

Charity Registration No. 1142111

Company Registration No. 07587909 (England and Wales)

THE EDUCATION ENDOWMENT FOUNDATION
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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THE EDUCATION ENDOWMENT FOUNDATION

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Sir Peter Lampl, Chairman David Hall, Vice Chairman Louis Elson Johannes Huth Lee Elliot Major Nat Sloane Julie Randles (Resigned 6 October 2016)
Charity number	1142111
Company number	07587909
Registered office	9th Floor Millbank Tower 21-24 Millbank London SW1P 4QP
Auditor	RSM UK Audit LLP 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	Sir Kevan Collins (Chief Executive) James Turner (Deputy Chief Executive) Frank Helsby (Finance Director) Stephen Tall (Development and Communications Director)

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Executive Team

Camilla Nevill (Head of Evaluation)
Triin Edovald (Head of Evaluation, maternity cover, joined Mar-17)
Elena Rosa Brown (Evaluation Manager)
Dr Anneka Dawson (Evaluation Manager)
Danielle Mason (Head of Research and Publications on secondment from HMT)
Stephen Fraser (International Partnerships Director, joined Feb-17)
Jonathan Kay (Research and Publications Manager)
James Richardson (Senior Analyst)
Jonathan Sharples (Senior Researcher – on secondment from Institute of Education, UCL)
Stuart Mathers (School engagement and Dissemination Manager – on secondment from DfE, joined Feb-17)
Eleanor Stringer (Senior Programme Manager)
Matthew van Poortvliet (Senior Programme Manager)
Emily Yeomans (Senior Programme Manager)
Thomas Martell (Programme Manager)
Peter Henderson (Programme Manager)
Igraine Rhodes (Programme Manager, joined May-17)
Anne-Laure Bedouet (Finance Manager)
Adil Morrison (Digital and Information Officer, joined May-17)
Hilary Cornwell (Media and Communications Manager, jointly with Sutton Trust)
Daniel Bramble (Administrative Assistant, joined Jul-16)
Javneet Ghuman (Parliamentary and Public Affairs Officer – jointly with Sutton Trust)
Amy Holland (Apprentice, joined Jul-17)

Advisory Board

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

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

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

State Street Global Services
20 Churchill Place
Canary Wharf
London
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THE EDUCATION ENDOWMENT FOUNDATION

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2017

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 2017. 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 governing document, dated 31 May 2011, its Memorandum and Articles of Association, 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. It is stipulated that the member of EEF (the Sutton Trust) must appoint at least two and no more than 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 three of the seven Trustees are to be nominated by Impetus - The Private Equity Foundation and four to be nominated by The Sutton Trust. Impetus - The Private Equity Foundation nominated Louis Elson, Johannes Huth and Nat Sloane. The Sutton Trust nominated Sir Peter Lampl, David Hall, Lee Elliot Major and Julie Randles (resigned 6 October 2016). 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. Sir Peter Lampl, David Hall, Lee Elliot Major, Nat Sloane and Louis Elson were reappointed for a further 5 year term.

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.

In addition to the governance arrangements relating to the board meetings, as noted above, the Trustees have established three committees to facilitate the effective governance of the EEF's operations. These committees are the Grants Committee, the Finance Committee and the Fundraising Committee. The key objectives for these committees are as follows:

- The Grants Committee makes recommendations to the Board on projects to support (including the funding for independent evaluation of each project), shapes the priorities for the grant making of the EEF, reviews the performance of the entire grant portfolio and develops the EEF grant making policy framework over time. It also oversees the scale up efforts of the EEF.

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- The Finance Committee oversees the management of the EEF's resources. Its remit includes recommending the appropriate endowment investment strategy, monitoring the performance of fund managers handling the EEF's funds to achieve the agreed strategy, reviewing and recommending the annual budget and the long term cash flow projections to the Board, reviewing the actual performance against the agreed budget and cash flow projections and monitoring the integrity of EEF's financial statements, with particular emphasis on the effectiveness of the external audit process and internal control systems. They also review and recommend the risk register to the Board.
- The Fundraising Committee monitors and supports the development of the EEF's fundraising efforts including the development of the EEF fundraising and partnership strategy. The Fundraising Committee merged with the Finance Committee as of March 2017.

