwall Trust £95,172
Towards the costs of curating the nation's small boats collection and over two years
addressing under-provision in the care, conservation and interpretation of historic small boats and crafts.

National Museum Wales £92,950
In partnership with the Natural History Museum, towards the costs of training over two years
and assisting curatorial staff at six museums across the UK to research, categorise and interpret the molluscs in their natural history collections.

The Potteries Museum & Art Gallery £81,110
Towards the salary of a full-time assistant curator to develop the Local History over three years
collections, increase access to those collections and ensure the transfer of curatorial knowledge.

Turner Contemporary £90,000
Towards the costs of developing an innovative, audience-led curatorial over three years
approach to enable community members to shape the programme.

Total Museums & Galleries Grants £503,317

Environment

Blue Marine Foundation Towards the core costs of its work in the UK and the Overseas Territories, tackling overfishing and promoting sustainable fishing.	£150,000 over three years
Chagos Conservation Trust Towards the cost of the Chagos Information Portal (ChIP), a central place to store the critical data to inform environmental conservation work in Chagos.	£80,112 over three years
Green Alliance Towards the core costs of the new natural environment programme, which aims to enrich and develop healthy ecosystems and promote the sustainable use of natural resources.	£100,350 over three years
Hebridean Whale and Dolphin Trust Towards core costs, specifically the salary of the Director, who oversees its work in the nationally significant marine environment on the West Coast of Scotland.	£89,901 over three years
Marine Conservation Society Towards core costs, specifically the salary of the Director of Conservation and Campaigns, to maximise the impact of the charity's campaigns, policy, influence and awareness raising.	£90,000 over three years
Smith School of Enterprise and Environment Towards a capacity building programme for NGO leaders to enhance their understanding of finance and investment, as it relates to environmental sustainability.	£50,000 over one year
Sylva Foundation Towards core costs, specifically the salary of a Development Officer, to help secure the charity's long term sustainability in its work to reviving Britain's wood culture.	£107,000 over three years
Tarka Country Trust Towards the development and implementation of systems to monitor and manage UK inshore fishing activities.	£75,000 over one year
The Rivers Trust Towards the core costs of its work protecting, conserving and rehabilitating rivers and adjacent coastal areas in the UK.	£150,000 over three years
Zoological Society of London Towards the core costs of the Great British Oceans campaign to secure marine reserves in UK Overseas Territories.	£90,000 over three years
Total Environment Grants	£982,363

Welfare

Action on Elder Abuse Towards core costs to continue to protect and prevent the abuse of vulnerable older adults.	£75,000 over three years
Albert Kennedy Trust Towards core costs of their services for vulnerable young people, specifically the salary of the Deputy Chief Executive.	£40,101 over two years
Blind in Business Towards core costs, specifically the salary of an Employment Services Coordinator, to support blind and partially sighted graduates to secure high quality jobs.	£81,000 over three years
Cardboard Citizens Towards the costs of the expansion of its model throughout the UK to enable people who are homeless or at risk of homelessness realise their potential.	£75,000 over two years
Carers UK Towards core costs, specifically the salary of an Advice and Information Officer, to support more carers.	£71,161 over two years
Changing Faces Towards the costs of recruiting and training new volunteers for the Skin Camouflage Service, used by children and adults with skin disfigurements.	£60,000 over two years
Child Poverty Action Group Towards the costs of the Advice Line, which provides information and advice to welfare rights advisers and other professionals.	£90,000 over two years
Create (Arts) Ltd Towards core costs, specifically the salary of the Chief Executive, for its work using creative arts to help transform the lives of the most disadvantaged and vulnerable people.	£75,000 over three years
Cued Speech Association Towards the core costs of its work providing information and training in Cued Speech to parents of deaf children and the professionals who support them.	£40,000 over two years
Debate Mate Towards the core costs of delivering the after-school debating and inter-school debating competitions programme.	£90,000 over three years
Dementia Adventure Trust Towards core costs, specifically the salary of a Volunteer Coordinator, to develop volunteering opportunities, which directly support people and families living with dementia.	£84,000 over three years
Escaping Victimhood Towards core costs, specifically the salary of the Director, to support people whose lives have been affected by the trauma of serious crime.	£60,000 over two years
Human Trafficking Foundation Towards the core costs of its work influencing policy, supporting survivors and raising awareness about modern day slavery.	£90,000 over three years

