

Company Number: 06897785
Registered Charity Number: 1130306
Office of the Scottish Charity Regulator Registered Number SC043120



**ELLEN MACARTHUR
FOUNDATION**

ELLEN MACARTHUR FOUNDATION

ABRIDGED REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 AUGUST 2017

**Ellen MacArthur Foundation
Report and Financial Statements for the year ended 31 August 2017**

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**Ellen MacArthur Foundation
Report and Financial Statements for the year ended 31 August 2017**

CHARITY INFORMATION

Trustees

Dame Ellen MacArthur
Mr Philip Sellwood
Mr Peter Morgan

Chief Executive: Mr Andrew Morlet

**Chief Operating Officer and
Company Secretary:** Ms Jo Bootle

Registered Charity Number: 1130306

Scottish Charity Register Number: SC043120

Registered Company Number: 06897785

Registered Office: The Sail Loft, 42 Medina Road, Cowes, Isle of Wight, PO31 7BX

Contact details:

Tel: 01983 296463

Email: info@ellenmacarthurfoundation.org

Web site: www.ellenmacarthurfoundation.org

Bankers: Lloyds TSB
30 Commercial Road, Totton, Southampton, SO40 3TH

Auditors: Moore Stephens (South) LLP
9 St John's Place, Newport, Isle of Wight, PO30 1LH

Solicitors: Wrigleys, Solicitors
19 Cookridge Street, Leeds, West Yorkshire, LS2 3AG

Governing Instrument: Memorandum and Articles of Association dated 6 May 2009

Ellen MacArthur Foundation Report and Financial Statements for the year ended 31 August 2017

TRUSTEES REPORT INCLUDING DIRECTORS AND STRATEGIC REPORT Report of the trustees for the year ended 31 August 2017

The trustees present their annual report and audited financial statements of the charity, trading subsidiary, and US sister charity for the year ended 31 August 2017. The Trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" (FRS102) in preparing their annual report and financial statements of the Charity.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Charity is formed as a Company Limited by Guarantee, registered in England under number 06897785, and governed by its Articles of Association. The Company has no share capital although the subscribers of the Memorandum are obliged to pay the sum not exceeding £1 in the event of a winding up of the Charitable Company.

The charity is registered with the Charity Commission with the registered charity number 1130306, and with the Office of the Scottish Charity Regulator under number SC043120. The charity is controlled by its Board of Trustees, with the day to day management delegated to the CEO and his senior management team.

The directors of the charitable company are its trustees for the purposes of charity law. All trustees give of their time freely for duties as a trustee and no trustee remuneration was paid in the period. Details of trustee expenses and related party transactions are disclosed in notes 10 and 19 to the accounts. A process of induction and training is provided to Trustees, including awareness and guidance produced by the Charity Commission.

The Charity works closely with the Ellen MacArthur Foundation Inc., a sister charity based in the US and has operated a project in Brazil through a branch of the main charity. These accounts reflect all activities on a consolidated basis.

Appointment of Trustees:

- Trustees are appointed by agreement of the existing Board of Trustees.
 - Trustees appointed must have specific skills or knowledge in a sector, beneficial to the Foundation and its charitable objectives.
 - The current Trustees include experts in sustainability, media and communications.
- The Trustees as listed on page 2 served throughout the period.

Public Benefit

In considering the work for the Charity, and in their governance of the Charity, the trustees have had due regard to the guidance produced by the Charity Commission in respect of public benefit.

Management Structure

The trustees delegate responsibility for the day-to-day operational management of the charity to a Chief Executive Officer and a Chief Operating Officer. The CEO and COO (as listed on page 2) work with a wider management team with representation from across the organization.

This wider management team reports directly to either the CEO or COO and focuses its attention on important working groups which reflect the priorities of the organization.

Salary reviews are conducted annually via this team and following the performance review process, which takes place in October each year. The management team recommend performance reviews to the CEO and COO and these are considered in the context of internal considerations (the organization structure, nature of the role, team and individual performance and affordability), as well as externalities (market benchmarks, cost of living assessments). CEO salary adjustments are discussed and agreed between the Foundation's Trustees.

OBJECTIVES AND ACTIVITIES

Vision:

Our aim is to inspire a generation to re-think, re-design and build a restorative circular economy.

Objects of the Charity:

1. To promote sustainable development (means "development which meets the needs of the present without compromising the ability of future generations to meet their own generation needs") for the benefit of the public by:
 - (a) the promotion, preservation, conservation, protection of the environment and the prudent use of resources; and
 - (b) the promotion of means of achieving sustainable economic growth and regeneration.

Ellen MacArthur Foundation Report and Financial Statements for the year ended 31 August 2017

TRUSTEES REPORT (continued...) Report of the trustees for the year ended 31 August 2017

2. To advance the education of the public in subjects relating to sustainable development and the protection, enhancement and rehabilitation of the environment and to promote study and research in such subjects provided that the useful results of such study are disseminated to the public at large.