These committees comprise Trustees of the EEF, with relevant members of the executive team attending each committee. The committees may co-opt expert members beyond the EEF Trustees from time to time to supplement the expertise and reach of the committees. At present, Elizabeth Sidwell formerly Schools Commissioner at The Department for Education and Robert Coe, Professor in the School of Education and Director of the Centre for Evaluation and Monitoring (CEM), Durham University, sit on the EEF Grants Committee and Jack Edmondson, Investment Director 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.

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 28 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 fulfills 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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Grant making policy

The EEF focuses on supporting projects and developing resources that are likely to improve the academic and associated 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 replicable projects that have a measurable positive impact, as well as promoting the use of evidence in the decision making of schools, early years settings and by other commissioners and policymakers. All EEF projects are rigorously evaluated by independent experts in educational research, and the charity has to date commissioned over 100 randomised controlled trials (RCTs) involving almost one third of English schools. The EEF also aims to have the wider education world utilise the evidence EEF generates, for example by scaling up projects which are determined to be effective and replicable, and by communicating and disseminating what works, through various channels so that it changes behaviour in the school system and more widely.

The EEF runs two grants rounds per school year. Applications are submitted online via the EEF's website and reviewed by Programmes Managers. The most promising applications are developed by a Programmes Manager in collaboration with the applicant, before being put forward to the Grants Committee and the Board of Trustees. The Trustees make the final decision on funding the applications recommended by the Grants Committee. 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, 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. 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

Achievements and performance

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 14.

Grant making, evaluation and dissemination activities

Last year, as part of its strategic review, the EEF set itself a number of objectives and its performance against these objectives is set out below:

Objective 1 – 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 12 projects totalling £7 million. These projects will work with approximately 70,000 pupils in 1,100 schools.

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Funding was awarded to projects in two rounds:

- The first was a general round with a focus on early years projects, interventions aimed at improving primary school literacy outcomes in schools in the North East, and on secondary school subject teaching.
- The second round included regranting to two projects with promising results from initial EEF trials and a themed round co-funded with J.P. Morgan Foundation focusing on improving attainment outcomes and employment prospects of 16-18 year old students who have not achieved a C grade or above at GCSE English and/or maths.

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.

Objective 2 – To focus more resources on scaling up and disseminating successful approaches throughout a variety of models

The 2016 strategy defined a number of models for scaling up the EEF's work, which we have continued to pursue during the year – both to widen the impact of our work and to add to the evidence base of how to most cost effectively disseminate effective approaches.

Campaigns:

The North East literacy campaign, launched this year, combines three key elements:

- Direct support for programmes: to date five effectiveness trials of literacy-focused projects are taking place in the North East reaching some 245 primary schools.
- Place-based advocacy: five advocate partners have been recruited and are supporting around 300 primary schools so far; more advocates have now been recruited.
- New resources for school improvement: 'what works' support for all primary schools in the country including the EEF's two new guidance reports on Improving Literacy in Key Stage One and in Key Stage Two.

The Teaching Assistants Campaign has enabled the EEF to engage with 1,000 schools in Yorkshire to better make use of teaching assistants in schools.

Excellence funds: in partnership with the local authority, we have incentivised 130 schools in Suffolk to adopt promising projects from a menu of programmes previously tested by the EEF, in order to create a legacy of evidence-based practice in the area.

Research Schools: the EEF launched their Research Schools Network in partnership with the Institute of Effective Education at the University of York, funding 11 schools which will become a focal-point for evidence-based practice in their region. The network will reach many hundreds of schools through training events, courses, conferences and intensive school improvement work.