LawWorks - Solicitors Pro Bono Group	£90,000
Towards the costs of the Law Works Clinics project, providing a network of free advice by volunteer solicitors on social welfare and related matters.	over three years
Live Music Now	£82,500
Towards core costs, specifically the salary of an Operations Director, to support the programme of interactive music in care homes, hospitals, community and healthcare settings.	over three years
London Youth Support Trust	£105,000
Towards core costs, specifically the salary of an Executive Director, to enable the expansion of its model of supporting young entrepreneurs in more cities.	over three years
Oily Cart	£75,000
Towards core costs, specifically the Tour Producer's salary, to create high quality productions for children and young people with profound and multiple learning disabilities.	over three years
PAC-UK	£120,000
Towards core costs, following the merger of PAC UK and After Adoption Yorkshire, to support people affected by adoption and other forms of permanent care.	over three years
People First (Self Advocacy)	£75,000
Towards the core costs of supporting and raising awareness of the rights of people with learning difficulties.	over three years
People United	£75,600
Towards core costs, specifically the salary of the Co-Director to support social engagement through the arts.	over three years
Siblings Together	£78,000
Towards core costs, to help young people in the care system keep in contact with their siblings.	over three years
Sky Badger	£80,070
Towards core costs, specifically the development of its e-helpdesk service, to provide support and information to families of disabled children.	over three years
Step Forward Volunteering	£66,600
Towards core costs, specifically the salary of a Programme Manager, to support disadvantaged and vulnerable people move forward with their lives through community volunteering.	over two years
The Aidis Trust	£75,000
Towards the core costs of its work helping severely disabled people to use technology.	over three years
The Country Trust	£104,000
Towards core costs, specifically the new leadership team.	over two years
The Reader Organisation	£70,000
Towards core costs, specifically the post of the Operations Manager, to develop the work connecting people with literature through shared reading.	over two years

Timebank	£60,000
Towards core costs, specifically the salary of a Programme Manager, to develop the long-term future sustainability of the transitional mentoring and volunteering programme.	over three years
Trussell Trust	£60,000
Towards core costs, specifically the salaries of a Volunteer Coordinator and Volunteer Assistant, to oversee the volunteers and manage the Supported Volunteer Programme across the Foodbank Network.	over two years
WellChild	£54,314
Towards the cost of a nurse in West Sussex for children with chronic medical conditions, while the position transfers to being funded by the NHS.	over one year
Who Cares? Scotland	£90,000
Towards the cost of a joint initiative with VOYPIC, in Northern Ireland, to give a voice to young people who are or have been in the care system.	over three years
Total Welfare Grants	£2,292,346
 Overseas	
The Rachel Swart Fund	£75,000
Towards the core costs, a charity set up by John Ellerman, which supports people living with severe disabilities in disadvantaged communities throughout South Africa.	over three years
ZANE: Zimbabwe A National Emergency	£3,000
An exceptional grant, towards core costs.	over one year
Total Overseas Grants	£78,000
Additional grant-related expenditure not included in the above	£16,768
TOTAL GRANTS MADE IN THE YEAR ENDING 31 MARCH 2016	£4,766,915

Structure, Governance and Management

Trustees

The Foundation's Trustees are listed at the end of this report. The governing document provides for a maximum of nine and a minimum of three. There are currently eight. Trustees are appointed for five years, followed by the possibility of a further five years. A Trustee who is selected to be Chairman of the Board or the Finance & Investment Committee may serve beyond the 10-year term if this is in the best interests of the Foundation. Since the introduction of the Equalities Act 2010, there is no retirement age.

The first Trustees were personally selected by Sir John and Lady Ellerman and had strong links with the Ellerman companies. Over time, this has changed and in 2011, the last Trustee with a personal connection to Ellerman Lines retired.

Today, Trustees are recruited according to the skills, knowledge and experience required. Existing Trustees identify where the gaps need to be filled, such as those relating to a grant category or profession. Potential candidates are interviewed by the Chairman, a panel of Trustees and the Director. From time to time, an external agency assists with recruitment.