Strategy:

To provide a vision and framework for the transition towards a restorative economy – the circular economy and to focus our activities in four areas:

- Education - inspiring a generation to re-think, re-design and build a positive future;
- Business - catalysing circular economic innovation across the economy;
- Insight & Analysis - providing thought leadership and robust evidence about the benefits of the transition;
- Systemic Initiatives – transforming key material flows to scale adoption of the circular economy globally
- Communications - sharing informative content, influencing key actors in the economy and stimulating dialogue around the circular economy framework.

The Charity has a wholly owned trading subsidiary company - The Ellen MacArthur Foundation Trading Limited, which operates the Circular Economy 100 programme, and provides business services around the Circular Economy. All profits are donated to the Charity to further its work.

STRATEGIC REPORT

Achievements and performance - Introduction

The Ellen MacArthur Foundation was publicly launched on the 2nd September 2010 with the aim of inspiring a generation to re-think, re-design and build a positive future through the vision of a circular economy. The circular economy is a different global economic system.

Our current economic model, shaped by the Industrial Revolution, is dominated by a one-way or linear model of production and consumption, in which goods are manufactured from raw materials, sold, used, and then discarded as waste. Yet recent price volatility, growing pressure on resources due to rising demand and growing awareness of industrial externality issues have alerted business leaders and policy makers to the necessity of rethinking materials and energy use. The Foundation argues that the time is right to initiate a system-level change and take advantage of the potential benefits of the circular economy.

The circular economy model, which draws from a variety of schools of thought and relies on contemporary science, offers positive perspectives by providing a framework that enables the decoupling of economic development from the consumption of finite resources, through innovation, value preservation strategies and natural capital regeneration. By helping further the understanding of the economic rationale for a circular economy, providing quantitative analysis and engaging with business entrepreneurs and policy makers to accelerate its adoption at scale, the Ellen MacArthur Foundation aims to play a key role in the transition towards a regenerative and resilient global economy.

The Foundation has a clearly defined programme of activity in the key areas in which it works:

Education - inspiring a generation to re-think, re-design and build a positive future;

Business & Government - catalysing circular innovation across the economy;

Insight & Analysis - providing thought leadership, and robust evidence about the benefits of the transition;

Systemic Initiatives – transforming key material flows to scale the circular economy globally **Communications** - sharing informative content and stimulating dialogue around the circular economy framework.

Education

The evolution of teaching and learning will play a key role in the successful transition to a circular economy.

The Foundation is an advocate of systems thinking and cross-curricular learning, as core perspectives with which to begin to re-think the future economy. The Foundation's Education Programme currently focuses in the following areas.

Ellen MacArthur Foundation Report and Financial Statements for the year ended 31 August 2017

TRUSTEES REPORT (continued...)

Report of the trustees for the year ended 31 August 2017

Higher Education – June 2017 saw the fifth and final immersive Summer School of the Schmidt MacArthur Fellowship, which will come to an end in August 2018. Over the past five years, the programme has established credibility for the idea of circular economy across academia, creating a network of world leading universities, stimulating new approaches to teaching and learning, and building substantial capacity and capability within both the Foundation and its academic networks. Over the five years of the programme, 168 students and academics from 12 countries have attended the summer school. Funding for the next phase of work of this programme has been confirmed and the planning is underway.

Alongside this, the Foundation works with a network of 55 leading universities including 8 ‘Pioneer Universities’. Examples of outcomes from this network is the University of Cranfield offering the world’s first MSc in Technology Innovation and Management for a Circular Economy, and Systems Change - Towards a Circular Economy, a £5m Engineering and Physical Science Research Council (EPSRC) research funding stream. This wider work aims to catalase relevant research and build and scale a network of young people who are empowered with the systems level thinking necessary to lead and shape the future economic landscape.

Schools and colleges - A focus to develop curricula in secondary education across science, geography, economics, design engineering has delivered formal partnerships with United World Colleges (UWC) and International Baccalaureate (IB). Circular economy is now embedded in three IB subjects – geography, design and technology, and environmental systems and technology reaching 18000 students across the world each year. Supporting this integration the Foundation has worked with the professional development team at the IB to establish a course for educators globally to improve their professional capabilities and skills in delivering and sharing circular economy learning and stimulus to their students. This year we have also completed a cycle of curriculum action research with two UWC schools in Singapore and India, this test phase sets us up for more widespread sharing of circular economy and complexity resources with the IB and UWC network.

Informal learning - In Autumn 2016, the Foundation delivered its third Disruptive Innovation Festival and has invested in substantial development for the 2017 Festival which takes place in November. The annual global online Festival uses new and unique learning models to connect with a growing network of learners and innovators who have the capability and drive to disrupt the existing economy and take new ideas to scale. This platform also helps the Foundation refine its knowledge of cutting-edge digital broadcasting techniques. 308 online and in-person sessions were curated, with over 500 contributors, over 130,000 website visitors and over 2.5 million reached via social media.