Producing actionable guidance for schools based on EEF research and existing evidence: the Teaching assistants guidance report was sent to all schools in the country, while the new Improving Literacy guidance reports reached all primary schools and were well received, generating the most traffic on the EEF website for 18 months. A main focus for the next year will be to increase the number of guidance reports we have available to teachers and other practitioners.

Further support to individual programmes that are found to be successful in EEF evaluations: the EEF has committed £13 million to grow EEF-funded programmes which have demonstrated promising findings in first trials.

Objective 3 – To continue to publish robust evaluation reports of funded projects

All EEF funded projects continued to be subject to independent evaluation. In the majority of cases this evaluation is designed as a randomised controlled trial. The EEF has continued its commitment to publishing evaluation reports on all completed projects and 21 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.

Three programmes that had already been tested in EEF funded efficacy trials with positive results received approval for testing on a larger scale in effectiveness trials in the year. These programmes are Nuffield Early Language Intervention, Philosophy for Children and ReflectEd.

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Objective 4 – To develop its core resources available on the website, including the Teaching and Learning Toolkit

In 2016 the EEF undertook a major redesign of its website, which resulted in users accessing a greater range of EEF resources and spending more time on the site overall. User numbers have also increased markedly. This year we introduced School Themes to the site, to focus users on 10 high-priority issues for schools, pulling together evidence from the Teaching and Learning Toolkit and published evaluation reports, along with videos and literature reviews. These themes are intended as a 'one-stop shop' for users wanting an overview of the existing and emerging evidence related to specific school challenges. The website also centred more on Guidance Reports – the 'Making Best Use of Teaching Assistants' professional development course uses text, video and interactive content to bring to life the evidence in the report. In addition, both the 'Improving Literacy in Key Stage 1' and 'Key Stage 2' reports were successfully launched online in the spring and were well received. Continuing to develop the website is a major focus of our work in the coming year and a number of user surveys and focus groups are planned to ensure the site meets the needs of our target audiences. These will build on the independent digital audit undertaken earlier this year.

The Families of Schools Database, a resource which allows primary and secondary schools to compare their performance with peers and encourages collaboration, continues to be updated with the latest results. We are looking at how to develop the database further, including integrating it with other EEF resources on the website.

Objective 5 – 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, in early 2017 the Secretary of State for Education announced the expansion of the EEF's Research Schools programmes into its thirteen Opportunity Areas, funded through a combination of government and EEF resources. The schools will begin work in the 2017/18 academic year and will be sited in some of the country's most disadvantaged neighbourhoods. The EEF has also supported two significant new Department for Education funds launched during the course of the year: The Strategic School Improvement Fund and the Teaching and Leadership Innovation Fund, which together amount to almost £250m of support for schools and middle tier organisations. The Foundation's support so far has included input into the priorities of the funds, the application and selection criteria and evaluation. The EEF is also keen to explore how it might work alongside the most promising projects which emerge in these funds in order to further build the evidence base of what works in the areas of school improvement and teacher development. More broadly, 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 continues 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. The EEF has also collaborated with a number of other What Works Centres during the year, for example with the Early Intervention Foundation in supporting the development of Opportunity Area action plans.

Fundraising activity

Objective 6 – To continue to seek to partner with other funders

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 £5.7 million in this financial year. They fall into one of three categories:

- Direct donations to the EEF – £2.2 million, including a £2 million grant from J.P. Morgan Foundation co-funding the Post-16 grant awards.
- Pro bono donations to the EEF – including legal advice from Macfarlanes and Freshfields. See Note 3 for further detail.

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- Shared funding of EEF supported programmes – £3.4 million of contributions from grantees or their partners towards the costs of the EEF funded programmes. This category includes, for example, the Bowland Trust funding the University of York to partner with the EEF on the Research Schools Network for £1 million.

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 £25.4 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.