Each new Trustee receives a full induction and a detailed information pack, covering the Foundation's governance, history, grant guidelines, investments and objectives. On-going training and skills development takes a variety of forms, depending on the role and interests of the individual Trustees, and includes attendance at seminars, conferences and other events. There is an annual appraisal by the Chairman, who in turn, is appraised by two Trustees.

Trustees are closely involved in the evaluation of applications and grants made. They sift initial applications, visit those organisations invited to submit a second-stage application and provide written reports to the Board.

Organisational Structure

The Trustee Board meets six times each year. The Board sets strategy and policy for grantmaking and financial matters, and approves new grants.

Several Committees support the Foundation's work throughout the year, and report fully to the Trustee Board:

- The Finance & Investment Committee is responsible for financial and investment matters. The Committee's role includes developing an appropriate investment strategy, overseeing its implementation and monitoring investment performance. It also reviews and recommends to the Board the annual budget and spending policy, monitors expenditure and ensures that adequate internal controls and procedures are in place. It meets at least four times a year.
- The Remuneration Committee is responsible for reviewing all remuneration and benefits for staff and Trustees. It meets at least once a year.
- The Risk & Audit Committee is responsible for reviewing systems of internal control of governance, operational and financial risks. Meeting at least twice a year, it also reviews the draft annual report and accounts, and meets the auditors.

- The Nominations Committee is responsible for the recruitment of Trustees as delegated by the Board. It is not a permanent committee but is convened when a new Trustee is to be appointed.

The day-to-day management of the Foundation's affairs is delegated by the Trustees to the Director and staff team. They are responsible for ensuring that the Trustees' decisions are implemented in accordance with existing policy and within budget, and for briefing Trustees on current trends in the charitable sector and advising on how these may affect policy.

Risk Statement

The Trustees are responsible for the management of the risks faced by the Foundation. These fall into four areas:

- Governance and management
- Operational
- Grantmaking
- Finance

The Risk & Audit Committee reviews all these areas and identifies the major risks, their likelihood of occurrence, the significance of the risk, mitigating controls that are in place, and recommends any additional actions and resources required to reduce and manage those risks. These are documented in a Risk Register, which is also considered by the Trustee Board.

The Foundation's investment activities represent its main financial risk. This risk is managed with the support of an investment consultant, by regularly reviewing the investment objective and policy, employing external managers to achieve a well-diversified portfolio and closely monitoring their performance relative to the investment objective.

Applications for grants are assessed carefully to ensure that the Board understands any risks associated with a particular organisation or programme of work, and appropriate conditions are agreed. Once a grant is approved, monitoring and reporting processes are in place to ensure grants are well managed and evaluated.

All relevant procedures are included in the Foundation Handbook; these are checked and updated regularly. An Emergency Disaster Plan and Health & Safety Review form part of the annual risk assessment and are detailed in the Handbook. Trustees confirm that they are satisfied with the current systems and internal controls.

Conflicts of Interest

Trustees and staff are expected to conduct the business of the Foundation with integrity at all times. A Conflict of Interest Policy is in place to ensure that there is no personal gain from the Foundation's work.

All staff and Trustees complete an annual register of interests form. At each Board Meeting, each Trustee completes a declaration of interest form listing all applications to be discussed. Staff and Trustees are also expected to alert those present to any interests, and may be asked to withdraw from the room during the relevant decision-making process. Any relevant gift or hospitality received by Trustees and staff is also recorded on the Register of Interests. A note to the financial accounts lists grants made to any organisation during the year with which a Trustee of the Foundation has a close relationship.

Statement of Responsibilities of the Board of Trustees

The Trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the state of the affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards, including FRS102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business; and
- state whether a Statement of Recommended Practice (SORP) applies and has been followed, subject to any material departures which are explained in the financial statements.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deeds. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



SARAH RIDDELL
Chairman

21 July 2016



VIVIEN GOULD
Chairman, Finance & Investment
Committee

Independent Auditors' Report to the Trustees of the John Ellerman Foundation Charity

We have audited the financial statements of the John Ellerman Foundation for the year ended 31 March 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard Applicable in the UK and Ireland'.

This report is made solely to the charity's Trustees, as a body, in accordance with Chapter 3 of Part 8 of the Charities Act 2011. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charity and charity's Trustees as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 18 the Trustees are responsible for the preparation of financial statements which give a true and fair view. We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Trustees' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2016, and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Kingston Smith LLP

KINGSTON SMITH LLP

Statutory auditor
Devonshire House
60 Goswell Road
London
EC1M 7AD

Date: 26 July 2016

Kingston Smith LLP is eligible to act as auditor in terms of Section 1212 of the Companies Act 2006.

Statement of Financial Activities for the year ended 31 March 2016

	Notes	Total Funds 2016 £'000	Total Funds 2015 £'000
Income			
Income from investments	3	3,931	3,692
Total income		3,931	3,692
Expenditure			
Expenditure on raising funds	5	675	631
Expenditure on Charitable Activities			
Grants to charities	4	4,767	4,516
Costs in support of grant-making	5	582	512
Total charitable activities		5,349	5,028
Net (losses)/gains on investments			
(Losses)/gains on investment assets	9	(4,511)	13,071
Net (expenditure)/ income		(6,604)	11,104
Other recognised gains/(losses)			
Gain on revaluation of property	8	-	490
Net movement in funds	13	(6,604)	11,594
Reconciliation of funds			
Funds balance brought forward		135,413	123,819
Total funds at 31 March 2016		128,809	135,413

All the above figures relate to continuing operations. There are no recognised gains or losses other than those disclosed.

Balance Sheet at 31 March 2016

	Notes	2016 £'000	2015 £'000
FIXED ASSETS			
Tangible Fixed Assets	8	1,545	1,263
Investments	9	128,150	134,547
Social Investment	9	318	250
Total Fixed Assets		130,013	136,060
CURRENT ASSETS			
Debtors	10	685	294
Cash at bank and in hand		3,361	3,125
Total Current Assets		4,046	3,419
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	11	(4,106)	(2,695)
NET CURRENT (LIABILITIES)/ASSETS		(60)	724
TOTAL ASSETS LESS CURRENT LIABILITIES			
		129,953	136,784
Creditors: amounts falling due after more than one year	12	(1,144)	(1,371)
NET ASSETS	14	128,809	135,413
FUNDS			
Expendable Endowment Capital	13, 14	128,809	135,413
TOTAL FUNDS		128,809	135,413

The financial statements were approved by the Trustees on 21 July 2016 and were signed on their behalf by:



SARAH RIDDELL
Chairman



VIVIEN GOULD
Chairman, Finance & Investment Committee

Statement of Cash Flows for the year ended 31 March 2016

	Notes	2016	2015
		£'000	£'000
Net cash provided by/(used in) operating activities	16	(5,214)	(5,505)
Cash flows from investing activities			
Interest received		22	25
Investment income received		3,909	3,667
Purchase of fixed assets		(299)	(1)
Movements in investments cash balance		247	1,702
(Loss)/gain on foreign exchange		(83)	78
Sale of investments		15,611	45,010
Purchase of investments		(13,957)	(45,932)
		5,450	4,549
Increase/(decrease) in cash		236	(956)
Cash and cash equivalents at the beginning of the reporting period		3,125	4,081
Cash and cash equivalents at the end of the reporting period		3,361	3,125

Notes to the Financial Accounts for the year ended 31 March 2016

1 Charitable status

The John Ellerman Foundation is a charity registered under the Charities Act 1960, No. 263207; all the income has been agreed as being charitable and therefore no UK taxation is payable.

2 Accounting policies

i. Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, with the exception that investments are valued at market value.

The financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The Charity is a public benefit entity for the purposes of FRS 102 and therefore the Charity also prepared its financial statements in accordance with the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (The FRS 102 Charities SORP) and the Charities Act 2011.

The accounts (financial statements) have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015.

The accounts (financial statements) have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

FRS 102 has been adopted for the first time when preparing these financial statements. The transition date to FRS 102 was 1 April 2014 and the last financial statements prepared under the previous financial reporting framework were prepared for the year ended 31 March 2015. No adjustments have been made to comparative data other than the reclassification of governance costs. This has had £nil effect on net funds per the Statement of Financial Activities nor the Balance Sheet.

The trustees have assessed whether the use of the going concern basis is appropriate and have considered possible events or conditions that might cast significant doubt on the ability of the charity to continue as a going concern. The trustees have made this assessment for a period of at least one year from the date of approval of the financial statements. In particular the trustees have considered the charity's forecasts and projections and have taken account of pressures on investment income. After making enquiries the trustees have concluded that there is a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. The charity therefore continues to adopt the going concern basis in preparing its financial statements.