Corporate learning – This programme enables individuals from across the world to develop their professional capabilities in applying circular economy to their business, industry or sector through online and face to face learning. Over 1000 professionals have taken the 6 week Circular Economy Executive Education course and the team are now working with our Pioneer Universities to review user feedback to redesign and rebuild a new landscape of offerings. Additionally, the Circular Economy e-Learning Programme offers a scalable, capacity building online learning tool composed of an introduction to the circular economy and functional modules focusing on R&D, Supply Chain & Procurement, Marketing, and Strategy & Finance. Since launch over 9000 active learners from across the Foundation’s CE100 and GP networks have participated in this e-Learning programme.

Design

The Foundation’s Circular Design Guide (an open-access, modular learning platform), was launched at the World Economic Forum in January 2017 to reach a large global audience of designers, and inspire and enable them to create products, services, and systems for the circular economy. The guide was co-created by IDEO and has already been used by 200,000 designers from over 150 countries.

BUSINESS & GOVERNMENT

Global Partners - the Foundation continues to work with a small number of influential businesses in key sectors of the economy to demonstrate circularity at scale – its Global Partners. The Foundation works with each partner to develop and define their circular economy missions, to enable them to demonstrate their industry leadership in CE innovation. During the financial year to end August 2017, the charity was able to add Danone to this group, as well as agree a third three-year partnership with Renault (one of the original founding Global Partners of the Foundation), taking the total to nine Global Partners across many different sectors.

Ellen MacArthur Foundation Report and Financial Statements for the year ended 31 August 2017

TRUSTEES REPORT (continued...) Report of the trustees for the year ended 31 August 2017

Circular Economy 100 - The Ellen MacArthur Foundation's programme for up to 100 corporations, emerging innovators, governments and cities, and universities to accelerate the circular economy was launched in January 2013. The programme continues to recruit and grow.

Members of this programme are invited to attend regular workshops and the CE100 Summit in June, as well as invite their employees to participate in online learning programmes. The CE100 enables organisations to work in an alliance to more easily capture commercial opportunities than those working in isolation. It also provides an important additional revenue stream for the Foundation.

As of 31 August 2017, the CE100 membership included 48 Corporate members in Europe, 11 in Brazil and 10 in the US, in addition to Emerging Innovators, Affiliates and Government & City members across the different geographies. Additionally, 12 cities joined the Circular Cities Network, launched in October 2016. This network offers an online knowledge exchange platform to support decision-makers from city authorities to take action for a circular economy. During the year, workshops for these members took place in Berlin and Oxford in Europe, Sao Paulo and Floripa in Brazil, and New York and Seattle in the US.

Two pieces of work were released to expand understanding of the circular economy model in an urban context: 'Cities in the Circular Economy: An Initial Exploration' and 'Cities in the Circular Economy: The Role of Digital Technology' – the latter was co-authored by Global Partner, Google. During the year, there was continued visibility of the Foundation's work in Government through participation in events and conferences such as the Smart Cities Expo World Congress in Barcelona, Smart Cities NYC, National Zero Waste in Canada, Verge 2017 and Greenbiz 2017 in the USA. The Foundation also formed alliances with other networks able to catalyse the acceleration to a circular economy, including C40, 100 Resilient Cities, ICLEI and EURO CITIES.

INSIGHT & ANALYSIS & SYSTEMIC INITIATIVES

China

During 2017, a Foundation team have worked on a project – in conjunction with Knowledge Partner, McKinsey & Co, to understand the impact the circular economy could have on one of the world's largest economies. This report will be launched at the end of 2017 in China and Europe.

Project MainStream

Project MainStream (a cross-industry, CEO-led global initiative to help scale the circular economy by addressing systemic stalemates) delivered a scoping paper – Urban Biocycles – at the World Economic Forum in Davos in January 2017. The report confirmed that, if, through circular economy principles, all relevant nutrients in the human waste stream were recovered, it could amount to 2.7 times the volume of synthetic fertilisers used today. The report was subsequently launched at the Forum for the Future of Agriculture in Brussels at the end of March 2017.

Project MainStream continues and the strong relationship with the World Economic Forum continues to develop, via an ongoing official collaboration, three senior members of the Foundation sitting on the WEF's Global Future Councils, bringing a circular economy perspective to the global debate. Furthermore, the Foundation acts as knowledge partner for the Forum's Platform for Accelerating the Circular Economy (PACE).

New Plastics Economy

The New Plastics Economy Initiative was launched as the first Systemic Initiative of the Ellen MacArthur Foundation in May 2016. During the year, it continued to build significant momentum. In January, at the World Economic Forum in Davos, it launched an action plan to move from 14% to 70% reuse and recycling of plastic packaging globally, which was endorsed by 40+ CEOs and other senior executives. This was mentioned by the World Economic Forum as one of the top 10 achievements of the Davos event in 2017. In May 2017, it launched a \$2m Innovation, with HRH Prince Of Wales, which aimed to inspire designers and innovators globally to come up with solutions to deliver products to people without generating plastics waste. The winners of the first \$1m prize were announced at the high-level Ocean Conference in October 2017, where six of the NPEC participant companies (Unilever, PepsiCo, Coke, MARS, M&S, Werner & Mertz) also confirmed that they are working towards 100% reusable, recyclable, or compostable plastic packaging by 2025.

Ellen MacArthur Foundation Report and Financial Statements for the year ended 31 August 2017

TRUSTEES REPORT (continued...) Report of the trustees for the year ended 31 August 2017

Circular Fibres

During 2017, a team working on Circular Fibres have produced a piece of research in partnership with McKinsey & Co, to be published in November 2017, that outlines the case for change in the textile system, with particular emphasis on the fashion and apparel sectors. As part of the initiative, the Foundation has engaged with a group of Core Partners, as well as Affiliate Partners representing key NGOs and other relevant key actors and gained input from more than 40 participant companies, governments, and NGOs.

Policy

In 2017 the European Union's Circular Economy Package was focused on the delivery of a Plastics Strategy, and the Foundation concentrated its EU Commission engagement on that topic. Several touch points have been organised throughout the year with relevant policymakers and the chiefs of cabinets of Vice-Presidents Timmermans and Katainen and Commissioner Vella. Leaked versions of the upcoming strategy show very strong affiliation with the recommendations put forward by the New Plastics Economy initiative, which is a direct result of our targeted information and engagement strategy. It is worth noting that Vice-President Timmermans himself requested a meeting with the Foundation in June, and explicitly asked for our feedback and input in the shaping of the Commission's strategy. Furthermore, Environment Commissioner Karmenu Vella stated, during Our Ocean conference in October "The Commission works closely with the EMF and draws from its content to inform its circular economy action plan."

Internationally, the EMF has developed collaborations with several national governments and inter-governmental bodies. We have this year been an organiser of the first World Circular Economy Forum alongside the Finnish Innovation Fund and the Nordic Council of Ministers (Denmark, Sweden, Norway, Finland, Iceland). This event gathered 1500+ participants and was widely acclaimed worldwide.

At inter-governmental level, the Foundation is involved in a variety of projects with United Nations agencies. It signed a working partnership with the UN Conference on Trade and Development, looking at the potential of circular economy in India (published in December 2016), and in China (to be published December 2017). The Foundation also works with UN Environment, specifically at the level of its Economy Division and will be taking part in the circular economy session at the UN's third Environmental Assembly in Nairobi in December 2017.

The Foundation's network of national governments interactions allows us to start bringing the circular economy narrative in both the G7 and the G20 groups – the Foundation notably co-signed the official report to the G20 on plastics marine litter during the German Presidency

COMMUNICATIONS

An internal and out sourced capacity with focus to mainstream the idea of circular economy has delivered a substantial communications effort through the period targeting the four primary audiences, reaching over 16.5 million people through social media, a six-times increase on the previous year. EMF reports were downloaded 34,436 times and Circulate (EMF's online news feed) published 240 feature articles, reaching 1.7 million people. EMF featured in international broadcast media including BBC, Al Jazeera, Sky news, National Geographic, Huffington Post, Fast Company, among others. The Disruptive Innovation Festival reached 10.5 million people from 170 countries. Of particular note, the New Plastics Economy report accelerated the Foundation's global reach with a substantial ongoing media campaign.

Other activity included:

EMF Annual Summit – The Ellen MacArthur Foundation Summit is the world's leading forum for exploring the idea of a circular economy. In its 5th edition, the Summit 2017 brought together internationally renowned thinkers, innovators and pioneers who are refining and implementing the vision of an economic system that is restorative and regenerative, by design. The event presents a unique opportunity for participants to immerse themselves into the latest thinking, learn from leading case examples, and connect with others taking small steps – or giant leaps – towards a circular economy.

Ellen MacArthur Foundation Report and Financial Statements for the year ended 31 August 2017

TRUSTEES REPORT (continued...)

Report of the trustees for the year ended 31 August 2017

Digital Investment - The Foundation grew its in-house digital team and was able to design and deliver a new main website (ellenmacarthurfoundation.org) a news site (circulatenews.org) and its Disruptive Innovation Festival site (thinkdif.co). Microsites and dedicated online platforms have also been developed for key projects – such as for the New Plastics Economy Initiative and the Circular Design Guide.

A focus on brand and visual identity and media relationships with formal partnerships with Greenbiz and Huffington Post.

LOOKING AHEAD

The Foundation will continue to focus on the areas of Business & Government, Education and Insight & Analysis, Systemic Initiatives and Communications.

Business & Government - the Foundation is currently working to align and unify its CE100 programme across the different geographies into 'One Programme' and, at the same time, will continue to focus on increasing its membership basis across the audience groups and geographies.

In November 2017, a year-long research project, focused on the role of circular cities in the acceleration to a circular economy, begins.

Education – the focus of the Education programme of the Foundation is to build its scale its impact across its workstreams. Planning for the next three-year phase of the Schmidt MacArthur Higher Education Programme is now underway, with a new online platform aiming to reach 50,000 students per year.