We are also participating in an RSA-led initiative to test the impact of a handful of cultural learning programmes, as well as to build the wider case for the use of evidence in the arts education sector; this work is principally funded by the Department for Culture Media and Sports. We have also begun conversations with the Big Lottery Fund's Headstart initiative, particularly around a partnership focused on the fostering of socio-emotional and essential life skills in young people facing disadvantage.

During the year, the charity 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, via its trading subsidiary EEF Services Ltd, has also started to partner with organisations in other countries who want to adopt and adapt the EEF approaches and resources for their own region. During the year, EEF Services Ltd received income from Social Venture Australia for £165,000 and retained all of its profits. Since the establishment of this initial partnership in Australia, a range of organisations have expressed interest in accessing the Toolkit for use in other countries and regions, replicating the EEF's evidence ecosystem.

Investment performance

Objective 7 – To monitor the investment portfolio performance and review the investment strategy

The portfolio's value at year end of £114.5 million compared to £119.2 million in the previous year. The decrease in value is primarily driven by withdrawals of £12 million made during the year to pay out grants and evaluation as well as operating expenses. Net income received after management costs was £2.2 million and a revaluation gain was recorded of £5.0 million.

The investment portfolio experienced a volatile year. Performance in the first half was positively impacted up to mid-September 2016, when markets rallied following the UK's "leave" vote with all assets in the portfolio – investment grade bonds, high yield bonds and equities – performing well. In the period leading to the US elections in November 2016 and shortly afterwards, bond markets declined and US equities approached all-time highs. Markets remained broadly positive up to the end of March 2017.

The overall return on the portfolio since inception in June 2011 has been 27.8%, an annualised rate of 4.2% 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.

Financial review

Over the last year the EEF has invested £10.7 million in new programmes showing promise, with the portfolio growing to include 12 additional projects bringing the total to 133. There has been an increase in co-funding arrangements including a partnership with the J.P. Morgan Foundation supporting a £2 million initiative to improve the outcome of disadvantaged 16-18 year old students. Details of the grants awarded are shown at note 9 to the accounts. The grant making policy, as set out earlier in this report, requires that grant payments are made in accordance with the contractual milestones agreed with grantees at the time of the award.

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This year has seen a significant shift to scale up work, in line with the five year strategy, with the proportion of funding spent on this element of our work now at 50% and expected to grow further in the following year. The organisation has undergone a modest restructuring to help us deliver this aim, with the creation of a programmes team and more resources devoted to school-facing guidance and resources. This work has been possible with the renewed support of the Economic and Social Research Council (ESRC) who have matched the EEF's investment to establish a seconded post in the EEF team.

Since inception the proportion of funding devoted to administrative costs stands at 5%.

Pay policy for senior staff

The key management personnel of the EEF are considered to be the Chief Executive, Deputy Chief Executive, Director of Finance, and Director of Development and Communications. 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 £94.7 million. The Trustees treat the unrestricted funding as available for grant making and for funding the requirements for support costs and governance costs. Additionally, the Trustees review the investment strategy and performance of the funding pool along with projections in terms of future grant and operating expense commitments on a regular basis. Accordingly, the Trustees consider that the current level of free reserves (general unrestricted funds less fixed assets) of £94.2 million forms a pool available for grant making 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 JP. Morgan Foundation for £1.1 million in the year and funding from Bell Foundation for £0.6 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 £2.1 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 grants 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.

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:

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- 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 have decided to engage professional investment management firms to manage the portfolio. Following a competitive tender process, they made two initial appointments: J.P. Morgan and Goldman Sachs ("the managers") with equal allocations at inception.

The Trustees will continue to consider 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.

The Trustees have appointed J.P. Morgan (Brussels) and State Street Global Services as custodians of the portfolios.

The managers have each 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.

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.

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Plans for future periods

The EEF will continue with its two main areas of activity: building the evidence base of what works and setting that evidence to work so that it changes behaviour in schools and benefits more young people, particularly those from poorer background. 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; developing their essential life skills; and preparing young people for the world of work and further study increasing the attainment of disadvantaged children. