

John Ellerman Foundation

**Annual Report and Financial Accounts
1 April 2017 – 31 March 2018**

Registered Charity Number 263207

www.ellerman.org.uk

Chairman's report

This year, as anticipated in last year's Annual Report, turned out to be one of increased market volatility. For much of the year our portfolio delivered a steadily increasing value but the significant declines in the major global stock markets in the final quarter meant that we ended the year with a portfolio value of £141m, 1% below the previous year's record level. The income we earned during the year, however, was sufficient to ensure that the portfolio generated a positive total return in aggregate. Looking over the long term, we believe our investment strategy and performance remain sound, as we reflect on our investment arrangements during 2018.

Following the annual review of our spend policy in April, characterised as ever by full Trustee engagement, it was decided to hold our spending target at 4.5%. While recognising that this remains challenging to achieve alongside our wish to continue as a grant-maker within a long term horizon, we are conscious of the economic constraints experienced in the charitable sector and the associated high levels of demand in applications made to us and to other trusts and foundations.

This year we spent £5.55m on a total of 67 grants. We are particularly grateful to Four Acre Trust, who contributed £50,000 towards a grant in our Welfare category. Under our Museums and Galleries Fund, now in its fifth consecutive year, we received a record 89 applications from around the country. Eight were shortlisted for visits by Trustees and staff, with final decisions made in May 2018.

One particularly pleasing initiative this year has been Dr Katherine Haydon's research project into the history of the Ellerman family and origins of the Foundation. After conducting seven oral interviews with the now, alas, very few who retain memories or associations with family members, she undertook considerable additional research and is currently writing up her findings and bringing the Foundation's archive up to date. The contributions of David and Tim Martin-Jenkins were key in this endeavour, and the timeliness of this project was brought home when we heard a few months later, with very great sadness, of the death of David, a former Trustee of the Foundation.

Unusually, over the last six months we have welcomed three new Trustees to the Board, bringing our current total up to nine. With an extensive background in investment and financial management, Keith Shepherd was appointed in January and has taken his place as a valuable member of the Finance & Investment Committee. He was followed on to the Board in May 2018 by Tufyal Choudhury, a law graduate with a current academic post at the University of Durham, who works on the inclusion and integration of minorities, and on human rights in general. Annika Small OBE, who joined in June 2018, brings a particular expertise and experience in the use of digital technology to transform charities and social enterprises.

At the March Board we said goodbye to Tim Glass after 16 years - the first eight as JEF Director and, after a short gap, a subsequent seven as Trustee. His hand on the tiller was always sure, his gifts as a communicator were considerable and his embodiment of the values of the Foundation made him a most highly valued colleague. His absence from our midst will be sorely felt for a long time to come.

As I write my final Chairman's Report I look back over the last eighteen years of my time at JEF with a strong sense of its evolution. From being a largely reactive organisation, it has over this period moved towards greater engagement with applicants, greater consistency over its operations and greater coherence of purpose. What, to me, has been striking has been the

willingness of Trustees and staff together to engage in frank and open debate on the many difficult issues that from time to time confront a grant-making foundation, and to define - and constantly refine - the strategy to apply efforts to where they are most needed.

It has been a huge privilege to work for the Foundation alongside such a talented and supportive team of Trustees and staff. At the end of July 2018 Hugh Raven will be chairing a Board that is perhaps stronger than it has ever been. I leave in every confidence that the Foundation will continue to flourish even more under his leadership.

A handwritten signature in black ink that reads "Sarah Riddell". The signature is written in a cursive, flowing style.

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. The Scheme 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 seek to achieve this by:

1. funding charities for work which has national significance to make a practical difference, in the fields of arts, environment and social action (our categories); 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. The last full Away Day was in October 2016, and those discussions have informed our new strategy.

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

The world out there

It is now five years since we launched our reshaped grantmaking strategy and embarked on what became a more delegated approach to managing our investments. Over this period the external environment has changed a great deal. On the economics, the impact of austerity on local funding for service and charities and changes to government contracts, should not be underestimated. For charities' voices, the 'Lobbying Act' and 'gagging clauses' in some government contracts combine to make many charity leaders more cautious about speaking out. And reputationally, whilst fundraising practices were in the news last year, attention has shifted this year to the importance of safeguarding the interests of vulnerable beneficiaries, staff and volunteers. Trust in charities continues to be an issue, and whilst the polls suggest public support has remained constant, the frequent references to the topic, not least by the Charity Commission, can serve to further undermine this trust.

Trustees are alive to such changes in the political and economic context. They receive frequent updates through regular reports to the Board, by keeping in touch with day to day experience through their visits to applicants, and hearing from external speakers on issues of interest. This year we were grateful to Diana Barran of SafeLives, who spoke compellingly and movingly about the prevalence and impact of domestic abuse, and Will Perrin of Indigo Trust on the importance of charities, including ourselves, making the most of digital opportunities. Catherine Howarth of ShareAction helped inform our thinking about Mission Related Investment, of which more later. Hearing from such leaders in their respective fields injects fresh thinking and catalyses new ideas for our own practice.

The world and our grants strategy

Given the wider changes, Trustees thought it timely to review our experience to ensure our responsive approach is in tune with the challenges and daily experiences of charities. With this in mind, last year we reported on our Away Day and the issues which Trustees identified for further research and debate. This year we have followed these up, and launched our new strategy in June 2018.

For much of the past year we continued our regular grant making, closing to new applications under our regular funding programme at the end of 2017. This period of closure gave our small team the necessary headroom to refine and consult on our new criteria. In March 2018 we held focus groups on the new guidelines with invited practitioners in our Arts and Welfare (now Social Action) categories, where there is likely to be the most change. Specialist facilitators Kate Tyndall and Katherine Rake were commissioned to design and lead the events. This third party involvement was intended to encourage those present to speak freely and critically, and we are most grateful to all participants for being so generous with their time and experience - and for providing such thought provoking and informed challenges to our thinking.