Insight & Analysis & Strategic Initiatives - It is believed that work on the China and Fibres initiatives will continue through 2018. Both reports are due to be launched with work already underway to understand and scope next steps and to secure funding to enable this work to continue at pace.

In the New Plastics Economy initiative, the focus for the next 12 months will be on obtaining more commitments from leading companies, countries, and cities, as well as looking at the planning (and funding) of what this initiative should become after its initial three-year timeframe.

With the learnings from these initiatives, the Foundation will also seek to develop a broader perspective and framework for creating real systems change across different industries and sectors.

A research project to identify how the built environment can implement circular economy practices has begun, in conjunction with Knowledge Partner, Arup and will continue through 2018.

The Ellen MacArthur Foundation has recently been appointed to the European Commission's Circular Economy Stakeholder Platform, as member of the coordination committee. It will remain close to the Action Plan's implementation, through this role, and by focusing on selected topics that fit its strategic priorities. It has also developed a close relationship with the EU delegation in China and will be joining forces in engaging policymakers on the ground around the acceleration of the circular economy.

At national level, Foundation is exploring a partnership with WRAP and the ISU to progress implementation of the key NPEC initiatives in the UK and will be giving input to the French government's circular economy national roadmap, having been officially asked to sit on the advisory panel and is also in the process of defining a knowledge partnership with the United Nation's International Resources Panel, the undisputed authority on the topic of resources stocks and use.

The next edition of the World Circular Economy Forum (October 2018) will be run in conjunction with the Japanese Ministry of the Environment, and the Foundation will remain a committed member of the Organisers' group, alongside the Finnish government and the Nordic Council of Ministers.

Funding Model

The Foundation's funding continues to come from two main sectors: corporate partnership / membership, and philanthropy. Funds do not come from the general public. The Trustees monitor the activities of the Ellen MacArthur Foundation and the Ellen MacArthur Foundation Trading Limited in relation to fundraising.

Ellen MacArthur Foundation Report and Financial Statements for the year ended 31 August 2017

TRUSTEES REPORT (continued...)

Report of the trustees for the year ended 31 August 2017

Its two main business programmes - Global Partnerships and CE100 memberships – are both three-year programmes of activity. As of 31 August 2017, there were nine Global Partners and 58 paid members of the Circular Economy 100 programme globally.

From the philanthropic community, the Foundation has received core charity funding from the Eric & Wendy Schmidt Fund for Strategic Innovation, MAVA, Fondation pour la Nature and SUN (Foundation for Environmental Economics and Sustainability). The Foundation continues to seek opportunities to increase its core funding and specific project funding from trusts and grant awarding bodies as appropriate. Current project funders include the Schmidt Family Foundation, the Eric & Wendy Schmidt Fund for Strategic Innovation, MAVA, Fondation pour la Nature, Climate Works, the EU FP7 framework, People's Postcode Lottery, the OAK Foundation and the C&A Foundation.

Funding is also received from the EU FP7 framework to fund its participation in the ResCom project, which identifies closed loop manufacturing solutions. The Ellen MacArthur Foundation is one of 12 consortium partners in this four year project which comes to an end in October 2017, having developed a methodology and the first practical tools (which are available via the ResCoM website (www.rescoms.eu), to support manufacturers in designing products for circular economy, and assessing the potential of circular business models. The Ellen MacArthur Foundation leads the dissemination activities for this project and the results will be shared with the Ellen MacArthur Foundation's wide network, the consortium network and relevant media, and will be of benefit to all manufacturers exploring circular economy for their products.

FINANCIAL REVIEW AND RESERVES POLICY

The consolidated result for the year was a surplus of £454,753; taking unrestricted reserves at the year end to £1,914,710 and restricted funds were stated at £4,213,899. These balances were in respect of part completed projects and work programmes. The trading subsidiary generated a surplus of £302,676 which has been donated to the charity subsequent to the year-end.

As mentioned above regarding the funding model, the Foundation continues to seek new funding streams, Global Partners and Philanthropic Funders. The Foundation builds its work programme from the available resources. The increasing volume and size of projects is driven by the Foundation's increased profile, but which has resulted in a higher need for unrestricted reserves.

The Reserves Policy is to build reserves to allow for six months central operating costs, together with the run off – commitments of the projects in place. Free reserves at the year end were £1,528,343 (2016 - £1,696,460) and based on the projection for 2018, six months core costs would amount to £2,900,000.

RISK MANAGEMENT

In a challenging economy, ongoing funding for a growing organisation, with a payroll of around £4 million per annum, is the most obvious risk for the Foundation.

However, in general, the Foundation has a conservative approach to taking on new initiatives, requiring that they are funded before they begin. Funds are rarely committed in advance. In addition, the funding model, as already stated, is increasingly diversified and not dependent on any core industry or partnership structure.

Legal risks also emerge as the Foundation grows – as our external relationships become more involved, significant and international in nature, the potential for legal dispute increases. A robust legal support network in the territories in which the Foundation operates has become a priority for the current year.

The Foundation team is both the biggest asset, and cost to the charity, with key individuals in all project areas. The Charity places a huge amount of management focus on recruitment, individual and team development and having the right policies and process in place to ensure the Foundation retains its high-performing team.

A risk register is held, updated at regular management meetings, and then presented for discussion at Trustee Meetings.

**Ellen MacArthur Foundation
Report and Financial Statements for the year ended 31 August 2017**

**TRUSTEES REPORT (continued...)
Report of the trustees for the year ended 31 August 2017**

AUDITORS

A resolution to reappoint Moore Stephens (South) LLP as auditors to the company will be put to the Annual General Meeting.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees are responsible for their annual report and the preparation of financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company and charity law requires the Trustees to prepare financial statements for each financial year. Under company law the directors must not approve financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charity and of the surplus or deficit of the Charity for that year. In the preparation of those financial statements, the Trustees are required to:

- Select suitable accounting policies and ensure they are applied consistently;
- Make judgments and estimates that are reasonable and prudent;
- Ensure that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Charity will continue in business.

The Trustees are responsible for ensuring that the Charity keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and which enable them to ensure that the financial statements comply with the Companies Act 2006 and with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They also have responsibility for ensuring that the Charity has appropriate systems and controls (financial and otherwise) and that reasonable steps are taken for safeguarding the assets of the Charity and for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Trustees are aware, there is no relevant audit information of which the Charity's auditors are unaware, and each Trustee has taken all the steps that they ought to have taken as a Trustee in order to make themselves aware of any relevant audit information and to establish that the Charity's auditors are aware of that information.

In approving the Trustees Annual Report, we also approve the Strategic Report included therein, in our capacity as Company directors.

Approved and Signed on behalf of the Board of Trustees:

Mr Peter Morgan

19 March 2018

Ellen MacArthur Foundation Report and Financial Statements for the year ended 31 August 2017

AUDIT REPORT

Independent Auditors' Report to the trustees and members of Ellen MacArthur Foundation

Opinion

We have audited the financial statements of Ellen MacArthur Foundation for the year ended 31 August 2017 which comprise the Group and Parent Charitable Company Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the statement of cash flows and the related notes set out on pages 13 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice), and the Charities SORP 2015.

In our opinion the accounts:

- give a true and fair view of the state of the group charitable company's affairs as at 31 August 2017 and of its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011, and the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended); and
- have been prepared in accordance with the Charities SORP 2015.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 the accounts' section of our report. We are independent of the Charitable Company in accordance with the ethical requirements that are relevant to our audit of the accounts 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.

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 accounts is not appropriate;
or
- the Trustees have not disclosed in the accounts any identified material uncertainties that may cast significant doubt about the Charitable Company'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 accounts are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the accounts and our auditor's report thereon. The Trustees are responsible for the other information. Our opinion on the accounts 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 accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts 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 accounts 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.

**Ellen MacArthur Foundation
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AUDIT REPORT (continued...)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Trustees' Report including the incorporated strategic report for the financial year for which the accounts are prepared is consistent with the accounts; and
- the Trustees' Report including the incorporated strategic report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report, including the incorporated strategic report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees are responsible for the preparation of the accounts 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 accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the Trustees are responsible for assessing the charitable company'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 charitable company, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder. Our objectives are to obtain reasonable assurance about whether the accounts 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**E A SHAKESHAFT (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF MOORE STEPHENS (SOUTH) LLP, STATUTORY AUDITOR**

9 St John's Place
Newport
Isle of Wight
PO30 1LH

19 April 2018

Moore Stephens (South) LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

**Ellen MacArthur Foundation
Report and Financial Statements for the year ended 31 August 2017**

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(INCLUDING INCOME AND EXPENDITURE ACCOUNT)**

For the year ended 31 August 2017

	Unrestricted Funds £	Restricted Funds £	Total 2017 £	Total 2016 £
INCOME AND ENDOWMENTS FROM:				
Donations and legacies	1,932,452	3,503,354	5,435,806	7,331,812
Charitable activities	21,256	-	21,256	10,744
Other trading operations	3,223,695	-	3,223,695	2,465,961
Investments	<u>13,478</u>	<u>-</u>	<u>13,478</u>	<u>5,766</u>
TOTAL INCOME	<u>5,190,881</u>	<u>3,503,354</u>	<u>8,694,235</u>	<u>9,814,283</u>
EXPENDITURE ON:				
Fund raising costs	181,945	-	181,945	184,444
Commercial trading operations	2,921,019	-	2,921,019	1,846,054
Charitable activities	1,808,225	3,238,340	5,046,565	3,709,374
Other	<u>89,953</u>	<u>-</u>	<u>89,953</u>	<u>31,077</u>
TOTAL EXPENDITURE	<u>5,001,142</u>	<u>3,238,340</u>	<u>8,239,482</u>	<u>5,770,949</u>
NET INCOME/(EXPENDITURE)	189,739	265,014	454,753	4,043,334
Transfers between funds	<u>(363,917)</u>	<u>363,917</u>	<u>-</u>	<u>-</u>
NET MOVEMENT IN FUNDS	(174,178)	628,931	454,753	4,043,334
RECONCILIATION OF FUNDS				
Fund balances as at 1 September 2016	<u>2,088,888</u>	<u>3,584,968</u>	<u>5,673,856</u>	<u>1,630,522</u>
Fund balances as at 31 August 2017	<u>1,914,710</u>	<u>4,213,899</u>	<u>6,128,609</u>	<u>5,673,856</u>

The Statement of Financial Activities includes all gains and losses in the period.

All incoming resources and resources expended derive from continuing activities.

**Ellen MacArthur Foundation
Report and Financial Statements for the year ended 31 August 2017**

**CONSOLIDATED AND CHARITY BALANCE SHEET
At 31 August 2017**

	Group 2017 £	Group 2016 £	Charity 2017 £	Charity 2016 £
FIXED ASSETS				
Tangible fixed assets	386,367	392,428	227,769	265,316
Fixed asset investment	-	-	1	1
	<u>386,367</u>	<u>392,428</u>	<u>227,770</u>	<u>265,317</u>
CURRENT ASSETS				
Debtors	844,679	1,452,222	1,020,121	1,747,143
Cash at bank and in hand	<u>6,224,054</u>	<u>5,476,980</u>	<u>4,948,691</u>	<u>4,138,029</u>
	7,068,733	6,929,202	5,968,812	5,885,172
CREDITORS				
Amounts falling due within one year	<u>(1,326,491)</u>	<u>(1,647,774)</u>	<u>(458,287)</u>	<u>(476,633)</u>
NET CURRENT ASSETS	<u>5,742,242</u>	<u>5,281,428</u>	<u>5,510,525</u>	<u>5,408,539</u>
TOTAL NET ASSETS	<u>6,128,609</u> =====	<u>5,673,856</u> =====	<u>5,738,295</u> =====	<u>5,673,856</u> =====
FUNDS				
Unrestricted funds	1,914,710	2,088,888	1,524,396	2,088,888
Restricted funds	<u>4,213,899</u>	<u>3,584,968</u>	<u>4,213,899</u>	<u>3,584,968</u>
	<u>6,128,609</u> =====	<u>5,673,856</u> =====	<u>5,738,295</u> =====	<u>5,673,856</u> =====

The financial statements were approved by the Board of Trustees and signed on its behalf by:

Dame Ellen MacArthur

Mr Philip Sellwood

19 March 2018

Company Registration Number: 06897785

The notes contained in the full Report and Financial Statements filed at UK Registrar of Companies (Companies House) and with The Charities Commission for England and Wales form an integral part of these financial statements

**Ellen MacArthur Foundation
Report and Financial Statements for the year ended 31 August 2017**

**STATEMENT OF CASH FLOWS
Year ended 31 August 2017**

	Group 2017 £	Group 2016 £
CASH FLOW FROM OPERATING ACTIVITIES	<u>821,569</u>	<u>4,099,093</u>
Cash flow from investing activities		
Payments to acquire tangible fixed assets	(87,972)	(396,722)
Interest received	<u>13,477</u>	<u>5,766</u>
NET CASH FLOW FROM INVESTING ACTIVITIES	<u>(74,495)</u>	<u>(390,956)</u>
Net increase in cash and cash equivalents	747,074	3,708,137
Cash equivalents at 1 September 2016	<u>5,476,980</u>	<u>1,768,843</u>
CASH EQUIVALENTS AT 31 AUGUST 2017	<u>6,224,054</u> =====	<u>5,476,980</u> =====
Cash and cash equivalents consists of:		
Cash at bank and in hand		
Short term deposits	<u>6,224,054</u>	<u>5,476,980</u>
CASH AND CASH EQUIVALENTS AT 31 AUGUST 2017	<u>6,224,054</u> =====	<u>5,476,980</u> =====

Ellen MacArthur Foundation

Report and Financial Statements for the year ended 31 August 2017

ACCOUNTING POLICIES

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the period.

General information and basis of preparation

The Ellen MacArthur Foundation is a charitable company limited by guarantee incorporated in England and Wales. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The address of the registered office is given in the charity information on page 2 of these financial statements. The nature of the charity's operations and principal activities are as an Educational and Research Charity with the aim to inspire a generation to re-think, redesign and build a restorative circular economy.

The charity constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: 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 (FRS 102) issued on 16 July 2014, the Charities Act 2011, the Companies Act 2006 and UK Generally Accepted Practice as it applies from 1 January 2015.

The financial statements are prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are prepared in sterling which is the functional currency of the charity, and rounded to the nearest £1.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Group accounts

The financial statements consolidate the results of the Charity and its wholly owned subsidiary Ellen MacArthur Foundation Trading Limited on a line by line basis. A separate Statement of Financial Activities, and income and expenditure account, for the charity itself are not presented because the charity has taken advantage of the exemptions afforded by the Companies Act 2006. The accounts also reflect the activities of Ellen MacArthur Foundation Inc., a sister charity based in the US.

Fund accounting

- Unrestricted funds are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.
- Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.
- Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Income recognition

All incoming resources are included in the Statement of Financial Activities (SoFA) when the charity is legally entitled to the income after any performance conditions have been met, the amount can be measured reliably and it is probable that the income will be received. The following specific policies are applied to particular categories of income:

- Voluntary income is received by way of grants, donations, legacies and gifts and is included in full in the Statement of Financial Activities when receivable. Grants, where entitlement is not conditional on the delivery of a specific performance by the charity, are recognised when the charity becomes unconditionally entitled to the grant. Where donations relate to a work programme based on academic years, then receipt in advance is deferred to the appropriate year;
- For donations to be recognised, the charity will have been notified of the amounts and the settlement date in writing. If there are conditions attached to the donation and this requires a level of performance before entitlement can be obtained, then income is deferred until those conditions are fully met or the fulfillment of those conditions is within the control of the charity and it is probable that they will be fulfilled;
- Donated facilities and donated professional services are recognised in income at their fair value when their economic benefit is probable, it can be measured reliably and the charity has control over the item. Fair value is determined on the basis of the value of the gift to the charity. For example: the amount the charity would be willing to pay in the open market for such facilities and services. A corresponding amount is recognised in expenditure;
- Value in Kind commitments on projects is often used as a method to obtain engagement with funding partners on projects, although these are not within the Charity's control, and cannot be verified, and as a result there is no attempt to measure and include these third party commitments within the financial statements.
- No amount is included in the financial statements for volunteer time in line with the SORP (FRS 102). Further detail is given in the Trustees' Annual Report;
- Income from trading activities includes income earned from fundraising events and trading activities to raise funds for the charity. Income is received in exchange for supplying goods and services in order to raise funds and is recognised when entitlement has occurred.

Ellen MacArthur Foundation

Report and Financial Statements for the year ended 31 August 2017

NOTES TO THE FINANCIAL STATEMENTS (continued...)

Income recognition (continued)

- Incoming resources from grants, where related to performance and specific deliverables, are accounted for as the charity earns the right to consideration by its performance.
- Investment income is earned through holding assets for investment purposes such as funds on deposit, shares and property. It includes interest. It is included when the amount can be measured reliably.

Debtors

Trade and other debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid.

Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required, and the amount of the obligation can be measured reliably. It is categorised under the following headings:

- Costs of raising funds includes activities to seek out and agree terms with major donors, together with the costs of the trading subsidiary;
- Expenditure on charitable activities includes project costs on the charity's various projects as identified in the notes to these accounts; and
- Other expenditure represents those items not falling into the categories above.

Irrecoverable VAT is charged as an expense against the activity for which expenditure arose.

Creditors

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Grants payable to third parties are within the charitable objectives. Where unconditional grants are offered, this is accrued as soon as the recipient is notified of the grant, as this gives rise to a reasonable expectation that the recipient will receive the grants. Where grants are conditional relating to performance then the grant is only accrued when any unfulfilled conditions are outside of the control of the charity.

Pension

The charity has a defined contribution pension scheme for all eligible employees. The assets of the scheme are held separately to the Charity. Pension costs charged in the Statement of Financial Activities represent the contributions payable for the year.

Support costs allocation

Support costs are those that assist the work of the charity but do not directly represent charitable activities and include office costs, governance costs, administrative payroll costs. They are incurred directly in support of expenditure on the objects of the charity and include project management. Where support costs cannot be directly attributed to particular headings they have been allocated to cost of raising funds and expenditure on charitable activities on a basis consistent with use of the resources.

Financial assets and liabilities

The Trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Fixed Assets and Depreciation

Assets costing more than £500 are capitalised. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Computer equipment	25% and 33%	Straight line
Furniture and equipment	20% and 25%	Reducing balance
Improvements to leasehold property	10% to 33%	Straight line, over the duration of the lease

Taxation

No corporation tax has been provided in these accounts because the income of the charity is within the exemption granted by HM Revenue & Customs to the extent that these funds are applied to Charitable objects.

Foreign Currency Transactions

Foreign currency transactions are initially recognised by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Monetary assets and liabilities denominated in a foreign currency at the balance sheet date are translated using the closing rate.

The results of the US sister charity are translated at average rate (income and expenses) and closing rate for the purposes of Consolidation.

**Ellen MacArthur Foundation
Report and Financial Statements for the year ended 31 August 2017**

NOTES TO THE FINANCIAL STATEMENTS (continued...)

Judgements and key sources of estimation uncertainty

In the application of the charitable company's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Going concern

The financial statements have been prepared on a going concern basis as the Trustees believe that no material uncertainties exist. The Trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with the level of reserves for the charity to be able to continue as a going concern.