The financial statements have been prepared in sterling which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest thousand.

ii. Financial instruments

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the SOFA, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

iii. Critical accounting estimates and areas of judgement

In the view of the trustees in applying the accounting policies adopted, no judgements were required that have a significant effect on the amounts recognised in the financial statements nor do any estimates or assumptions made carry a significant risk of material adjustment in the next financial year.

A summary of the more important accounting policies, which have been applied consistently, is set out below:

- (a) Bank deposit interest has been included on the accruals basis.

Investment income is recognised as follows: for the segregated accounts, income has been accrued as applicable; where shares are issued in lieu of income, the market value of these shares has been included in income.

- (b) Grants are fully accounted for in the year the grant is approved. Payments falling due in later years are provided for as a liability on the balance sheet.

- (c) Expenditure has been accounted for on the accruals basis. Costs of generating funds include investment management, custody, consultancy and a proportion of staff and trustee costs. Until 17 October 2014 the costs were split between the Permanent Endowment and Expendable Endowment in proportion to the opening fund values. The charge to the Expendable Endowment was then split equally between the Income and Capital Funds. Employee costs and trustee remuneration have been apportioned between costs of generating funds, charitable activities and governance costs, on the basis of the proportion of time spent by each employee or trustee in contributing to each category. Governance costs include audit fees, legal fees and a proportion of staff and trustee costs associated with trustee meetings, strategy, away days and compliance with statutory requirements. The remaining expenses of the Foundation have been apportioned on the same basis as staff costs and trustee remuneration. All expenditure is recorded inclusive of irrecoverable VAT.

- (d) Pension contributions are made for all employees and recorded as they fall due. These are defined contributions paid to approved private pension schemes for each employee. Details are provided in note 7.
- (e) In line with the Scheme, the Foundation's governing document, the Permanent Endowment Fund was increased in line with inflation each year until 17 October 2014 and a transfer was made from the Expendable Endowment to reflect this. Incoming resources from the Permanent Endowment Fund were unrestricted and expenditure was charged to it when deemed to be attributable.
- (f) At 1 April 2014, the Trustees valued the property of the Foundation's offices at Aria House, held on a 999 year lease from 1990, at £1,250,000, based on a chartered surveyor's valuation report. This value was recorded in the year of transition and will be held as the carrying value in future years, following the transitional provisions of FRS 102 (paragraph 35.10c) which allow the property to be valued at fair value on transition and to use that value as deemed cost going forward, with no on-going requirement to carry out further revaluations. The residual value of the leasehold property is considered to be at least equal to the carrying value and therefore no depreciation has been provided as this would be immaterial. Annual impairment reviews are carried out. All fixed assets are held for the Foundation's charitable use.
- (g) Furniture, fittings and equipment have been depreciated to write off the cost less the estimated residual value, on a straight line basis over the expected useful economic life. The annual rate used for this purpose is 33% for computer and office equipment and 10% for other assets. A capitalisation limit has been set such that purchases of £250 and over are capitalised and items below this level are treated as an expense in the year of purchase.
- (h) Profit or loss on realisations of investments has been taken to the Expendable Endowment.
- (i) Investments have been stated at market value in accordance with SORP. Net investment gains and losses are disclosed in note 9.

Social Investments represents:

- i. £250,000 fixed-rate subordinated unsecured loan notes with Charity Bank, maturing on 30 July 2017. The loan notes are valued at purchase cost, which the Trustees believe is reasonable following regular quarterly reviews of the Bank's finances.
 - ii. A limited partnership interest with a maximum commitment of £250,000 in Shared Lives Investments L.P. to support the growth of Shared Lives provision.
- (j) Monetary assets and liabilities denominated in foreign currencies are translated at the year end exchange rate. Transactions denominated in foreign currencies are translated at rates prevailing at the transaction date. Exchange differences are taken into account in arriving at the movement of funds for the year.
 - (k) The Foundation has adopted a Spending Policy which the Trustees believe to be currently sustainable. The Total Return approach means that actual income received each year will be supplemented, if necessary, from distributable capital. It follows that the reserves policy is to retain the appropriate capital value in the investment portfolio to be able to continue to support charities over the long term.

3 Investment income

	2016 £'000	2015 £'000
Investment income from assets in the UK	3,484	3,303
Investment income from assets outside the UK	425	364
Interest on cash deposits	22	25
Total investment income	3,931	3,692

Investment income received during the year relates to investments, which are listed on recognised stock exchanges. Dividend income and interest is treated in accordance with the accounting policy 2(a) above.

4 Grants to Charities

	2016 £'000	2015 £'000
Grants awarded in the year	4,767	4,516
Total Grants to Charities (note 5)	4,767	4,516

A list of grants awarded during the year ended 31 March 2016 is shown in the Annual Report.

Grants awarded in the year:

	2016 £'000	2015 £'000
Grants paid in the year	1,920	1,765
Grants payable within one year	1,851	1,550
Grants payable after more than one year	996	1,201
Total Grants to Charities	4,767	4,516

Trustees include in the notes to the Financial Accounts, for transparency reasons, any grant made to an organisation with which a Trustee of the Foundation has a conflict of interest. In accordance with the Foundation's policy Trustees withdraw from the room for these decisions.

In the financial year 2015/16 one incidence occurred. Hugh Raven is Chairman of the Marine Conservation Society, which was awarded £90,000 over three years in November 2015.

5 Analysis of total resources expended

	2016			2015		
	Costs of Raising Funds £'000	Charitable Activities £'000	Total £'000	Costs of Raising Funds £'000	Charitable Activities £'000	Total £'000
Investment fees	<u>594</u>	<u>-</u>	<u>594</u>	<u>559</u>	<u>-</u>	<u>559</u>
Grants to Charities (note 4)	<u>-</u>	<u>4,767</u>	<u>4,767</u>	<u>-</u>	<u>4,516</u>	<u>4,516</u>
Support costs:						
Staff costs (note 7)	49	309	358	48	304	352
Trustee costs (note 6)	8	70	78	9	84	93
Audit fees	-	11	11	-	10	10
Legal fees	-	2	2	-	5	5
Depreciation	1	16	17	1	9	10
Refurbishment costs	2	23	25	-	-	-
Monitoring & Evaluation	-	13	13	-	8	8
General expenses	<u>21</u>	<u>138</u>	<u>159</u>	<u>14</u>	<u>92</u>	<u>106</u>
	81	582	663	72	512	584
Total resources expended	<u>675</u>	<u>5,349</u>	<u>6,024</u>	<u>631</u>	<u>5,028</u>	<u>5,659</u>

Support costs include governance costs of £54,000 (2015: £48,000)

6 Trustees' remuneration

Trustees receive remuneration in accordance with the authority in the Scheme. In carrying out their duties, including visits to applicant charities, seven Trustees incurred travelling and related expenses totalling £11,280 (2015: £6,883), which have been included under Monitoring and Evaluation.

	2016 £'000	2015 £'000
Remuneration paid to Trustees during the year:		
Sarah Riddell, Chairman	13	13
Dominic Caldecott, Chairman of the Finance Committee	10	14
Tim Glass	10	11
Vivien Gould	10	11
Brian Hurwitz	10	10
Peter Kyle	10	10
Hugh Raven	10	10
Diana Whitworth	3	10
Total remuneration	<u>76</u>	<u>89</u>
Social Security costs	2	4
Total remuneration and Social Security costs	<u>78</u>	<u>93</u>

7 Employees

	2016	2015
	£'000	£'000
Wages and salaries	259	275
Employer's National Insurance costs	28	33
Pension costs	27	35
Temporary staff	44	9
Total staff costs	358	352

The average number of employees during the year ended 31 March 2016 was 5 (2015: 5). The average full-time equivalent number of employees analysed by function was:

	2016	2015
Generating funds	0.2	0.2
Charitable activities	4.5	4.5
Governance	0.1	0.1
Total full-time equivalent staff	4.8	4.8

For each employee, the Foundation contributes to an approved private pension scheme. The total pension cost for the Foundation was £27,000 (2015: £35,000).

The numbers of employees who received emoluments (including taxable benefits in kind) in the following ranges were:

	2016	2015
	Number	Number
£60,001 - £70,000	-	2
£90,001 - £100,000	1	1

For these employees, the Foundation made contributions to their approved private pension schemes totalling £11,976 (2015: £27,800) during the year.

The Charity considers its key management personnel to comprise the Trustees, the Director and the Heads of Grants and Finance. The total remuneration (salaries and employee benefits) including employer pension contributions of the key management personnel was £263,047 (2015: £347,640). Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the entity, including directors and senior management personnel to whom the Trustees have delegated significant authority or responsibility in the day-to-day running of the entity's affairs.

8 Tangible fixed assets

	Leasehold property £'000	Furniture, Fittings and Equipment £'000	Total £'000
Cost or valuation			
At 1 April 2015	1,250	151	1,401
Purchases during year	-	299	299
Disposals during year	-	(120)	(120)
At 31 March 2016	1,250	330	1,580
Depreciation			
At 1 April 2015	-	138	138
Charge for the year	-	17	17
On disposals during year	-	(120)	(120)
At 31 March 2016	-	35	35
Net book value at 31 March 2015	1,250	13	1,263
Net book value at 31 March 2016	1,250	295	1,545

As at 1 April 2014, the leasehold property had been re-valued at £1,250,000 by Aston Rose chartered surveyors. This external valuation was made on an existing value basis and prepared in accordance with RICS Valuation Standards, published by the RICS. As stated in note 2(f), this valuation is being treated as deemed cost in accordance with the transitional provisions of FRS 102.

9 Investments

	31 March 2016	31 March 2015
	£'000	£'000
Investment assets in the UK	82,640	86,076
Investment assets outside the UK	43,229	45,943
	<hr/>	<hr/>
Total investments, excluding cash	125,869	132,019
Investment cash accounts in the UK	2,281	2,528
	<hr/>	<hr/>
Total investments at 31 March	128,150	134,547
	<hr/>	<hr/>

The historical cost of the investments (including cash) held at 31 March 2016 was £120,263,000 (31 March 2015: £122,395,000).

The movement during the year of the total investments, excluding cash, was:

	2016	2015
	£'000	£'000
At 1 April 2015	132,019	118,104
Purchases at cost	13,889	45,932
Disposal proceeds	(15,611)	(45,010)
Net investment (losses)/gains	(4,428)	12,993
	<hr/>	<hr/>
At 31 March 2016	125,869	132,019
	<hr/>	<hr/>

Investments are listed on recognised stock exchanges and valued at the middle market prices ruling at the period end. During the year, £1.5m (2015: £nil) was withdrawn from the investment portfolios to provide working capital.

The movement during the year of social investments was:

	2016	2015
	£'000	£'000
At 1 April 2015	250	250
Purchases at cost	68	-
	<hr/>	<hr/>
At 31 March 2016	318	250
	<hr/>	<hr/>

Gains on revaluations and disposals of investments:

	2016	2015
	£'000	£'000
Net investment (losses)/gains	(4,428)	12,993
Realised (losses)/ gains on foreign currency	(83)	78
Total (losses)/gains on revaluations and disposals of investments	(4,511)	13,071

10 Debtors

	31 March 2016	31 March 2015
	£'000	£'000
Accrued income and prepayments	682	293
Other debtors	3	1
	685	294

11 Creditors: amounts falling due within one year

	31 March 2016	31 March 2015
	£'000	£'000
Accrued expenditure	175	179
Other creditors	44	1
Grants payable	3,875	2,502
Other taxation and social security	12	13
	4,106	2,695

Included within accrued expenditure is an amount of £4,949 (2015: £2,338) due to pension schemes.

12 Creditors: amounts falling due after more than one year

	31 March 2016	31 March 2015
	£'000	£'000
Grants payable between 1 to 2 years	1,144	1,371
	1,144	1,371

13 Movement of Funds

	Expendable Endowment Capital £'000	Permanent Endowment £'000	Total £'000
At 1 April 2014	122,516	1,303	123,819
Net movement in funds	12,897	(1,303)	11,594
At 31 March 2015	<u>135,413</u>	<u>-</u>	<u>135,413</u>
Net movement in funds	(6,604)	-	(6,604)
At 31 March 2016	<u>128,809</u>	<u>-</u>	<u>128,809</u>

Of the above Expendable Endowment Capital, £7,888,000 represents unrealised gains on investments.

14 Analysis of Net Assets between Funds

The net assets of the Charity are all attributable to the expendable endowment (Capital) of the Charity.

15 Financial Commitments

During the year to 31 March 2015, Trustees approved a social investment of up to £250,000 in a Fund created by Social Finance to expand the number of Shared Lives schemes in England. The first drawdown was made in April 2015. At 31 March 2016, the Foundation had provided a total of £68,000 in respect of this commitment, leaving a residual commitment of £182,000.

16 Reconciliation of net income/(expenditure) to net cash inflow from operating activities

	31 March 2016	31 March 2015
	£'000	£'000
Net (expenditure)/ income for the reporting period	(6,604)	11,104
Depreciation charges	17	10
Bank interest received	(22)	(25)
Investment income	(3,909)	(3,667)
Loss/(profit) on foreign exchange	83	(78)
Loss/(profit) on revaluation of investments	4,428	(12,993)
(Increase)/decrease in debtors	(391)	(211)
Increase/(decrease) in creditors	1,184	355
Net cash provided by (used in) operating activities	(5,214)	(5,505)

Trustees, Staff and Registered Office of the Foundation

Board of Trustees

Sarah (Lady) Riddell LVO Chairman
Geraldine Blake (from 1 July 2016)
Dominic Caldecott (until 31 May 2016)
Tim Glass
Vivien Gould
Dr Brian Hurwitz MD
Peter Kyle OBE, CCMI
Hugh Raven
Gary Steinberg (from 1 July 2016)
Diana Whitworth (until 5 August 2015)

The following Trustees are members of or served on Committees at 31 March 2016:

Finance & Investment Committee: Dominic Caldecott (Chairman), Vivien Gould, Tim Glass

Remuneration Committee: Sarah Riddell (Chairman), Dominic Caldecott, Brian Hurwitz, Hugh Raven

Risk & Audit Committee: Hugh Raven (Chairman), Vivien Gould

Members of Staff at 31 March 2016

Nicola Pollock	Director
Patricia Yearley FCA, DChA	Head of Finance & Resources (until June 2015)
Matthew Whittell	Head of Finance & Resources (from January 2016)
Barbra Mazur	Head of Grants (until July 2015)
Hilary Hodgson	Interim Head of Grants (July 2015 – December 2015)
Dorothee Irving	Head of Grants (from December 2015)
Linda Crowhurst	Administrative Assistant – Grantmaking (until November 2015)
Phoebe Sutton	Interim Administrative Assistant – Grantmaking (November 2015 – February 2016)
Emma Clarke	Administrative Assistant – Grantmaking (from January 2016)
Jo Drury	Administrative Assistant – Office & Facilities

Registered address of the Foundation

Aria House
23 Craven Street
London WC2N 5NS

Telephone: 020 7930 8566
Email address: enquiries@ellerman.org.uk
Website: www.ellerman.org.uk

Registered Charity Number 263207

Advisers to the Foundation

Auditors

Kingston Smith LLP, Devonshire House, 60 Goswell Road, London EC1M 7AD

Solicitors

Bates Wells & Braithwaite, 10 Queen Street, London EC4R 1BE

Investment Advisers

Stanhope Consulting, 35 Portman Square, London W1H 6LR

Portfolio Review Services, Palings, Warboys Road, Kingston on Thames, Surrey KT2 7LS

Investment Managers at 31 March 2016

Baring Asset Management (London), 155 Bishopsgate, London EC2M 3XY

Charities Property Fund, Cordea Savills, 33 Margaret Street, London W1G 0JD

Investec Wealth & Investment Limited, 30 Gresham Street, London EC2V 7QN

Newton Investment Management Limited, 160 Queen Victoria Street, London EC4V 4LA

Ruffer LLP, 80 Victoria Street, London SW1E 5JL

Smith & Williamson Investment Management LLP, 25 Moorgate, London EC2R 6AY

Bankers

Coutts & Co., 440 Strand, London WC2R 0QS

Charity Bank, Fosse House, 182 High Street, Tonbridge, Kent TN9 1BE

COIF Charities Deposit Fund, Senator House, 85 Queen Victoria Street, London EC4V 4ET

Regional Museums and Galleries Fund Advisers

Caroline Collier, Director Tate National

Virginia Tandy, Consultant