Practitioner input to our Environment category review took a different form. We benefit from our regular contacts through the Environmental Funders Network and its recent publication 'What the Green Groups Said' provided a valuable environmental NGO perspective. In Autumn 2017 we also co-convened, with Gulbenkian and Esmée Fairbairn Foundations, a workshop with experts on the marine environment. An immediate output from the day was a report of the findings from a survey of participants and others on what they thought were the most pressing issues. A summary publication of the event is in hand. All these sources yielded rich insights into potential funding priorities.

Our proposals were developed by a sub-group of Trustees who asked the open-ended question 'What If?'. They discussed radical change, such as abolishing our categories and developing criteria focusing exclusively on our aim of advancing wellbeing, and becoming entirely proactive, and so closing to unsolicited applications. Having thought the unthinkable, and heard the results of the consultation, Trustees concluded that a more modest adjustment to our ambitions would be more in tune with our values. These – responsiveness, diligence, flexibility and connectedness, all with a personal touch – are a vital reference point for us when considering new plans and changes.

Trustees therefore decided to stay true to the Foundation's long standing approach of being a responsive grant maker and funding core costs, as a much needed part of the funding ecology. Having considered the wider context, specific responses and our own data, they concluded that greater focus would give charities a better understanding of the chances of a successful application, which in turn should make the workload more manageable for the home team. In the Arts, there will be a new emphasis on the creative process, and on work outside London. In our Social Action category (previously Welfare) we will concentrate on funding advocacy, policy and campaigning work. By contrast, in the Environment we will extend our criteria, to include work which tackles the harmful effects of people on the environment. Trustees have also agreed some capacity for flexibility, to enable them to respond to new initiatives.

The world and our investments

As ever, the Finance & Investment Committee's Spring meeting is the opportunity for an annual stock take. Now in its fifth year, our strategy is achieving its purpose in reducing both complexity and Trustees' fiduciary risk by delegating responsibility for meeting our investment objective to our fund managers. While Trustees monitor progress and the markets, the Foundation is here for the long term so can weather the storms of volatility during downturns.

From the Away Day, the main action on the investment side was for the Finance & Investment Committee to provide the Board with an overview of Mission Related Investment. This created a helpful framework for the wider Trustee group to understand and discuss the investment risks and opportunities of both our mainstream and social investments, and their potential reputational and financial consequences. Following this, the Board agreed to take more active account of environmental, social and governance (ESG) issues when considering our investment policies and strategy, through our engagement with the investment managers who are responsible for day to day investment decisions. In support of this, the Foundation has also joined the Charity Responsible Investors Network (CRIN), which keeps us in touch with emerging thinking and provides access to data and analysis.

Our own story and relationships

Trustees are enthusiastic about using the Foundation's convening role in a way which supplements the grants we make, and adds value for the charities and causes we support. Our partnership with Gulbenkian and Esmée Fairbairn Foundations on marine funding is one example. We have also appreciated our growing relationship with the philanthropic team at Fishmongers Hall who, as well as co-funding organisations in which we have a common concern, are themselves playing an increasingly valuable convening role in relation to sustainable fishing and associated issues.

Tudor Trust has been a loyal partner in our shared interest in supporting work with older people. We continued this partnership with a joint grant to Age UK Lewisham & Southwark; building on our individual grants to Food Train in Scotland, which provides a home shopping

service for older people, we were interested in this as a prototype for expanding the model into England. The fact that leaders of both organisations had participated in the Clore Social Fellowship programme, jointly sponsored by ourselves and Tudor Trust, was a further incentive for support. With Tudor, we are now working with a wider group of funders on options for a more strategic approach to funding work with older people.

This is also the first full year that we have made our meeting rooms available for use by our grantees and other partners. While not a unique offering, it is much appreciated, with positive feedback from the 66 bookings made in the course of the year. We expect usage to increase as it becomes better known. While its primary purpose is to help our grantees, the Foundation also benefits from this contact. The increased footfall strengthens our networks and energises a small workplace. One comment nicely summarises these reciprocal benefits:

“...being able to meet JEF staff in a casual way was very nice too. Sharing facilities like this makes for a real feeling of solidarity between funder and charity.”

One of our values is flexibility, which allows us to respond to changes in the external environment and to exceptional needs. This enabled Trustees to provide continuation funding to Wildlife and Countryside Link in England and Scottish Environment Link, to give continuity at a critical time – in England, for engagement with the Brexit discussions on fisheries, and north of the border to support sustainable implementation of the Marine (Scotland) Act.

A further example was an opportunity related to the series Blue Planet II. Watched by over 14 million viewers, this provided an unprecedented insight into the extent of plastic pollution of the seas. The timing coincided with our marine workshop, from which a direct outcome was a short campaign to capitalise on the impact of this public awareness. This was developed by existing grantees Marine Conservation Society and Greenpeace, with the NGO International Programme on the State of the Ocean, and funded by the three foundations which convened the workshop.

