

Charity Registration No. 1142111

Company Registration No. 07587909 (England and Wales)

THE EDUCATION ENDOWMENT FOUNDATION

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2019**

THE EDUCATION ENDOWMENT FOUNDATION

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Sir Peter Lampl, Chairman	
	David Hall, Vice Chairman	
	Naomi Eisenstadt	(Appointed 21 June 2018)
	Louis Elson	
	Sir Peter Gershon	
	Lucy Heller	(Appointed 21 June 2018)
	Johannes Huth	(Resigned 10 September 2018)
	Lee Elliot Major	(Resigned 17 September 2019)
	Nat Sloane	
	Hanneke Smits	(Appointed 11 December 2018)

Charity number 1142111

Company number 07587909

Registered office
5th Floor
Millbank Tower
21-24 Millbank
London
SW1P 4QP

Auditor
RSM UK Audit LLP
Chartered Accountants
25 Farringdon Street
London
United Kingdom
EC4A 4AB

Bankers
CAF Bank Limited
PO BOX 289
25 Kings Hill Ave
Kings Hill
West Malling
Kent
ME19 4TA

Solicitors
Freshfields Bruckhaus Deringer
65 Fleet Street
London
EC4Y 1HS

Macfarlanes
20 Cursitor Street
London
EC4A 1LT

**Key Management
Personnel in addition
to the Trustees**
Sir Kevan Collins (Chief Executive)
James Turner (Deputy Chief Executive until February 2019)
Stephen Fraser (Deputy Chief Executive from February 2019)
Anne-Laure Bedouet (Head of Finance and Operations)
Stephen Tall (Development and Communications Director)

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Team

Camilla Nevill (Head of Evaluation)
Triin Edovald (Head of International Evaluation)
Elena Rosa Brown (Senior Evaluation Manager, until December 2018)
Guillermo Rodriguez-Guzman (Evaluation Manager)
Florentina Taylor (Evaluation Manager)
Celeste Cheung (Evaluation Manager, joined September 2018)
Ben Weidmann (Research Associate, joined September 2018)
Diotima Rapp (Evaluation Manager, joined November 2018)
Jennifer Stevenson (Evaluation Manager, joined November 2018)
Danielle Mason (Head of Research and Publications, until February 2019)
Stephen Fraser (International Partnerships Director from December 2018 to February 2019, then Deputy CEO)
Jonathan Kay (Toolkit Lead)
Maisie Monroe (International Manager)
Mohammad Zaman (Project Manager Toolkit and International, joined June 2018)
James Richardson (Head of Research Schools)
Jonathan Sharples (Senior Researcher – on secondment from Institute of Education, UCL)
Stuart Mathers (School engagement and Dissemination Manager)
Alex Quigley (Senior Associate – Research schools, joined September 2018)
Megan Dixon (Regional Delivery Lead – on secondment from Aspire school from January 2019)
Sue Morgan (Regional Delivery Lead, joined July 2019)
Lorwyn Randall (Regional Delivery Lead, joined September 2019)
Pauline Brown (Regional Delivery Lead, joined September 2019)
Phoebe Fisher (Regional Delivery Officer, joined July 2019)
Liberty King (Regional Delivery Officer, joined September 2019)
Trent Grassian (Data and Comms Analyst, joined July 2019)
Robbie Coleman (Head of Policy, joined full time September 2018)
Eleanor Stringer (Head of Programmes, on secondment with Youth Futures Foundation from April 2019)
Matthew van Poortvliet (Head of Programmes)
Emily Yeomans (Head of Programme Strategy)
Thomas Martell (Programme Manager, then Regional Delivery Lead)
Peter Henderson (Programme Manager)
Igraine Rhodes (Programme Manager)
Kath Davies (Programme Manager, joined July 2018)
Joe Collin (Programme Manager, joined July 2018)
Sarah Tillotson (Programme Manager, joined August 2019)
Adil Morrison (Digital and Information Officer)
Hilary Cornwell (Media and Communications Manager, jointly with Sutton Trust)
Javneet Ghuman (Parliamentary and Public Affairs Officer, jointly with Sutton Trust, until December 2018)
Katie Scott-Marshall (Executive Assistant, until May 2019)
Shelby Roberts (Admin and Policy officer, joined July 2019)
Amy Holland (Administrative Assistant, until July 2019)
Abegayle Duffus (Administrative Apprentice, joined July 2018)

THE EDUCATION ENDOWMENT FOUNDATION

LEGAL AND ADMINISTRATIVE INFORMATION

Education Advisory Board

Sir Michael Wilshaw (Chairman)
Sir Peter Lampl
Dame Alison Peacock
Ann Mroz
Prof Becky Francis
David Hall
Sir Frank McLoughlin
Hang Ho
Kate Atkins
Lucy Heller
~~Sir Mark Grundy~~
Peter Goldsbrough
Russell Hobby
Prof Steve Higgins
Tim Gardam

Investment advisors

J.P. Morgan International Bank Limited
125 London Wall
London
EC2Y 5AJ

Goldman Sachs Asset Management International
Christchurch Court
10-15 Negate Street
London
EC1A 7HD

State Street Global Services
20 Churchill Place
Canary Wharf
London
E14 5HJ

Bank of New York Mellon
48th Floor, One Canada Square
London
E14 5AL

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THE EDUCATION ENDOWMENT FOUNDATION

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

The Trustees (who are also directors of the charity for the purposes of the Companies Act) present their annual report together with the audited financial statements of The Education Endowment Foundation (the charitable company) for the year ended 31 March 2019. The Trustees confirm that the Annual Report and financial statements of the charitable company comply with the current statutory requirements, the requirements of the charitable company's governing document and the provisions of the Statement of Recommended Practice (SORP), applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

Structure, governance and management

Constitution

The Education Endowment Foundation ('EEF') is a registered charity (number 1142111) whose principal object is the advancement of education for the benefit of the public, in particular, but not exclusively, by a) making grants to schools, local authorities, charities, social enterprises and other voluntary and community sector organisations to fund projects which seek to address low educational attainment; and b) supporting and disseminating the results of research into ways to mitigate the factors that cause or contribute to, and successful strategies for dealing with, low educational attainment. Within its charitable objects, the EEF particularly focuses on improving outcomes for disadvantaged children and young people. The EEF was set up by The Sutton Trust as the lead charity in partnership with Impetus Trust and was initially funded by a £125m grant from The Department for Education.

The organisation is a company limited by guarantee, incorporated on 1 April 2011 and registered as a charity on 25 May 2011. The charitable company is controlled by its Memorandum and Articles of Association, dated 31 May 2011, and constitutes a company limited by guarantee, as defined by the Companies Act 2006.

Appointment of Trustees

The appointment of Trustees is governed by the governing document of the charity. On 21 June 2018, the EEF amended its articles of association and governing document to allow the member of the EEF (the Sutton Trust) to appoint at least two and no more than nine (changed from seven) Trustees. EEF Trustees are appointed for a term not exceeding five years. Any Trustee may be re-appointed on the expiry of his/her initial or any subsequent term of office. The Sponsors' Agreement between The Sutton Trust and Impetus – The Private Equity Foundation specifies that four of the nine Trustees are to be nominated by Impetus – The Private Equity Foundation and five to be nominated by The Sutton Trust. Impetus – The Private Equity Foundation nominated Louis Elson, Lucy Heller (appointed 21 June 2018), Johannes Huth (resigned 10 September 2018) and Nat Sloane. The Sutton Trust nominated Sir Peter Lampl, David Hall, Naomi Eisenstadt (appointed 21 June 2018), Sir Peter Gershon (appointed 5 October 2017) and Lee Elliot Major (resigned 17 September 2019). The members of the EEF have duly appointed these individuals as the EEF Trustees. The Sponsor's Agreement provides that the Chairman of the EEF is Sir Peter Lampl, who is also the Chairman of The Sutton Trust.

Organisational structure and how decisions are made

The EEF Board has the ultimate responsibility for directing the affairs of the EEF, ensuring that it is financially sound, well run, and delivering the charitable outcomes for which it has been set up. The Board comprises the directors of the company who are also the charity Trustees.

The EEF Trustees meet at least four times a year to discuss overall strategy and to determine how best to direct the EEF's resources to meet its objectives. The EEF has a Chief Executive, who reports to the Chairman and other Trustees, and is supported by a Deputy CEO. The Chief Executive and Deputy CEO oversee an executive team of full and part time posts as listed on the Legal and Administrative pages.

The Trustees have also established two committees to support the effective governance of the EEF's operations:

- The Grants Committee makes recommendations to The Board on projects to support (including the funding for the independent evaluations of each project), shapes the priorities for grant making, reviews the project portfolio and oversees the scale up efforts of the EEF.

THE EDUCATION ENDOWMENT FOUNDATION

TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2019

- The Finance and Fundraising Committee oversees the management of the EEF's resources. Its remit includes recommending the appropriate investment strategy for the charity and monitoring the performance of fund managers. It also reviews and recommends the annual budget and long term cash flow projections to the Board, reviews performance against the agreed budget and cash flow projections and monitors the integrity of EEF's financial statements, with particular emphasis on the effectiveness of the external audit process and internal control systems. The committee also reviews and recommends the risk register to the Board. Since 2017 the Committee also monitors and supports the development of the EEF's fundraising efforts including the development of the fundraising and partnership strategy.

These committees comprise Trustees of the EEF, with relevant members of the executive team attending each committee. The committees may also co-opt expert members beyond the EEF Trustees from time to time to supplement the expertise of the committees. At present, Robert Coe, Professor in the School of Education and Director of the Centre for Evaluation and Monitoring (CEM), Durham University, sits on the EEF Grants Committee and Jack Edmondson, Deputy Chief Investment Officer at Oxford University Endowment Management, sits on the Finance and Fundraising Committee.

The EEF also has an Evaluation Advisory Group (EAG), which offers the executive team advice and guidance on research and evaluation methodologies.

Induction and training of Trustees

Trustees are made aware of their legal obligations under Charity Law and Company Law, the decision making processes at the EEF and its strategic aims. They are also provided with relevant documentation, including a budget, planned grants expenditure, a current list of research and practical projects and copies of recent publications and press releases. New trustees have an induction session with EEF team members and are invited to visit projects.

Trustees and members of the executive team are encouraged to attend training events where these will assist with their role.

Relationships with wider interests and related parties

Transactions with related parties are disclosed in note 27 to the financial statements.

Objectives and Activities

Objectives

The object of the EEF is the advancement of education for the benefit of the public, in particular, but not exclusively, by:

- a) making grants to schools, local authorities, charities, social enterprises and other voluntary and community sector organisations to fund projects which seek to address low educational attainment; and
- b) supporting and disseminating the results of research into ways to mitigate the factors that cause or contribute to, and to advance successful strategies for dealing with, low educational attainment.

The EEF fulfils its charitable objectives by undertaking work to raise the attainment of 3-18 year-olds, particularly those facing disadvantage; develop their essential life skills; and prepare young people for the world of work and further study. The EEF aims to have a direct impact on those young people involved in its projects and also an indirect benefit by building the evidence of what works and influencing the decisions of schools, policymakers and others.

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FOR THE YEAR ENDED 31 MARCH 2019

Grant making policy

The EEF's grant-making principally focuses on supporting and evaluating projects that are likely to improve the educational outcomes of young people, particularly pupils eligible for free school meals in the most challenging schools. The EEF's aim is to fund, develop and evaluate cost effective and scalable projects that have a measurable positive impact on educational attainment or related outcomes, as well as promoting the use of evidence in the decision making of schools, early years settings, post-16 settings, and by other commissioners and policymakers. All EEF-funded projects are rigorously evaluated by independent experts in educational research, and the charity has to date commissioned over 190 projects, 150 of which use randomised controlled trials (RCTs), involving over 60% of English schools. The EEF also aims to influence the decision-making and spending of the wider education sector, for example by scaling up and building the delivery capacity of projects which are determined to be effective and replicable, and by communicating and disseminating what works, through various channels such as our Research School Network, campaigns and policy work.

The EEF runs at least two grants rounds per school year. Applications are submitted online via the EEF's website and reviewed by the team of Programmes Managers, drawing on external advice as needed. The most promising applications are developed by a Programmes Manager in collaboration with the applicant, before being put forward to the Grants Committee for a two stage process. The Trustees make the final decision on funding the applications recommended by the Grants Committee over £1m and on scale up grants. Following approval, all grant awards made are subject to: i) the recipient entering into a written, legally binding agreement, and ii) a project review at each milestone as set out in the grant agreement. Under the terms of its agreements with grant recipients, the EEF can withdraw its future funding commitment for a number of specified reasons, including failure to meet agreed milestones.

Main activities undertaken to further the charity's purposes for the public benefit

The EEF works for the public benefit by addressing educational disadvantage, by granting funds to projects aimed at alleviating such disadvantage, by finding out what works to increase attainment and other outcome, and by disseminating this evidence. All EEF resources are provided to schools free of charge. The Trustees and staff are mindful of the Charity Commission's guidance on public benefit when planning future activities and are confident that the Charity's plans meet these requirements.

STRATEGIC REPORT

Going concern

After making appropriate enquiries, the Trustees have a reasonable expectation that the charitable company has adequate resources to continue in operational existence for the foreseeable future. For this reason the Trustees continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies.

Activities, achievements and performance

The results for the year are set out on page 15.

Grant making, evaluation and dissemination activities

Last year the EEF set itself a number of objectives aligned to the three main aspects of its work: evidence generation (grants and evaluation), synthesis (toolkit and guidance reports) and mobilisation / scale up (including research schools, campaigns and the regional delivery work).

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EVIDENCE GENERATION

To continue to make grants to support the development and evaluation of a wide range of approaches to raising the attainment of 3-18 year-olds, particularly those facing disadvantage; developing their essential life skills; and preparing young people for the world of work and further study.

The EEF awarded grants during the year to 29 projects totalling £17.1 million. These projects will work with approximately 4,500 schools.

Funding was awarded to projects in the following rounds:

- Two general rounds (Round 13 and Round 14), which included projects focused on primary literacy, essential life skills, subject teaching in secondary school, and post-16.
- The EEF, with Wellcome Trust funded proposals focusing on Improving Science Education through professional development, and improving Science Teacher Retention.
- The EEF funded two rounds with The Department for Education focused on The Early Years. One was focused on Professional Development and Leadership in The Early Years, and One was focused on The Home Learning Environment.
- The EEF also funded a round focused on Early Career Teachers, piloting a range of different approaches to support

Details of grants expenditure are included in Note 9, and further information can be found in the EEF's Annual Report which is available at www.educationendowmentfoundation.org.uk.

To continue to publish robust evaluation reports of funded projects

The EEF has continued its commitment to publishing evaluation reports on all completed projects and 29 evaluation reports were published in the period covered by this report. The reports were well received by practitioners and received good coverage in the national press and in policy circles.

The team at the University of Durham continues to analyse the data archive, to replicate results, inform methodological improvements and track the impact of EEF-funded projects longitudinally. A team at Sheffield Hallam University have been commissioned to use archived data to identify over-arching lessons learned. The EEF has negotiated with Office for National Statistics to host the archive. This will enable wider access to the archive for the purpose of research with public benefit.

EVIDENCE SYNTHESIS

To develop its core resources available on the website, including the Teaching and Learning Toolkit and develop the EEF's digital and social media presence

The EEF's key audiences are the leaders and key decision-makers in schools, early years and post-16 settings, together with classroom teachers and practitioners, as well as other influencers, such as policy-makers, governors and parents. Our digital strategy, approved by Trustees in 2017, aims to improve the reach and engagement of our work – in particular, evidence-based resources with clear and actionable recommendations – to these groups.

In the past 12 months, the EEF website has seen a 42% increase in users, to c.750,000. Our email newsletter has over 27,000 subscribers, an increase of over 50% on last year. On social media, our Twitter following has increased to 47,000 (up 47%), Facebook 'likes' are 23,000 (up 64%), and we have built our LinkedIn following from almost nothing to 9,500. We have also innovated new ways of delivering content to our audiences, including: five episodes of our 'Trialled and Tested' podcast, produced in partnership with Evidence-Based Education; three email series, based on EEF guidance reports, which have attracted over 7,000 subscribers; and a webinar to launch our Summer 2019 grant-funding round, with 200+ participants.

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This year we have continued with our project to update the EEF's teaching and learning toolkit, which recent polling showed was being used by 70% of secondary headteachers. The team of researchers at Durham have been extracting data from academic studies to provide more information in an updated teaching and learning toolkit, which will launch in 2021.

EVIDENCE MOBILISATION AND SCALE-UP

To focus more resources on scaling up and disseminating successful approaches through a variety of models

The EEF strategy defined a number of models for scaling up our work, which we have continued to pursue during the year – both to widen the direct impact of our work and to add to the evidence base of how to most cost effectively disseminate proven approaches.

During the year the EEF has provided further support to individual programmes that are found to be successful in EEF evaluations. The EEF has committed £18 million to grow EEF-funded programmes which have demonstrated promising findings in first stage efficacy trials and are now being expanded to reach more schools in a second stage effectiveness trial, typically growing from c50 schools to reaching 100 school plus. During the year we also had the results of two successful effectiveness trials – Tutor Trust and Embedding Formative Assessment, which adds to our previous positive finding from the Magic Breakfast effectiveness trial. In partnership with Impetus-PEF we have been working with the Tutor Trust team to develop a three-year business plan to help them scale-up their programme.

The EEF continued to widen its reach through the Research Schools Network in 2018/19. The network comprises 22 schools at the end of 2018/19, run in partnership with the Institute of Effective Education (IEE) at the University of York and funded by the IEE and the Department for Education. The Research Schools are focal-points for evidence-based practice in their regions, communicating evidence to over 12,000 newsletter subscribers and supporting over 4,000 teachers in face-to face training.

Another key priority for the year has been expanding our suite of practitioner-facing guidance reports, as the foundation of our scale-up efforts, both by Research Schools and through policy, communications and other mechanisms. The EEF issued three guidance reports last year: Improving Secondary Science, Working with Parents to Support Children's Learning, and Using Digital Technology to Improve Learning, taking the total number of guidance reports to ten. A number of other guidance reports were started in the year and will be published in 2019/20. Our focus remains on increasing the number of guidance reports and associated tools that are available to teachers and other practitioners and to take more active steps to see the recommendations implemented in schools.

Beginning in January 2019, a pilot initiative of employing Regional Delivery Leads in the North West and North East regions aimed to test the impact of having dedicated individuals to broker relationships between Local Authorities, Multi Academy Trusts and other school groups with Research Schools. Early signs of engagement with key LAs and the data collected from the appointed evaluator for the pilot were promising and the decision was taken at the March 2019 Board meeting to proceed with the national rollout. Recruitment of four additional regional leads, three support staff and ten new Research Schools got underway in late March 2019.

The North East literacy campaign, funded in partnership with Northern Rock, ran into its third year in 2018/19. During the year we continued to work on the campaign's three key elements:

- Direct support for programmes: efficacy and effectiveness trials of literacy-focused projects taking place in the North East reached 400 primary schools.
- Place-based advocacy: advocate partners supported around 300 primary schools to help 'bring to life' the evidence in the classroom.
- Resources for school improvement: we continued to promote EEF's three guidance reports on Improving Literacy in Key Stage One, in Key Stage Two and Preparing for Literacy focusing on Early Years Literacy.

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To continue to work with the other members of the What Works Network to secure the use of rigorous evidence in Government

Over the course of the year, the EEF has supported and encouraged the use of evidence in a number of aspects of the Department for Education's work. Most notably, the EEF has supported two significant new Department for Education initiatives launched during the course of the year. First, the EEF has supported the development of the Early Career Framework, which creates an entitlement for every Newly Qualified Teacher in England to receive high-quality, evidence-informed mentoring and training. Second, the EEF has supported the DfE to improve the impact of the Pupil Premium, including by publishing new guidance for schools. More broadly during the year, EEF colleagues have participated in a number of Department for Education-led discussions and reviews on topics such as Special Educational Needs, primary- secondary transition and further education.

The EEF has continued to be an active participant in the What Works Network, and is playing a central role in an ESRC-funded programme looking at best practice in the network amongst the most developed centres.

Fundraising activity

The EEF actively seeks to partner with other funders – whether trusts and foundations, corporates, individuals, charities or public bodies – to help extend the reach of the charity's work. The EEF's funding partnerships totalled £2.1 million in this financial year and fell into one of three categories:

- Direct donations to the EEF – £1.5 million, including an allocation of £816k of the BHP Billiton Foundation grant to develop the Teaching and Learning Toolkit and create an Education Database; and a £500k grant from SHINE towards our co-funded 'Improving the Home Learning Environment' grant-funding round with the Dept for Education.
- Pro bono donations to the EEF – including consultancy from BCG and legal advice from Macfarlanes and Freshfields. See Note 3 for further detail.
- Shared funding of EEF supported programmes – £0.1 million of contributions from grantees and their partners towards the costs of EEF-funded programmes.

Direct donations and pro bono donations are both recorded in the financial statements, whereas shared funding is not; this goes directly to the EEF-funded programme rather than to the EEF itself.

The total funds raised since the establishment of the EEF are £30.7 million, comprising cash received and written pledges secured. Grants from the Department for Education and contributions to projects from schools are all excluded from these figures. The Trustees acknowledge their grateful thanks to all those organisations contributing to the EEF's programme of work.

The charity is registered with the Fundraising Regulator. The Fundraising Regulator is an independent regulator of charitable fundraising who, using the cross-party review of fundraising self-regulation (2015), strengthen the system of charity regulation and restore public trust in fundraising.

The EEF does not contract with any third party organisation to fundraise and does not raise funds from the public. There were no failure by the charity to comply with fundraising standards that the EEF has voluntarily subscribed to. There were no complaints received by the EEF about fundraising activity.

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International activity

The EEF started to work with overseas partners who share the charity's commitment to generating and using robust research in improving educational outcomes particularly for the most disadvantaged. This work provides clear benefits to English practitioners by collecting evidence and developing research worldwide. In June 2018, the charity entered into a partnership with BHP Billiton Foundation for £9.9 million to support the expansion of our international work over the next five years and to broaden our reach and income sources.

Thanks to our partnership with the BHP Billiton Foundation established just over a year ago, we have been able to extend the breadth and depth of our international work. Alongside existing Toolkit licensing agreements with SVA in Australia, the Scottish Government, SUMMA in Latin America and the Caribbean, we have established new partnerships with "la Caixa" Foundation in Spain and the Queen Rania Foundation in Jordan.

The BHP Billiton Foundation grant has enabled us to set up EEF's first ever Global Trials Fund which will support our existing partners to commission trials in their own jurisdictions. The £0.5 million funding will allow SUMMA to commission their first two randomised controlled trials (pending them securing matched funding). The two trials will test the efficacy of the same online maths intervention in Chile and Peru. We have also committed £80,000 to fund three fellowships through our BHP Funded Global Fellowships programme which aims to support our international partners to develop the three dimensions of their local education evidence ecosystem: evidence synthesis, generation and mobilisation. SUMMA, the Scottish Government and the Queen Rania Foundation were all successful in our first application round and will receive grants in the coming year.

Investment performance

The portfolio's value at year end of £88.3 million compared to £97.6 million in the previous year. The decrease in value is primarily driven by withdrawals of £12 million made during the year to fund grants and evaluations as well as operating expenses. Net income received from the investments after management costs was £1.5 million and a revaluation gain was recorded of £1.2 million.

The investment portfolio experienced another volatile year. Performance in the first half of the year to Autumn 2018 was dominated by 2 big themes: the divergence between the US and rest of the world growth and escalation of trade tension especially between the US and China. The strong US growth drove global equities up in the period, while the fixed income performance reported was slightly negative.

In the last quarter of 2018, a slowing global growth weighed on global equities which were down between 12 and 17% within major equity markets. Fixed income performance was impacted by US 10-year yields declining, caused by a fall in US inflation driven by lower oil prices and signs of slowing growth.

Equities rebounded in Q1 2019 and fully recovered from their decline in Q4 2018. The fixed income portfolio performance also recovered as the US federal reserve signalled no further hikes in interest rates in 2019 in the period.

The overall return on the portfolio since inception in June 2011 has been 31%, an annualised rate of 3.5% per annum. The portfolio risks were reviewed throughout the year with the portfolio managers including inflation risk, credit risk and currency risks. They were all assessed as appropriate for the EEF and its long-term objectives.

During the year, the Trustees undertook a review of its portfolio managers, with a view to consolidate the portfolio into one single fund manager to minimise the management fee levels as the EEF draws down from its investment and to ensure greater effectiveness. Four managers were invited to bid for the EEF portfolio management in January 2019 and GSAM was appointed in March 2019. All assets held by JP Morgan were transferred to GSAM and invested into a multi-asset fund and cash in June 2019.

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Financial review

In the financial year under review, income including donations and legacies, income from trading activities and from investments was £6.7 million (2018: £5.3 million). Total expenditure for the year was £22.5 million (2018: £14.2 million). Total funds, restricted and unrestricted, were £72.7 million as at 31 March 2019 (31 March 2018: £87.3 million).

Pay policy for senior staff

The key management personnel of the EEF are considered to be the Chief Executive, Deputy Chief Executive, Head of Finance and Operations, Director of Development and Communications and Trustees. Pay packages are set through benchmarking with equivalent posts in organisations of a similar size and complexity (often with the advice of a specialist executive recruitment firm) and in order to aid the retention of key personnel. The remuneration of all staff, including key management personnel, is reviewed annually as part of the budgeting process of the charity. The Chairman and Vice Chairman are involved in reviewing the salary of the Chief Executive; the Chief Executive and Deputy Chief Executive lead the review of other pay packages.

Reserves policy

In accordance with the policy adopted since the establishment of the EEF, the initial endowment grant of £125 million from the Department of Education is treated as an unrestricted reserve. The unrestricted fund reserves as at the year end were £72.1 million. Total funds held by the EEF as at the year end were £72.7 million. The Trustees treat the unrestricted funding as available for activities which forward our charitable objectives, including grant making, and for funding the requirements for support costs and governance costs. Additionally, the Trustees review on a regular basis the investment strategy and performance of the funding pool along with projections in terms of future grant and operating expense commitments. Accordingly, the Trustees consider that the current level of free reserves (general unrestricted funds less fixed assets) of £71.7 million forms a pool available for supporting EEF activities to April 2026 – as stipulated in the terms of the initial grant – and believe this pool is sufficient to meet the planned expenditure requirements of the organisation for the foreseeable future.

The funding from BHP Billiton Foundation for £1 million in the year and funding from J.P. Morgan Foundation for £0.4 million have been classified as restricted as these grants are provided for a specific programme of activity as determined by the funding bodies. The restricted fund reserves as at the year end were £1 million.

Investment policy

1. Introduction

The Trustees have a wide power of investment conferred on them including the power to delegate the management of investments to any firm authorised by the Financial Conduct Authority to give investment advice. The Trustees have avoided direct investment in securities issued by organisations primarily engaged in the supply of: arms, gaming and gambling, pornography, and tobacco products and services. For those investments held within the collective or pooled investment funds, the Trustees have instructed fund managers to monitor the extent, if any, to which the funds selected are invested in securities issued by businesses primarily engaged in the activities listed above and to report the position to the Trustees on a semi-annual basis.

As noted above, the EEF's assets are intended to support work to April 2026 to schools, teachers, local authorities, charities and other approved parties, and the EEF's operating costs.

The Trustees have developed a cash flow profile and spending schedule which they will keep under review and revise from time to time as appropriate. This schedule forms the basis of the EEF's investment policy.

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2. Investment objectives

The EEF's investment objectives aim to support its plans for making grants. The objectives will therefore evolve in congruence with the development of the EEF's grant strategy.

At the date of this document, the investment objectives are:

- To ensure a reasonable match between the cash flows from the assets in the portfolio and the EEF's planned spending schedule;
- To maximise potential spending power while remaining consistent with the low risk character of this investment policy.

The matching of cash flows will be inexact because the profile of the spending schedule will evolve. The Trustees therefore oversee adjustment of the spending schedule and regularly review the schedule with the investment managers to ensure matching of assets to liabilities within reasonable margins of tolerance.

3. Contributions, distributions and income

It is possible that additional contributions may be added to the portfolio if assets raised through fundraising activities exceed the spending rate.

Distributions will be made regularly out of both income and capital.

There is no specific "income" requirement for the portfolio.

4. Investment management

The Trustees decided in 2011 to engage two investment management firms to manage the portfolio: J.P. Morgan and Goldman Sachs ("the managers") with equal allocations at inception.

The Trustees have a duty to consider and review other firms in addition to or as replacements for the managers. The Trustees may vary the allocations between the appointed managers in consideration, inter alia, of the EEF's evolving investment strategy, the managers' performance and the outlook for the investment markets.

In January 2019, the Trustees reviewed the portfolio managers with a view to consolidate to one portfolio manager and invited four firms to bid for the full portfolio. Goldman Sachs was appointed in March as the single portfolio manager. All assets held by JP Morgan were transferred in June 2019.

The Trustees appointed J.P. Morgan(Brussels) in 2011 and then State Street Global Services in 2014 as custodians of the portfolios. In September 2017, State Street notified the EEF of the termination of its services and the EEF has opened an account with BNY Mellon and has transferred the custody of its Goldman Sachs portfolio to BNY Mellon in August 2018. BNY Mellon is now the custodian of the full portfolio since June 2019, when Goldman Sachs became the sole manager of the EEF portfolio.

The managers have entered into agreements with the EEF. These agreements include investment guidelines and parameters ("the mandates") within which each firm will operate with full discretion (i.e. without requiring prior approval from the Trustees).

The Trustees review the managers and their mandates periodically. The managers are expected to reconcile their records with those of the custodian.

5. Reporting

The Trustees have established regular and appropriate reporting arrangements with the managers and custodian. There are currently monthly reports from, and quarterly meetings with, the managers and custodian.

The Trustees can convene ad hoc meetings as and when required.

THE EDUCATION ENDOWMENT FOUNDATION

TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2019

6. Review of investment policy statement

The Trustees intend formally to review this Investment Policy Statement annually or more frequently if the circumstances or objectives of the EEF or any other factors so warrant.

Plans for future periods

The EEF will continue with its three main areas of activity: building and summarising the evidence base of what works and scaling that evidence so that it changes behaviour in schools and benefits more young people, particularly those from poorer backgrounds. We expect the balance of our work to further shift to scale up work in the year ahead and we intend to further develop the underpinning management, administrative, communications and financial functions. Specifically:

The EEF will continue to make grants to support the development and evaluation of a wide range of approaches to raising the attainment of 3-18 year-olds, particularly those facing disadvantage, as well as projects focussed on essential life skills and preparing young people for the world of work and further study. A particular focus for next year will be a series of projects related to reducing teacher workload. More grant-making will be directed to fill gaps and areas of promise identified in our guidance reports, and we will also look at ways of evaluating more diverse approaches in schools which may not be suitable for Randomised Control Trials.

The EEF will continue to publish evaluation reports from its projects and seek to scale up the most promising approaches, taking into account their cost effectiveness, ease of implementation and replicability. A number of effectiveness trials are due to report in 2019/20 and we expect more scale up grants to be made, building on our experience with Magic Breakfast, as above.

The EEF will continue the work with Durham University to build the database underpinning the Teaching and Learning Toolkit. The team will also work to build collaborative arrangements with other organisations conducting evidence synthesis so that data can be shared for mutual benefit.

In line with the strategic review completed in 2016, the EEF will continue to focus more resources on scaling up the lessons from our work so that they are implemented in schools, colleges and early years settings, especially those serving high numbers of disadvantaged students. The Research Schools will continue to be a focus for this activity, as will the production of further guidance reports and associated resources as the building blocks of campaigns. School propositions on science, literacy at the primary/secondary transition, parental engagement, early maths and digital technology are all planned for 2019/20. In 2018 the Boston Consulting Group undertook a review of how EEF achieves impact at scale, which informed the trustees' strategy for the next few years. The outcome of this was a three year commitment to invest in supporting schools to use evidence, focusing our efforts on the lowest performing 10% of schools nationally. The central tenets of the approach included: employing 6 regional leads to coordinate local efforts on school improvement; funding up to 10 new research schools; providing additional support and personnel to aid dissemination and communicating research; facilitating access for schools to engage in proven programmes. A pilot of the approach was run in the North West and in the North East and will inform the implementation of the strategy in the whole country for the upcoming three years.

The EEF will continue to develop our international work in line with our partnership with the BHP Billiton Foundation. This will include developing additional partnerships with overseas organisations that share the EEF's mission; initiating evaluations of promising projects in overseas jurisdictions; and supporting the development of appropriate evidence brokers, building on our Research Schools model and campaign activities.

The EEF will continue to engage constructively with the Department for Education on its school improvement and social mobility agendas, looking to balance influence with the need to maintain independence and objectivity. We will also continue to work with the other members of the What Works Network to secure the use of rigorous evidence in Government and to collaborate on joint initiatives, particularly look to build more capability in the early years space, funding more work in this area and engaging more with the early years sector to get our message out.

THE EDUCATION ENDOWMENT FOUNDATION

TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2019

The EEF intends to continue to review and update its investment strategy in 2019/20 based on the advice of its investment manager concerning current and expected bond and equity market conditions. The EEF implemented a single manager strategy in June 2019, allowing a significant decrease in fees. The EEF will continue to review the manager's performance and level of fees against benchmark very closely.