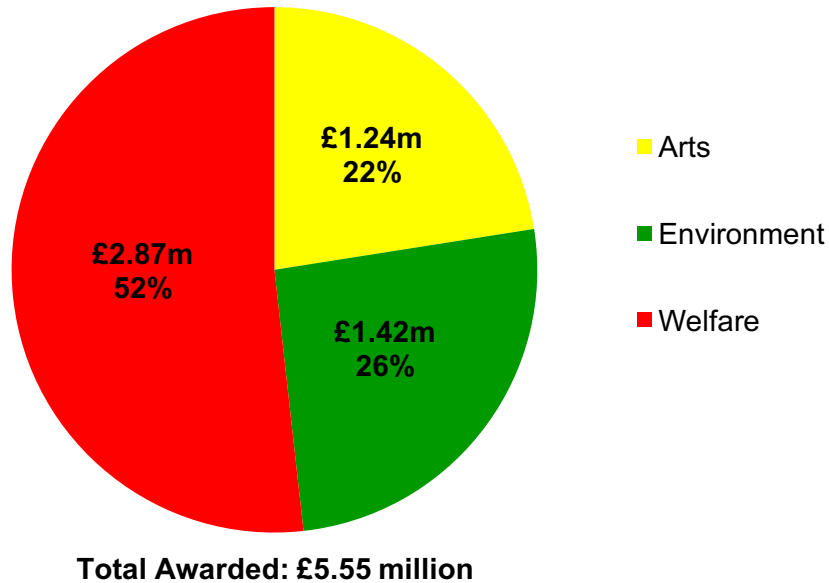
During the year we moved to the conclusion of a project which aims to discover more about the origins of the Foundation. We hoped to discover how the capital accumulated, get a better understanding of the people involved, their own philanthropy and the establishment of the Foundation. Oral historian Dr Katharine Haydon has interviewed individuals with personal knowledge and experience of the Ellerman family and Ellerman Lines, which has led to further research and a review and cataloguing of our own archive. Katharine’s presentation to the Board told a fascinating story which is being documented for publication next year.

Grants made 2017/18

This was the fourth and final year of operation under the grantmaking strategy set by the Trustees in 2013. While the Foundation closed temporarily for new applications in December 2017 to allow Trustees and staff to focus on completing the new strategy, we still dealt with a full quota of applications for the year.

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

Grants Awarded in 2017/18



In the year to 31 March 2018:

- We made 67 grants (71 last year) worth £5.55m and incurred a further £35k of grant-related expenditure.
- The budget and expenditure are as follows:

<u>Category</u>	<u>Allocation</u>	<u>Spend</u>
○ Arts	25%	22%
○ Environment	25%	26%
○ Welfare	50%	52%
- The average size of a grant increased slightly compared to last year at approximately £31,700 per annum or £82,770 overall.
- 60 out of the 67 grants were for core funding, representing 89%. This was a continuing increase on the previous two years, 85% and 75% respectively.
- The majority of grants were again for two or three years. There was a marked increase in the number of 3-year grants from 38 (54%) last year to 48 (72%) this year.

However, we did also award seven grants for periods of 1 year or less, which is more than in recent years. Sometimes support over a shorter period or for smaller amounts is exactly what is required, and reflects our desire to respond to what is needed. Examples include a joint programme, with Tudor Trust, to provide modest, short-term project bursaries to our Clore Social Leadership Fellows working in the older people's sector, and a grant to Social Finance to evaluate and disseminate the learning from the Shared Lives Incubator Fund, in which we are an investor.

Share of grants between the different categories

Each year the budget is allocated across the three categories. As before, half of the available funds were set aside for Welfare and a quarter each to Arts and Environment. There was no

budget for the Museums and Galleries Fund this year as the next round of funding decisions was deferred until May 2018.

The budget for the year was £5,280,000 and there was an overspend in both the Environment (8%) and Welfare (7%) categories. Historically there has been an over spend in the Welfare category, with this year's being the same proportion as last year. This is the first year we have overspent in the Environment category, as the Arts are usually under greater pressure.

There was a modest 4%, planned overspend on the overall budget, highlighting the continuing pressures on charities and the consequent demand for funding.

Cross-category grant making

Our overall aim is to advance wellbeing, which runs through all three of our grant-making categories. In the past year several new grants straddled two categories, most often Welfare and Environment (four) and also Welfare and Arts (three), and Environment and Arts (one). Trustees remain interested in crossovers as long as they offer a strong fit with the criteria of at least one category, synergy with a secondary category being a bonus.

National significance

The absence of national significance continues to be the principal reason for applications being turned down at the first stage, with 77 out of the 150 ineligible applications (51%) failing on this count. This was an increase of 2% compared to last year, but less than the 11% increase in the year before (2015/16). The Trustees hope that the new funding criteria as part of our new strategy will bring greater clarity in this area to applicants.

Applications and success rates

We received more applications this year though we were only open for nine months, assessing 486 (including 89 Museums and Galleries Fund applications), compared to 418 (including 33 Museums and Galleries Fund applications) in a twelve-month period the previous year. The increase in numbers is explained by an influx of applications immediately prior to our temporary closure in December. The percentage of ineligible applications was slightly lower this year, with 31% compared to 34% last year.

Out of the 248 eligible general applications, 72 were invited to submit a second stage application. This represents a 29% success rate, which is a slight decrease from last year's 33%. Of the 72 second stage applications brought to the Board 67 received a grant, which represents a 93% success rate, an increase over last year's rate of 89%. Looking at both sets of figures together, this represents an overall success rate of 27%, which is slightly lower than last year, when 29.5% of all eligible first-stage applicants received a grant.

Funding museums and galleries

This Fund concentrates on museums and galleries outside London, with a focus on enhancing and sustaining curatorial development. Demand has been strong and increased year on year during the first three years, with a momentary dip in last year's applications. This year saw the highest number of applications in any given year of the Fund's lifetime, 89, representing a 270% increase on the previous year.

The overall quality of the applications remains high. The budget permitted us to take just eight to second stage, with final awards made in May 2018. Traditionally decisions had been made in March, but this year the timetable was pushed back by two months, to enable us to take account of external developments in the funding environment – the DCMS Review of

Museums in England and the announcement by Arts Council England as to which museums and galleries will receive regular NPO funding for 2018-22.

Experience from five funding rounds to date confirms that the trends identified in 2013, when the Fund was launched, are hardening. Local authority cuts and other economic constraints continue to reveal their true impact, which may explain the sharp rise in the number of applications this year. Given the appeal of the Fund and the distinctive nature of our funding (multi-year, core support) Trustees have agreed to at least one more round.

The year ahead

Pulling together some of the strands of work described above, we anticipate a busy year ahead. We will launch our new grantmaking strategy through a refreshed website. This will also provide a platform for us to engage in social media via Twitter for the first time, the main aim being to amplify the work of our grantees.

Trustees will also look to streamline our own processes and develop our thinking about assessing our impact beyond individual scrutiny of grants and selective evaluation, as with the Museums and Galleries Fund. Our more finely honed criteria are likely to lead to different types of applications, which we will monitor. On the practical side, we will be investing in a new grants database, which should enable us to share our grants data via 360giving. We will also develop written policies on safeguarding.

Expected publications include an evaluation of the Museums and Galleries Fund, and the results of our oral history project into the family which created the wealth on which the Foundation depends.

For investments, the Finance & Investment Committee aims to get a better overview of the impact investment field, and revisit our social investment strategy.

Fundraising

The Foundation does not actively undertake any significant fundraising, does not use professional fundraisers or commercial partners, or subscribe to any fundraising standards or scheme of fundraising regulation. Nor does it conduct any fundraising that could unreasonably intrude or place undue pressure on vulnerable people and other members of the public to give money or other property to the Foundation. No complaints have been recorded about any fundraising.

Financial Review

Investments

The Foundation's investment aim is to manage its funds so as to balance Trustees' desire to maintain a high level of grantmaking consistent 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 2018 continues the Foundation's strategy established in 2013. We retain six investment managers who have responsibility for all asset allocation decisions within an overarching framework set by the Finance & Investment Committee. The Committee's

responsibilities are focused on the overall investment strategy, while the investment managers have day-to-day responsibility for portfolio management. 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. First, the managers' primary objective is to achieve a real return target of 4% per annum net of costs. 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 serve 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.

At 31 March 2018, the Foundation's investment portfolio was valued at £141m, a decrease of 0.9% over the previous year's level of £142m. The portfolio Total Return for the financial year ending 31 March 2018 was 2.7% (2016/17: 15.7%), compared to the long term objective of 7.5% (2016/17: 7.3%) and the total return for the simple benchmark of 3.4% (2016/17: 18.8%).

Since the start of our current investment strategy in 2013, the portfolio total return of 7.1% per year has exceeded our RPI +4% benchmark by 0.8% per year and our managers have also, in aggregate, exceeded the simple benchmark by 0.7% per year.

Income and expenditure

The Foundation's income derives largely from its investment portfolio. Total investment income was marginally higher than in the previous year at £4.3m (2016/17: 3.9m). We also received grant income of £50,000 from Four Acre Trust. In line with our Total Return approach, we realised £1.0m in September through sales from our portfolio to meet our projected working capital requirements for the near future.

The Foundation has three significant items of expenditure: the grants that we make, the costs of managing the investment portfolio and the running expenses of the Foundation (of which staff costs are the major component). Total expenditure was £6.9m, compared to £6.6m last year. Grants were £5.6m (2016/17: £5.4m); Investment Management costs at £0.7m were similar to the previous year; and the running costs of the Foundation of £0.6m were 10.2% (2016/17: £0.6m, 9.8%) 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.

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 demanding, 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. 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

Pay is reviewed annually by the Remuneration Committee, taking into account external market conditions, such as inflation, cost of living awards in other sectors, and the cost as a proportion of overall expenditure. Trustee remuneration is linked to the lowest of three external benchmarks, currently RPI, CPI and CPIH, in a specified month, and as such is not determined 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 loan was repaid in full in 2017/18.

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 2017/18, the programme expanded and additional drawdowns under the terms of the scheme mean that we have currently lent £147,000 out of a maximum initial commitment of £250,000 extended to the programme. We were pleased to receive our first distribution of returns from this programme in March 2018.

Grants made in the year ended 31 March 2018

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 2017/18.

Arts

Ballet Black	£20,160
Towards core costs, specifically the salary of an Administrator to support the company's artistic and touring programmes.	over one year
Bristol Old Vic	£100,000
Towards the core costs of Bristol Ferment, a year-round programme supporting emerging artists developing new work.	over three years
Britten Sinfonia	£90,000
Towards core costs to enable them to deliver their ambitious musical programme across a broad repertoire.	over three years
City of London Sinfonia	£75,000
Towards the salaries of the Chief Executive and Creative Director to continue the orchestra's aim of breaking down barriers between musicians and audiences through its 'seriously informal' style of performance.	over three years
English National Ballet	£90,000
Towards the core costs of their artistic programme during a period of transition to a new home on London City Island.	over three years
Forward Arts Foundation	£90,000
Towards core costs, specifically extending National Poetry Day into a year-round programme.	over three years
HOME	£105,000
Towards the costs of expanding the national reach of their small-scale performing arts commissions through touring and live-streaming.	over three years
Manchester Camerata	£105,000
Towards the expansion of UpClose, an eclectic and experimental concert series, to Glasgow, Lancaster, Leeds and Birmingham.	over three years
Mark Bruce Company	£109,500
Towards the salary costs of an Assistant Artistic Director and a part-time Executive Producer, as well as towards the running costs of the new company headquarters.	over three years
Motionhouse	£28,175
Towards core costs, specifically towards dancers' salaries and the appointment of a new Rehearsal Director at a time of organisational growth.	over one year