Risk management

The Trustees have a risk management strategy which comprises:

- compiling and reviewing a risk register twice a year through the Finance Committee and once a year through the Board of Trustees;
- the establishment of systems and procedures to mitigate those risks identified in the plan; and
- the implementation of procedures designed to minimise, where appropriate, any potential impact on the EEF should those risks materialise.

During the year we commissioned the services of our independent internal auditors to review our processes for identifying risks and will be updating our processes for the coming year.

We also undertook a number of specific activities to identify and reduce the risks around the introduction of the GDPR in May 2018, led by a working-group which continues to monitor the issues.

Statement of trustees' responsibilities

The trustees, who are also the directors of The Education Endowment Foundation for the purpose of company law, 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).

Company Law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE EDUCATION ENDOWMENT FOUNDATION

TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2019


Auditor

The auditors, RSM UK Audit LLP, have indicated their willingness to continue in office.

Disclosure of information to auditor

So far as the trustees are aware, there is no relevant audit information of which the charitable company's auditor is unaware and the trustees have taken all the steps that they ought to have taken in order to make them aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

The trustees' report, including the strategic report, was approved by the Board of Trustees.



.....
Sir Peter Lampl, Chairman

Dated: 30 September 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE EDUCATION ENDOWMENT FOUNDATION

Opinion on financial statements

We have audited the financial statements of The Education Endowment Foundation (the 'charitable company') for the year ended 31 March 2019 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows 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 Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2019 and of its incoming resources and application of resources, including its income and expenditure, 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 Companies Act 2006.

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 financial statements 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 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.

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 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 financial statements are authorised for issue.

Other information

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

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Trustees' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE EDUCATION ENDOWMENT FOUNDATION (CONTINUED)

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 Strategic Report and the Trustees' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires 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 financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- the Trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Trustees' Report.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities on page 11, the trustees (who are also the directors of the charitable company for the purposes of company law) 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 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 to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities for the audit of the financial statements

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements 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.

Use of our report

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



Nicholas Sladden (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
United Kingdom
3 October 2019

THE EDUCATION ENDOWMENT FOUNDATION

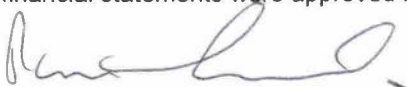
STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
<u>Income from:</u>					
Donations and legacies	3	574,706	3,736,889	4,311,595	2,854,844
Income from other trading activities	4	219,888	-	219,888	121,748
Investments	5	2,148,943	-	2,148,943	2,356,990
Total income		2,943,537	3,736,889	6,680,426	5,333,582
<u>Expenditure on:</u>					
<u>Raising funds</u>					
Fundraising expenditure	6	195,376	11,118	206,494	212,770
Trading costs	6	7,065	-	7,065	64,917
Investment management	6	670,315	-	670,315	651,243
		872,756	11,118	883,874	928,930
Charitable activities	7	17,000,917	4,605,214	21,606,131	13,244,031
Total resources expended		17,873,673	4,616,332	22,490,005	14,172,961
Net gains/(losses) on investments		1,231,793	-	1,231,793	(661,687)
Net movement in funds		(13,698,343)	(879,443)	(14,577,786)	(9,501,066)
Total funds brought forward		85,764,602	1,519,336	87,283,938	96,785,004
Total funds carried forward		72,066,259	639,893	72,706,152	87,283,938

THE EDUCATION ENDOWMENT FOUNDATION**BALANCE SHEET****AS AT 31 MARCH 2019**

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	14	371,795		297,657	
Investments	15	88,305,643		97,574,420	
		<u>88,677,438</u>		<u>97,872,077</u>	
Current assets					
Debtors falling due after one year	17	2,583,996	2,454,501		
Deferred tax asset	22	-	7,065		
Debtors falling due within one year	17	2,344,138	3,214,486		
Cash at bank and in hand		4,623,055	4,601,270		
		<u>9,551,189</u>	<u>10,277,322</u>		
Creditors: amounts falling due within one year	18	(18,588,010)	(14,346,769)		
Net current liabilities		<u>(9,036,821)</u>	<u>(4,069,447)</u>		
Total assets less current liabilities		<u>79,640,617</u>	<u>93,802,630</u>		
Creditors: amounts falling due after more than one year	19	(6,934,465)	(6,518,692)		
Net assets		<u>72,706,152</u>	<u>87,283,938</u>		
Income funds					
Restricted funds	24	639,893	1,519,336		
Unrestricted funds		72,066,259	85,764,602		
		<u>72,706,152</u>	<u>87,283,938</u>		

The financial statements were approved by the Trustees on 30 September 2019



.....
Sir Peter Lampl, Chairman
Trustee

THE EDUCATION ENDOWMENT FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash absorbed by operations	26	(12,368,487)		(16,292,604)	
Investing activities					
Purchase of tangible fixed assets		(259,241)		(142,037)	
Purchase of investments		(23,702,560)		(32,763,248)	
Proceeds on disposal of investments		34,203,130		49,029,832	
Interest received		2,148,943		2,356,990	
Net cash generated from investing activities		12,390,272		18,481,537	
Net increase in cash and cash equivalents		21,785		2,188,933	
Cash and cash equivalents at beginning of year		4,601,270		2,412,337	
Cash and cash equivalents at end of year		4,623,055		4,601,270	

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

Charity information

The Education Endowment Foundation is a private company limited by guarantee incorporated in England and Wales. The registered office is 5th Floor, Millbank Tower, 21-24 Millbank, London, SW1P 4QP.

In the event of the charitable company being wound up each of the members have agreed to contribute up to £1 each towards:

- payment of those debts and liabilities of the charity incurred;
- payment of the costs, charges and expenses of winding up; and
- the adjustment of rights of contributors among themselves.

The charitable company's objectives and aims are disclosed in the Trustees' Report.

Accounting convention

The financial statements have been prepared in accordance with the charitable company's governing document, the Companies Act 2006 and "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)" (as amended for accounting periods commencing from 1 January 2016). The charitable company is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charitable company. Monetary amounts in these financial statements are rounded to the nearest £.

The company has taken advantage of the exemption under section 402 of the Companies Act 2006 not to prepare consolidated accounts, on the basis that the subsidiary's results are immaterial to the results of the group.

Going concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the charitable company has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives unless the funds have been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charitable company for particular purposes. The costs 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.

Investment income, gains and losses are allocated to the appropriate fund.

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies (Continued)

Incoming resources

All income is recognised in the Statement of Financial Activities once The Education Endowment Foundation has entitlement to the resources and is probable that the resources will be received within The Education Endowment Foundation or on its behalf and the monetary value of the incoming resources can be measured with sufficient reliability.

Voluntary income is received by way of grants, donations 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.

Grant income is deferred when the grants are received in advance and specified by the donor as relating to specific accounting periods; or alternatively which are subject to conditions which are still to be met and which are outside the control of the charity; or when it is uncertain whether the conditions can or will be met. These are deferred to the period to which they relate and released to incoming resources.

Investment income and associated tax recoverable is accounted for on a receivable basis.

Donated services and facilities are recognised as income and expenditure in the financial statements when companies and individuals offer their professional expertise pro bono. The value of these donated services and facilities to The Education Endowment Foundation is considered to be equal to market value which is based upon the valuation the professional or organisation places upon the time, services and facilities they have provided to The Education Endowment Foundation. All of these amounts are treated as unrestricted donations.

Trading Income

Trading income comprises revenue recognised by the charitable company in respect of licensing of The Education Endowment Foundation resources, exclusive of Value Added Tax and trade discounts.

Licensing income is recognised on the accruals basis based on the contracted terms and substance of the relevant arrangements.

Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charitable company; this is normally upon notification of the interest paid or payable by the Bank.

Resources expended

Expenditure is accounted for on an accruals basis as a liability is incurred, which is when there is a legal or constructive obligation committing The Education Endowment Foundation to the expenditure. Expenditure includes any VAT which cannot be fully recovered, and is reported as part of the expenditure to which it relates:

Raising funds comprise the direct staff costs and other support costs associated with attracting voluntary income.

Investment management costs include the costs of:

- (a) Portfolio management
- (b) Obtaining investment advice
- (c) Administration of the investments

Costs associated with acquiring and disposing of investments would normally form part of the acquisition cost of the investment or reduce the return on disposals. These costs are therefore not part of the investment management costs.

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies (Continued)

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both the direct costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them. Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees, statutory reporting, legal costs and Trustee expenses linked to the strategic management of the charity.

Overhead and support costs have been allocated first between the cost of generating voluntary income, charitable activity and governance. Where overhead and support costs relating to costs of generating voluntary income and charitable activities cannot be directly allocated, these have been apportioned based on the head count for each activity.

Grants are recognised as expenditure in the year when the charity creates a legal or constructive obligation.

Following approval by the Board of Trustees, all grant awards made are subject to: (i) the recipient entering into a written, legally binding agreement, and (ii) a project review at each milestone as set out in the grant agreement. Under the terms of its agreements with grant recipients, which are considered to be performance related, The Education Endowment Foundation retains the discretion to withdraw its future funding commitment for a number of specified reasons, including failure to meet agreed performance milestones.

An obligation arises, and expenditure is recognised in the financial statements, when a funding agreement has been signed by both parties and evaluations by the charity confirm the milestones set out in the agreement and any other terms and conditions of funding have been satisfactorily met.

Grants payable but unpaid at the balance sheet date are recognised as grant commitments under creditors.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. All assets costing more than £250 are capitalised.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	20% straight line
Computers and IT Equipment	25 - 33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in net income/(expenditure) for the year.

Fixed asset investments

Fixed asset investments are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year.

Impairment of fixed assets

At each reporting end date, the charitable company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

Financial instruments

The charitable company has applied the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charitable company's balance sheet when the charitable company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors 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. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors 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 receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the charitable company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

The charitable company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the charitable company to the fund in respect of the year.

Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

2 Critical accounting estimates and judgements

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 in 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.

Critical judgements

Location of investment assets

The charity makes an estimate to calculate the level of investment assets held in the UK or overseas. Most asset held as investments are global assets and it requires an element of judgement to determine where the asset is held.

Useful economic life of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic life and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on future economic utilisation and the physical condition of the assets. See note 14 for the carrying value of tangible fixed assets and the accounting policies for the useful economic lives for each class of asset.

3 Donations and legacies

	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
Donations and gifts	270	-	270	10,235
Grants	-	3,736,889	3,736,889	2,423,216
Donated services	533,298	-	533,298	67,236
Donation from subsidiary	41,138	-	41,138	354,157
	<u>574,706</u>	<u>3,736,889</u>	<u>4,311,595</u>	<u>2,854,844</u>
For the year ended 31 March 2018	<u>431,628</u>	<u>2,423,216</u>		<u>2,854,844</u>
Donations and gifts				
Legacy income	-	-	-	10,000
Donations	270	-	270	235
	<u>270</u>	<u>-</u>	<u>270</u>	<u>10,235</u>
For the year ended 31 March 2018	<u>10,235</u>	<u>-</u>		<u>10,235</u>

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

3 Donations and legacies (Continued)

	Unrestricted funds	Restricted funds	Total 2019	Total 2018
	£	£	£	£
Grants				
Department for Education	-	985,901	985,901	-
BHP Billiton Foundation	-	1,032,242	1,032,242	-
Careers Education Company	-	80,696	80,696	112,664
College of Policing	-	-	-	59,796
JP Morgan Foundation	-	428,243	428,243	428,245
Kusuma Trust	-	61,940	61,940	63,000
Early Intervention Foundation	-	20,000	20,000	-
Shine	-	500,000	500,000	-
Wellcome Trust	-	627,867	627,867	682,533
Worshipful Company Actuaries	-	-	-	16,000
Royal Society of Arts	-	-	-	1,060,978
	-	3,736,889	3,736,889	2,423,216
For the year ended 31 March 2018	-	2,423,216		2,423,216
Donated services				
	Unrestricted funds	Restricted funds	Total 2019	Total 2018
	£	£	£	£
The Sutton Trust	8,114	-	8,114	7,688
Macfarlanes	21,685	-	21,685	21,686
Freshfields	93,499	-	93,499	37,863
BCG	410,000	-	410,000	-
	533,298	-	533,298	67,237
For the year ended 31 March 2018	67,237	-		67,237

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

4 Income from other trading activities

	2019 £	2018 £
Licensing of Teaching and Learning Toolkit	219,888	121,748

Of the income from other trading activities 2019: £nil (2018: £26,000) is attributable to API licenses to EEF Services Limited, the remaining is attributed to the development and licensing of The Education Endowment Foundation resources to the Department of Education and Training (DET), previously Department of Education and Early Childhood Department, Australia (DEECD), to Social Ventures Australia (SVA), to la Caixa Foundation in Spain and to SUMMA Fundacion Chile.

All this income arose within the rest of the world.

5 Investments

	2019 £	2018 £
Income from listed investments	1,228,288	1,351,381
Interest receivable	920,655	1,005,609
	2,148,943	2,356,990

6 Raising funds

	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
<u>Fundraising expenditure</u>				
Legal and professional	1,113	63	1,176	460
Audit, accountancy and other finance costs	27	2	29	1,691
Office administration	8,283	471	8,754	6,258
Premises costs	12,690	722	13,412	12,746
Advertising	8,335	474	8,809	11,178
Staff costs	154,403	8,787	163,190	160,816
Depreciation and impairment	10,525	599	11,124	19,621
Fundraising expenditure	195,376	11,118	206,494	212,770

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

6 Raising funds

Continued	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
<u>Trading costs</u>				
Licensing of EEF resources	-	-	-	49,617
Corporation tax on net trading income	-	-	-	21,163
Deferred tax charge/(release) on net trading income	7,065	-	7,065	(5,863)
Trading costs	7,065	-	7,065	64,917
<u>Investment management</u>	670,315	-	670,315	651,243
	872,756	11,118	883,874	928,930
For the year ended 31 March 2018				
Fundraising expenditure	210,334	2,436		212,770
Trading costs	64,917	-		64,917
Investment management	651,243	-		651,243
	926,494	2,436		928,930

7 Charitable activities

	2019 £	2018 £
Staff costs	1,576,919	1,183,174
Other staff costs	124,948	51,242
Donated services	533,298	67,230
	2,235,165	1,301,646
Grant funding of activities (see note 8)	18,605,271	11,267,173
Share of support costs (see note 10)	692,656	593,460
Share of governance costs (see note 10)	73,039	81,752
	21,606,131	13,244,031
Analysis by fund		
Unrestricted funds	17,000,917	10,252,220
Restricted funds	4,605,214	2,991,811
	21,606,131	13,244,031

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

8 Grants payable

	2019 £	2018 £
Grants to institutions: See note 9	18,605,271	11,267,173

9 Grants to institutions

		2019 £	2018 £
Action for Children	Early Years Foundation Stage Profile Pilot	88,192	-
Action for Children and Oxford University	Early Years Toolbox	171,920	-
Ark UK Programmes	English Mastery	902,394	-
Association of Colleges	5 R's Revision Year	235,570	-
Bath Spa University	Focus4TA PS	398,500	-
Behavioural Insights Team	Diagnostic Questions	-	911,735
Behavioural Insights Team	Texting students and study supporters	386,683	355
Carmel Education Trust	SOLO Taxonomy and Deeper Thinking	62,755	-
Carmel Education Trust	Leadership Lite	692,995	-
Communicate SLT	Hanen Learning Language and Loving It	567,000	-
Centre for Literacy in Primary Education	Power of Pictures	-	111,428
Coventry University	Online Reading Support	-	542,255
Coventry University	Peer assisted learning strategies	236,266	-
CSW Group	STEM-related work experience	-	435,030
EasyPeasy	Learning through play	-	359,720
Education Development Trust	Schools Partnership Programme	-	721,533
Envision	Community Apprentice	-	303,998
Family Lives	Parent Child Home Programme	862,269	-
Institute of Education	Evaluation for grouping practice s in secondary schools	859,131	-
Institute of Physics	Matched Timetabling	451,510	-
Kingsbridge Academy	A self-testing Toolkit	141,713	-
Kodaly	Tees Valley Music Service	-	137,190
Leeds University	Glasses for Classes	410,239	-
Leeds University	REACH (re-grant)	299,125	-
London Bubble	Speech Bubbles	-	257,310
Manchester Metropolitan University	Realistic Maths Education	-	736,322
Meols Cop High School	FLASH Marking	-	355,300
Midlands Academy Trust	Corrective Mathematics	105,486	-
National Children's Bureau	Raising Early Achievement in Literacy (REAL)	730,082	-
NFER	Teachers in Disadvantaged Schools (amendment)	340,000	-
Outward Bound and Commando Joe	Adventure learning	417,051	-

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

9 Grants to institutions		2019	2018 (Continued)
		£	£
Outwood Academy Adwick	Primary Mathematics - Same Day Intervention	-	213,345
Paradigm Arts	Young Journalist Academy	-	248,650
QUB and Hallam TSA	Smart Spaces	-	688,000
Queen's University Belfast	Lexia	-	280,452
Royal Society of Chemistry	Local Chemistry Mentors	92,848	-
Sheringham Nursery School & IoE	Manor Park Talks	97,800	-
The Manchester College	Mind the Gaps	-	155,000
Triple P UK	Group Triple P	584,775	-
University of Exeter	Craft of Writing	-	320,155
University of Exeter	Incredible Years Teacher Classroom Management	497,712	-
University of Hertfordshire	Primary Science Quality Mark	363,375	-
University of Leeds	Helping Handwriting Shine	-	195,352
University of Lincoln	ASCENTS mentoring	565,313	-
University of Manchester	PACT	374,890	-
University of Nottingham	onebillion: app-based maths learning	-	208,931
University of Oxford	Nuffield Early Language Intervention	-	37,048
Young Enterprise	Company Programme (cancelled)	(50,549)	50,549
		10,885,045	7,269,658
Adjustments to grants awarded in previous years		62,685	(1,851,239)
Scale up expenditure (research schools, advocacy and guidance reports)		1,170,937	791,112
Evaluation and research funding		6,486,604	5,057,642
Total grants, scale up activity and evaluation		18,605,271	11,267,173

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

10 Support costs

	Support costs	Governance costs	2019	2018
	£	£	£	£
Staff costs	-	41,650	41,650	39,774
Depreciation	173,978	-	173,978	217,533
Legal and professional	32,778	-	32,778	26,055
Audit, accountancy and other finance costs	1,451	-	1,451	15,275
Office administration	136,915	-	136,915	69,380
Premises costs	209,759	-	209,759	141,308
Marketing and public relations	137,775	-	137,775	123,909
Audit fees	-	12,600	12,600	14,070
Accountancy fees	-	18,789	18,789	27,908
	<u>692,656</u>	<u>73,039</u>	<u>765,695</u>	<u>675,212</u>

11 Auditor's remuneration

The analysis of auditor's remuneration is as follows:

Fees payable to the charity's auditor (RSM UK Audit LLP) and its associates:

	2019	2018
	£	£
Audit of the charity's annual accounts	<u>12,600</u>	<u>12,180</u>
Other audit-related assurance services		
Regularity report	<u>3,090</u>	<u>3,000</u>
Non-audit services		
Taxation compliance services	3,000	3,000
All other non-audit services	<u>12,640</u>	<u>4,714</u>
Total non-audit fees	<u>18,730</u>	<u>10,714</u>

12 Trustees

None of the trustees or any persons connected with them) received any remuneration from the charitable company during the year (2018: £nil).

During the year, trustees' travel expenses amounted to £411 for two trustees (2018: £140 for three trustees').

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

13 Employees

Number of employees

The average monthly number of employees during the year was:

	2019 Number	2018 Number
Chief Executive Officer	1	1
Grant making, evaluation and dissemination staff	21	15
Fundraising staff	1	1
Administration staff	6	6
	<u>29</u>	<u>23</u>

Employment costs

	2019 £	2018 £
Wages and salaries	1,545,656	1,203,113
Social security costs	153,859	116,230
Other pension costs	82,244	64,421
	<u>1,781,759</u>	<u>1,383,764</u>

The key management personnel of the charity are considered to be the Chief Executive, Deputy Chief Executive, Director of Development and Communications and the Trustees.

The remuneration and employee benefits of key management personnel, amounted to £405,732 in the year under review (2018: £443,290).

The number of employees whose annual remuneration was £60,000 or more were:

	2019 Number	2018 Number
£60,001 - £70,000	-	1
£80,001 - £90,000	1	-
£90,001 - £100,000	-	1
£100,001 - £110,000	1	1
£160,001- £170,000	1	1
	<u></u>	<u></u>

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

14 Tangible fixed assets

	Fixtures and fittings	Computers and IT Equipment	Total
	£	£	£
Cost			
At 1 April 2018	57,907	1,330,380	1,388,287
Additions	66,169	193,072	259,241
At 31 March 2019	124,076	1,523,452	1,647,528
Depreciation			
At 1 April 2018	45,089	1,045,541	1,090,630
Depreciation charged in the year	34,701	150,402	185,103
At 31 March 2019	79,790	1,195,943	1,275,733
Carrying amount			
At 31 March 2019	44,286	327,509	371,795
At 31 March 2018	12,818	284,839	297,657

15 Fixed asset investments

	Listed investments	Unlisted investments	Cash in portfolio	Total
	£	£		£
Cost or valuation				
At 31 March 2018	87,413,240	100	10,161,080	97,574,420
Additions	23,702,560	-	-	23,702,560
Valuation changes	1,231,793	-	-	1,231,793
Movement in cash account	-	-	1,331,142	1,331,142
Disposals	(35,534,272)	-	-	(35,534,272)
At 31 March 2019	76,813,321	100	11,492,222	88,305,643
Carrying amount				
At 31 March 2019	76,813,321	100	11,492,222	88,305,643
At 31 March 2018	87,413,240	100	10,161,080	97,574,420
Historical cost				
	66,493,403	100	11,492,222	77,985,725

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

15 Fixed asset investments (Continued)

	2019 £	2018 £
Material investments		
Fixed Interest securities	67,405,445	75,887,938
Equities	9,407,876	11,525,301
Cash held within investment portfolio	11,492,222	10,161,081
	<u>88,305,543</u>	<u>97,574,320</u>

The Trustees do not consider any individual investment within these amounts to be material.

	2019 £	2018 £
Investments at fair value comprise:		
Investments held in the UK	15,968,551	13,995,438
Investments held overseas	72,336,992	83,578,882
	<u>88,305,543</u>	<u>97,574,320</u>

Fixed asset investments revalued

The above funds are invested in sterling denominated securities.

The Trustee appointed investment custodians are charged with safeguarding the investment assets of The Education Endowment Foundation. Their responsibilities include overseeing the reconciliation of the investment managers' records within their own.

16 Subsidiaries

These financial statements are separate charitable company financial statements for EEF Services Limited.

Details of the charitable company's subsidiaries at 31 March 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
EEF Services Ltd	5th Floor Millbank Tower, 21-24 Millbank, London, SW1P 4QP	Educational support services	Ordinary	100.00	

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

16 Subsidiaries (Continued)

The aggregate capital and reserves and the result for the year of subsidiaries excluded from consolidation was as follows:

Name of undertaking	Profit/(Loss) £	Capital and Reserves £
EEF Services Ltd	(8,116)	100

EEF Services Ltd became dormant from 1 April 2019.

17 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Amounts due from subsidiary undertakings	-	547,816
Other debtors	16,307	4,386
Grants receivable	2,262,909	2,654,839
Prepayments and accrued income	64,922	7,445
	<u>2,344,138</u>	<u>3,214,486</u>
Deferred tax asset (note 22)	-	7,065
	<u>2,344,138</u>	<u>3,221,551</u>

	2019 £	2018 £
Amounts falling due after more than one year:		
Grants receivable	<u>2,583,996</u>	<u>2,454,501</u>
Total debtors	<u>4,928,134</u>	<u>5,676,052</u>

18 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Trade creditors		788,324	411,845
Amounts due to subsidiary undertakings		100	-
Other taxation and social security		48,409	56,932
Deferred income	20	1,218,027	1,428,978
Grants accrued		9,330,045	7,102,969
Other creditors		135,118	19,039
Accruals		7,067,987	5,327,006
		<u>18,588,010</u>	<u>14,346,769</u>

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

19 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Deferred income	20	1,887,768	2,215,017
Grants accrued		5,046,697	4,303,675
		<u>6,934,465</u>	<u>6,518,692</u>

20 Deferred income

	2019 £	2018 £
Other deferred income	<u>3,105,795</u>	<u>3,643,995</u>

Deferred income is included in the financial statements as follows:

	2019 £	2018 £
Current liabilities	1,218,027	1,428,978
Non-current liabilities	1,887,768	2,215,017
	<u>3,105,795</u>	<u>3,643,995</u>

	2019 £	2018 £
Deferred income brought forward	3,643,995	3,331,145
Grants received in the year	3,736,889	2,709,295
Grants recognised in the year	(4,275,089)	(2,396,445)
Deferred income carried forward	<u>3,105,795</u>	<u>3,643,995</u>

Deferred income represents grants received in advance. The income is deferred when the grant agreements are subject to conditions which are still to be met and which are outside the control of the charity or when grants or income are received in advance and specified by the donor or other party as relating to specific accounting periods.

21 Financial instruments

	2019 £	2018 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	4,863,212	5,661,542
Instruments measured at fair value through profit or loss	<u>88,305,543</u>	<u>97,574,320</u>

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

21 Financial instruments	2019	2018 (Continued)
Carrying amount of financial liabilities		
Measured at amortised cost	22,368,271	17,164,534

22 Deferred taxation

Deferred tax assets and liabilities are offset where the charitable company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2019 £	Assets 2018 £
Balances:		
Deferred tax on capital allowances	-	7,065
Movements in the year:		2019 £
Asset at 1 April 2018		7,065
Movement in SOFA during the year		(7,065)
Asset at 31 March 2019		-

The deferred tax asset set out above in the prior year related to accelerated capital allowances.

23 Retirement benefit schemes

Defined contribution schemes

The charitable company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the charitable company in an independently administered fund.

The charge to SOFA in respect of defined contribution schemes was £82,244 (2018: £64,461).

Contributions totalling £12,582 (2018: £12,351) were payable to the fund at the balance sheet date and are included in other creditors.

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

24 Restricted funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

	Balance at 1 April 2018	Movement in funds		Balance at 31 March 2019
	£	Income	Expenditure	£
Home Learning Environment (DfE)	-	400,000	(400,000)	-
Early Years Foundation Stage Profile Pilot (DfE)	-	95,901	(95,901)	-
Early Years Professional Development (DfE)	-	350,000	(350,000)	-
Administrative costs relating to DfE themed rounds	-	140,000	(140,000)	-
BHP Billiton Foundation	-	1,032,242	(1,032,242)	-
Careers and Enterprise Company	-	80,696	(80,696)	-
College of Policing	59,799	-	(59,799)	-
Early Intervention Foundation	-	20,000	(20,000)	-
JP Morgan Foundation (Post-16)	33,329	428,243	(428,243)	33,329
Kusuma Trust	63,000	61,940	(70,000)	54,940
Northern Rock Foundation	1,363,208	-	(811,584)	551,624
Shine	-	500,000	(500,000)	-
Wellcome Trust	-	627,867	(627,867)	-
	1,519,336	3,736,889	(4,616,332)	639,893

The DfE Funding is restricted to three different themed rounds on Home Learning Environment, on an early Years Foundation Stage Profile Pilot and on Early Years Professional Development.

Administrative costs relating to DfE themed grants cover administrative expenditure relating to managing the DfE themed funded grants.

The BHP Billiton Foundation fund is restricted funding to fund global trials with the EEF's international partners.

Careers and Enterprise Company fund is restricted to test the impact of high-potential careers education programmes.

College of Policing fund is restricted to developing tools to assess and label evidence for decision makers.

Early Intervention Foundation fund is restricted to funding the Social and Emotional Learning guidance report.

JP Morgan Foundation (Post-16) is restricted to funding post-16 trials.

Kusuma Trust fund is restricted to funding to scale up evidence for impact in mathematics and science in up to 220 schools in regions across the UK.

Northern Rock Foundation fund is restricted to funding a five-year North East Literacy Campaign focused on primary-age children in the region.

Shine fund is restricted to funding home learning environment trials.

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

24 Restricted funds (Continued)

Wellcome Trust fund is restricted to fund collaborations between educators and neuroscientists to develop and evaluate the effectiveness of neuroscience-based educational interventions in the classroom designed to increase the attainment of pupils, particularly those from low-income families.

Restricted funds (prior year)

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

	Balance 1 April 2017 £	Movement in funds		Balance at 31 March 2018 £
		Income £	Expenditure £	
Administrative costs relating to DfE themed rounds	23,335	-	(23,335)	-
Northern Rock Foundation	1,879,414	-	(516,206)	1,363,208
JP Morgan Foundation (Post -16)	33,333	428,245	(428,249)	33,329
Bank of American Merrill Lynch Foundation	154,285	-	(154,285)	-
Careers and Enterprise Company	-	112,664	(112,664)	-
College of Policing	-	59,799	-	89,799
Kusuma Trust	-	63,000	-	63,000
Wellcome Trust	-	682,533	(682,533)	-
Worshipful Company of Actuaries	-	16,000	(16,000)	-
Royal Society of Arts	-	1,060,978	(1,060,978)	-
	<u>2,090,367</u>	<u>(2,423,219)</u>	<u>2,994,250</u>	<u>1,519,336</u>

Administrative costs relating to DfE themed grants cover administrative expenditure relating to managing the DfE themed funded grants.

Northern Rock Foundation fund is restricted to funding a five-year North East Literacy Campaign focused on primary-age children in the region.

JP Morgan Foundation (Post-16) is restricted to funding post-16 trials.

The Bank of America Merrill Lynch foundation fund is restricted funding grants to improve outcomes for young people through careers education.

Careers and Enterprise Company fund is restricted to test the impact of high-potential careers education programmes.

College of Policing fund is restricted to developing tools to assess and label evidence for decision makers.

Kusuma Trust fund is restricted to funding to scale up evidence for impact in mathematics and science in up to 220 schools in regions across the UK.

Wellcome Trust fund is restricted to fund collaborations between educators and neuroscientists to develop and evaluate the effectiveness of neuroscience-based educational interventions in the classroom designed to increase the attainment of pupils, particularly those from low-income families.

Worshipful Company of Actuaries fund is restricted to funding the EEF's Mathematical Reasoning project.

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

24 Restricted funds (Continued)

Royal Society of Arts fund is restricted to investigate the impact of cultural learning on disadvantaged children's attainment and wider outcomes.

25 Analysis of net assets between funds

	Unrestricted funds £	Restricted funds £	Total £
Fund balances at 31 March 2019 are represented by:			
Tangible assets	371,795	-	371,795
Investments	88,305,643	-	88,305,643
Current assets/(liabilities)	(11,564,482)	2,527,661	(9,036,821)
Long term liabilities	(5,046,697)	(1,887,768)	(6,934,465)
	<u>72,066,259</u>	<u>639,893</u>	<u>72,706,152</u>

Included within unrestricted funds is an unrealised reserve of £12,986,642 (2018: £11,754,849) relating to gains on investment assets.

Analysis of net assets between funds (prior year)

	Unrestricted funds £	Restricted funds £	Total £
Fund balances at 31 March 2018 are represented by:			
Tangible assets	297,657	-	297,657
Investments	97,574,420	-	97,574,420
Current assets/(liabilities)	(7,803,800)	3,734,353	(4,069,447)
Long term liabilities	(4,303,675)	(2,215,017)	(6,518,692)
	<u>85,764,602</u>	<u>1,519,336</u>	<u>87,283,938</u>

Included within unrestricted funds is an unrealised reserve of £11,754,849 (2017: £12,532,926) relating to gains on investment assets)

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

26 Cash generated from operations	2019 £	2018 £
Deficit for the year	(14,577,786)	(9,501,066)
Adjustments for:		
Investment income recognised in statement of financial activities	(2,148,943)	(2,356,990)
Fair value gains and losses on investments	(1,231,793)	661,687
Depreciation and impairment of tangible fixed assets	185,103	286,771
Movements in working capital:		
Decrease/(increase) in debtors	740,853	(1,622,472)
Increase/(decrease) in creditors	5,195,214	(4,067,522)
(Decrease)/increase in provisions	7,065	(5,862)
(Decrease)/increase in deferred income	(538,200)	312,850
Cash absorbed by operations	(12,368,487)	(16,292,604)
27 Related party transactions		

Sir Peter Lampl, the Chairman of The Education Endowment Foundation is also the Chairman of the Sutton Trust. Lee Elliott Major was employed by the Sutton Trust. During the year the charity made payments of £140,269 (2018: £159,857) to the Sutton Trust for the use of office premises and related office administration expenses and reimbursed the Sutton Trust the sum of £51,430 (2018: £80,656) for payments made on behalf of The Education Endowment Foundation for staff costs, staff travel expenditure and sundry purchases. The Sutton Trust donated services to The Education Endowment Foundation with a value of £8,114 (2018: £7,688).

At the year end the Sutton Trust were owed £1 (2018: £1) by The Education Endowment Foundation. This amount is included in other creditors.

Costs of £nil (2018: £92,804) were recharged from The Education Endowment Foundation to EEF Services Limited. Income of £nil (2018: £25,958) was received from EEF Services Limited for the licensing of its website API. At the year end, EEF Services Limited owed £nil (2018: owed £547,816) to The Education Endowment Foundation. EEF Services Ltd became dormant from 1 April 2019