NVA	£91,986
Towards the salary costs of the Creative Director and Producer to continue their work creating innovative public art.	over two years
Philharmonia Orchestra	£80,000
Towards bringing their Virtual Orchestra to three of their residencies in Leicester, Bedford and Canterbury to engage new audiences with the arts.	over two years
Scottish Ensemble	£90,000
Towards the core costs of the development and promotion of two innovative models of orchestral practice, residencies and cross-artform projects, and touring these projects more widely in the UK.	over three years
SICK! Festival	£60,000
Towards the salary of an Executive Director to support the festival during a pivotal period of growth and development following its relocation to Manchester.	over two years
Somerset House Trust	£40,000
Towards the salary of an Artist Development Producer to establish and grow a new national network for cross-disciplinary arts with regional partners and host residencies for regionally based artists.	over two years
Talawa Theatre Company	£75,000
Towards the core costs of an innovative commissioning and script development scheme for Black writers.	over three years
Total Arts Grants	£1,249,821

Environment

British Dragonfly Society	£75,000
Towards the salary of a Conservation Officer to continue their work supporting research into and conservation of dragonflies and their important wetland habitats.	over three years
Bumblebee Conservation Trust	£75,000
Towards the costs of improving habitats for bumblebees in North Kent, home to five of the six most endangered species of bumblebee in the UK.	over three years
Campaign for Better Transport	£100,000
Towards the core costs of their work developing affordable transport for communities that improves quality of life and protects the environment.	over three years
ClientEarth	£100,000
Towards the costs of their UK clean air work, engaging with and holding to account government and local authorities on new air quality plans.	over three years

Greenpeace Environmental Trust	£105,000
Towards the costs of carrying out research and practical activities to reduce plastics in the sea and support people, corporates and the government to take action and put in place tangible solutions.	over three years
Julie's Bicycle	£120,000
Towards core costs, specifically the development and scale up of the Creative Climate Leadership programme.	over three years
Keep Britain Tidy	£99,014
Towards the salary of a Habitat Development Manager to coordinate their WaterCare volunteer groups across the UK and deepen their understanding of the effect of pollution, litter and lack of care on local habitats.	over two years
Marine Conservation Society	£6,000
Towards a joint initiative by MCS, Greenpeace and International Programme on the State of the Ocean to catalyse personal and political action on marine conservation following Blue Planet II through a newspaper advertisement and associated social media campaign.	over one year
Oceana UK	£90,000
Towards their expansion to the UK with the aim of supporting research expeditions in the North Sea and data analysis to contribute to the establishment of marine protected areas.	over three years
Rewilding Britain	£90,000
Towards the core costs associated with four new pilot rewilding projects in England, Scotland and Wales.	over three years
Scottish Environment Link	£100,000
Towards the salaries of two Marine Policy and Engagement Officers to continue their work supporting the completion of Scotland's Marine Protected Area network and its management.	over two years
Shark Trust	£85,250
Towards the core costs of their shark conservation work in the UK and the Falkland Islands using science and responsible consumer supply chains.	over three years
Soil Association	£109,433
Towards the costs of a national agroforestry programme to increase awareness and knowledge of agroforestry within the farming community.	over two years
Thames Estuary Partnership	£92,844
Towards the salary costs of a Coastal Partnership Officer to develop and coordinate the national partnership network, which aims to enhance the environment and socioeconomic benefits.	over three years
University of Oxford	£74,910
Towards the costs of the development and implementation of Seabird Watch, a citizen science model of data collection, in the UK Overseas Territories.	over two years

Zoological Society of London, in partnership with the University of Portsmouth	£105,645 over three years
Towards the salary of a Network Coordinator to establish and run the first UK Network for the Restoration of the Native Oyster.	

Total Environment Grants	£1,428,096
---------------------------------	-------------------

Welfare

Adfam National	£80,000 over two years
Towards the costs of developing, training and supporting a network of skilled volunteer champions to continue their work supporting anyone affected by the drug or alcohol use of a close friend or family member.	

Aesop	£81,775 over three years
Towards the salary of a Head of Public Engagement and Communications to focus on the national scale up of their Dance to Health programme.	

Age UK Lewisham and Southwark	£145,158 over three years
Towards the cost of bringing the Food2You project to vulnerable older people in Lewisham, Southwark and Lambeth as part of the national roll out of the Scottish Food Train model in England.	

Anti-Tribalism Movement	£72,000 over two years
Towards the salary of an Operations Manager to develop their work bringing young people and communities from different backgrounds together to resolve conflict and advance social cohesion.	

BEAT (the Eating Disorders Association)	£105,000 over three years
Towards the costs of recruiting and training 200 new helpline volunteers to support those affected by eating disorders and their families.	

Campaign Bootcamp	£50,691 over three years
Towards the costs of providing campaign training for disabled activists so they have the skills, networks and confidence to take action on the issues that matter most to them.	

Children and Families Across Borders	£98,744 over three years
Towards the salary costs of a Business Development Manager to enable them to reunite more children with their families after separation due to conflict, trafficking, abduction, migration or family break up.	

Circles UK	£90,000 over three years
Towards the salary of the National Development Manager to support their work with sexual offenders upon their release from prison to assist their transition back into the community, thereby reducing the risk of re-offending.	

Cleanup UK	£70,000
Towards the costs of expanding to Birmingham volunteer litter groups in disadvantaged areas to improve local neighbourhoods and develop community cohesion.	over two years
Clare Social Leadership Programme	£7,000
Towards the costs of increasing the impact of fellowships focused on Older People, jointly funded with Tudor Trust.	over one year
Foyer Federation	£120,000
Towards the core costs of a staff training and change management programme, to enable foyers to develop homeless young people while becoming more sustainable.	over three years
Furniture Re-use Network	£36,300
Towards the cost of developing a new website to increase the number of donations and the number of people who receive donated furniture and white goods.	over one year
HENRY	£90,000
Towards the core costs of their work building healthier and happier families with children under five.	over two years
Human Rights at Sea	£60,000
Towards the core costs of their work raising human rights awareness and accountability throughout the maritime environment, especially where human rights are currently absent, ignored or being abused.	over three years
Jamie's Farm	£150,000
Towards the salaries of key staff to continue their work with disadvantaged young people through a transformative week long residential at one of their farms.	over three years
Justlife Foundation	£75,000
Towards the costs of expanding their work with people living in unsupported temporary accommodation to ensure their stay is as short, safe and healthy as possible.	over three years
Khulisa	£90,000
Towards the core costs of their Reintegrate programme, supporting marginalised and vulnerable people to develop self-confidence and live more independently.	over three years
Law Centres Network	£90,000
Towards the core costs of supporting law centres across the UK which provide legal help for disadvantaged people.	over three years

Mental Health Foundation	£45,000
Towards the core costs of the Children and Young People's Mental Health Coalition, which aims to influence policy and practice around children and young people's mental health.	over three years
National Family Mediation	£87,000
Towards the core costs of developing a new website and providing IT management to increase their capacity for self-referrals from families needing support.	over three years
National Ugly Mugs	£90,000
Towards the core costs of their work providing protection and access to justice and protection for sex workers who are at risk of being targeted by violent offenders.	over three years
Partnership for Children	£75,000
Towards the salary costs of the Project Manager, a key role in the development of new programmes aimed at children in care, and children with SEND, to develop their emotional resilience and increase their mental wellbeing.	over three years
REMAP	£60,000
Towards the core costs of their work supporting volunteers to design and make bespoke items of equipment to enable disabled people to live independent lives.	over three years
Shared Lives Plus	£53,050
Towards the costs of the evaluation and dissemination of the Shared Lives Incubator Fund, led by Social Finance, to provide practical support and tools to expand the number of Shared Lives schemes.	over one year
Spice Innovations	£96,000
Towards the core costs of expanding their innovative volunteering exchange scheme to get people more involved in their communities.	over three years
Stop the Traffik	£75,000
Towards the salary of the CEO to continue their work educating and empowering communities to prevent and disrupt human trafficking and modern slavery.	over three years
StreetDoctors	£105,000
Towards the core costs of their work reducing violence among vulnerable young people by giving them the skills and confidence to provide first aid and create positive change in their lives.	over three years
Tender Education & Arts	£75,000
Towards the costs of expanding their National Partnership Project to train and support regional organisations to deliver arts-based abuse prevention programmes.	over three years

The Art Room	£120,000
Towards the core costs of school-based programmes helping children with emotional and behavioural difficulties develop confidence and social skills through art therapy.	over three years
The Silver Line	£100,000
Towards the costs of expanding their helpline which aims to combat loneliness and isolation among vulnerable older people.	over two years
Tomorrow's People	£39,864
Towards the salary of a National Quality Assurance Manager to ensure the continuing quality of their services working with young people to help them secure employment.	over one year
Transform Drug Policy Foundation	£120,000
Towards the core costs of developing and supporting the "Anyone's Child" network, which supports and gives a voice to families who have lost a child to drugs.	over three years
VocalEyes	£45,000
Towards the core costs of increasing opportunities for blind and partially sighted people to experience theatres, museums, galleries and heritage sites.	over three years
Working with Men	£110,000
Towards their core costs to enable them to tackle the underlying causes of the challenges faced by boys and young men who are marginalised or socially or economically disadvantaged.	over three years
Workplace Matters	£60,000
Towards the salary of the Senior Waterways Chaplain to continue their work supporting the growing number of marginalised and vulnerable people found on Britain's waterways and in surrounding areas.	over three years
Total Welfare Grants	£2,867,583
Additional grant-related expenditure not included in the above	£34,676
TOTAL GRANTS MADE IN THE YEAR ENDING 31 MARCH 2018	£5,580,176

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 nine. 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. During the past year a skills audit of existing Trustees was conducted in order to identify gaps to be filled when looking for new Trustees. These were identified as communications or journalism, policy and research, digital experience and high level experience of working in the charitable sector. The Board was also keen to achieve greater diversity, in all its aspects. Potential candidates are interviewed by a Nominations Committee which includes Chairman, a panel of Trustees and the Director. An external agency has assisted with the two most recent rounds of 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. They also participate in occasional sub-groups to review the Foundation's policies, practice and strategy.

Organisational Structure

The Trustee Board meets at least 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, and 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 investment policies and objectives, 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, and to prevent any conflict, actual or perceived, between an individual's duty to the charity and a duty or loyalty to another organisation or person.

All staff and Trustees complete an annual register of interests form. At Board Meetings 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



GARY STEINBERG
Chairman, Finance & Investment Committee

26 July 2018

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

Opinion

We have audited the financial statements of John Ellerman Foundation for the year ended 31 March 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2018, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the

other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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
- the charity has not kept adequate accounting records; 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 required for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 21, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements


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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

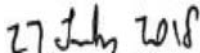
As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the charity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the charity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



 Kingston Smith LLP, Statutory auditor



 Date

Devonshire House
 60 Goswell Road
 London
 EC1M 7AD

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 2018

	Notes	Total Unrestricted Funds 2018 £'000	Total Unrestricted Funds 2017 £'000
Income			
Income from investments	3	4,261	3,930
Income from grants		58	170
Total income		4,319	4,100
Expenditure			
Expenditure on raising funds	5	740	711
Expenditure on Charitable Activities			
Grants to charities	4	5,580	5,402
Costs in support of grant-making	5	559	518
Total charitable activities		6,139	5,920
Net gains on investments			
Gains on investment assets	9	84	16,354
Net income/(expenditure)		(2,476)	13,823
Net movement in funds		(2,476)	13,823
Reconciliation of funds			
Total funds brought forward		142,632	128,809
Total funds at 31 March		140,156	142,632

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

Balance Sheet at 31 March 2018

	Notes	2018	2017
		£'000	£'000
FIXED ASSETS			
Tangible Fixed Assets	8	1,492	1,515
Investments	9	140,737	142,079
Social Investment		147	374
Total Fixed Assets		142,376	143,968
CURRENT ASSETS			
Debtors	10	909	689
Cash at bank and in hand		3,109	4,326
Total Current Assets		4,018	5,015
CURRENT LIABILITIES			
Creditors falling due within one year	11	(3,802)	(4,919)
NET CURRENT ASSETS		216	96
TOTAL ASSETS LESS CURRENT LIABILITIES			
		142,592	144,064
Creditors falling due after more than one year	12	(2,436)	(1,432)
NET ASSETS		140,156	142,632
FUNDS			
Expendable Endowment Capital		140,156	142,632
TOTAL FUNDS		140,156	142,632

The financial statements were approved by the Trustees on 26 July 2018 and were signed on their behalf by:

SARAH RIDDELL
Chairman

GARY STEINBERG
Chairman, Finance & Investment Committee

Statement of Cash Flows for the year ended 31 March 2018

	Notes	2018	2017
		£'000	£'000
Net cash provided by/(used in) operating activities	15	(7,027)	(5,331)
Cash flows from investing activities			
Interest received		14	22
Investment income received		4,151	3,908
Purchase of fixed assets		(8)	(3)
Movements in investments cash balance		(883)	520
(Loss)/gain on foreign exchange		195	(409)
Sale of investments		18,138	19,298
Purchase of investments		(16,024)	(16,984)
Purchase of social investment		(23)	(56)
Redemption of social investment		250	-
		5,810	6,296
(decrease)/Increase in cash		(1,217)	965
Cash and cash equivalents at the beginning of the reporting period		4,326	3,361
Cash and cash equivalents at the end of the reporting period		3,109	4,326

Notes to the Financial Accounts for the year ended 31 March 2018

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.

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 raising funds include investment management, custody, consultancy and a proportion of staff and trustee costs. Employee costs and trustee remuneration have been apportioned between costs of raising 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) 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.

- (f) 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.
- (g) Profit or loss on realisations of investments has been taken to the Expendable Endowment.
- (h) Investments have been stated at market value in accordance with SORP. Net investment gains and losses are disclosed in note 9.

Social Investments represents 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.

- (i) 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.
- (j) 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

	2018 £'000	2017 £'000
Investment income from assets in the UK	3,559	3,195
Investment income from assets outside the UK	688	713
Interest on cash deposits	14	22
Total investment income	4,261	3,930

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

	2018 £'000	2017 £'000
Grants awarded in the year	5,580	5,402
Total Grants to Charities (note 5)	5,580	5,402

A list of grants awarded during the year ended 31 March 2018 is shown in the Annual Report.

Grants awarded in the year:

	2018 £'000	2017 £'000
Grants paid in the year	1,668	1,610
Grants payable within one year	1,966	2,385
Grants payable after more than one year	1,946	1,407
Total Grants to Charities	5,580	5,402

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 2017/18 two incidences occurred. Hugh Raven is Chairman of the Steering Group of the Environmental Funders Network, which received a membership grant of £5,000 in May 2017. Hugh is also Chairman of the Marine Conservation Society, which received a grant of £6,000 in November 2017 on behalf of the partners working on the Blue Planet II campaign.

5 Analysis of total expenditure

	2018			2017		
	Costs of Raising Funds £'000	Charitable Activities £'000	Total £'000	Costs of Raising Funds £'000	Charitable Activities £'000	Total £'000
Investment fees	<u>662</u>		<u>662</u>	<u>641</u>	<u>-</u>	<u>641</u>
Grants to Charities (note 4)		<u>5,580</u>	<u>5,580</u>	<u>-</u>	<u>5,402</u>	<u>5,402</u>
Support costs:						
Staff costs (note 7)	50	320	370	48	304	352
Trustee costs (note 6)	8	72	80	8	73	81
Audit fees	-	11	11	-	11	11
Legal fees	-	1	1	-	7	7
Depreciation	3	28	31	3	30	33
Monitoring & Evaluation	-	12	12	-	17	17
General expenses	<u>17</u>	<u>115</u>	<u>132</u>	<u>11</u>	<u>76</u>	<u>87</u>
	78	559	637	70	518	588
Total expenditure	<u>740</u>	<u>6,139</u>	<u>6,879</u>	<u>711</u>	<u>5,920</u>	<u>6,631</u>

Support costs include governance costs of £58,000 (2017: £53,000)

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 £8,364 (2017: £13,480), which have been included under Monitoring and Evaluation.

	2018	2017
	£'000	£'000
Remuneration paid to Trustees during the year:		
Sarah Riddell, Chairman	14	14
Dominic Caldecott, Chairman of the Finance Committee (to 31 May 2016)	-	2
Gary Steinberg, Chairman of the Finance Committee (from 26 January 2017)	10	7
Tim Glass	10	10
Vivien Gould (to 19 January 2017)	-	8
Brian Hurwitz	10	10
Peter Kyle	10	10
Hugh Raven	10	10
Geraldine Blake	10	7
Keith Shepherd	3	-
Total remuneration	77	78
Social Security costs	3	3
Total remuneration and Social Security costs	80	81

7 Employees

	2018	2017
	£'000	£'000
Wages and salaries	289	287
Employer's National Insurance costs	34	32
Pension costs	25	26
Temporary staff	22	7
Total staff costs	370	352

The average number of employees during the year ended 31 March 2018 was 5 (2017: 5). The average full-time equivalent number of employees analysed by function was:

	2018	2017
<i>Generating funds</i>	0.2	0.2
<i>Charitable activities</i>	4.6	4.6
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 £25,000 (2017: £26,000).

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

	2018	2017
	Number	Number
£60,000 - £70,000	1	-
£70,001 - £80,000	1	1
£90,001 - £100,000	1	1

For these employees, the Foundation made contributions to their approved private pension schemes totalling £20,147 (2017: £12,156) 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 £365,001 (2017: £328,900). 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 2017	1,250	333	1,583
Purchases during year	-	8	8
At 31 March 2018	1,250	341	1,591
Depreciation			
At 1 April 2017	-	68	68
Charge for the year	-	31	31
At 31 March 2018	-	99	99
Net book value at 31 March 2017	1,250	265	1,515
Net book value at 31 March 2018	1,250	242	1,492

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 2018	31 March 2017
	£'000	£'000
Investment assets in the UK	82,096	90,699
Investment assets outside the UK	55,996	49,618
	<hr/>	<hr/>
Total investments, excluding cash	138,092	140,317
Investment cash accounts in the UK	2,645	1,761
	<hr/>	<hr/>
Total investments at 31 March	140,737	142,079
	<hr/>	<hr/>

The historical cost of the investments (including cash) held at 31 March 2018 was £119,220,000 (31 March 2017: £119,076,000).

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

	2018	2017
	£'000	£'000
At 1 April	140,317	125,869
Purchases at cost	16,024	16,983
Disposal proceeds	(18,138)	(19,298)
Net investment gains	(111)	16,763
	<hr/>	<hr/>
At 31 March 2018	138,092	140,317
	<hr/>	<hr/>

Investments are listed on recognised stock exchanges and valued at the middle market prices ruling at the period end. During the year, £1.0m (2017: £2.0m) was withdrawn from the investment portfolios to provide working capital.

The movement during the year of social investments was:

	2018	2017
	£'000	£'000
At 1 April	374	318
Purchases at cost	23	56
Redemption proceeds	(250)	-
	<hr/>	<hr/>
At 31 March	147	374
	<hr/>	<hr/>

Gains on revaluations and disposals of investments:

	2018	2017
	£'000	£'000
Net investment (losses)/gains	(111)	16,763
Realised gains/(losses) on foreign currency	195	(409)
Total gains/(losses) on revaluations and disposals of investments	84	16,354

10 Debtors

	31 March 2018	31 March 2017
	£'000	£'000
Accrued income and prepayments	908	687
Other debtors	1	2
	909	689

11 Creditors: amounts falling due within one year

	31 March 2018	31 March 2017
	£'000	£'000
Accrued expenditure	198	195
Other creditors	10	15
Grants payable	3,579	4,697
Other taxation and social security	15	12
	3,802	4,919

Included within accrued expenditure is an amount of £2,338 (2017: £2,338) due to pension schemes.

12 Creditors: amounts falling due after more than one year

	31 March 2018	31 March 2017
	£'000	£'000
Grants payable between 1 to 2 years	2,436	1,432
	2,436	1,432

13 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 2018, the Foundation had provided a total of £147,000 in respect of this commitment, leaving a residual commitment of £103,000.

14 Lease Commitments

At 31 March the Foundation had total future commitments under operating leases as follows:

	31 March 2018 £'000	31 March 2017 £'000
Within one year	1	1
Between one and five years	2	2
	<hr/> 3	<hr/> 3
	<hr/>	<hr/>

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

	31 March 2018 £'000	31 March 2017 £'000
Net (expenditure)/ income for the reporting period	(2,476)	13,823
Depreciation charges	31	33
Bank interest received	(14)	(22)
Investment income	(4,151)	(3,908)
Loss/(profit) on foreign exchange	(195)	409
Loss/(profit) on revaluation of investments	111	(16,763)
(Increase)/decrease in debtors	(220)	(4)
Increase/(decrease) in creditors	(113)	1,101
Net cash provided by (used in) operating activities	(7,027)	(5,331)
	<hr/>	<hr/>

Trustees, Staff and Registered Office of the Foundation

Board of Trustees

Sarah (Lady) Riddell LVO Chairman
Geraldine Blake
Tufyal Choudhury (from 1 May 2018)
Tim Glass (until 30 April 2018)
Dr Brian Hurwitz MD
Peter Kyle OBE, CCMI
Hugh Raven
Keith Shepherd (from 1 January 2018)
Annika Small OBE (from 1 June 2018)
Gary Steinberg

The following Trustees are members of or served on Committees at 31 March 2018:

Finance & Investment Committee: Gary Steinberg (Chairman) and Tim Glass

Remuneration Committee: Sarah Riddell (Chairman), Gary Steinberg, Brian Hurwitz, and Hugh Raven

Risk & Audit Committee: Hugh Raven (Chairman) and Gary Steinberg

Members of Staff

Nicola Pollock	Director
Matthew Whittell	Head of Finance & Resources
Dorothee Irving	Head of Grants
Emma Clarke	Grants Assistant
Catriona Rutherford	Office Manager (28 August 2017 to 12 April 2018)
Lauren Williamson	Office Manager (from 14 May 2018)

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

Investment Managers at 31 March 2017

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

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

Regional Museums and Galleries Fund Advisers

Caroline Collier, Consultant

Virginia Tandy, Consultant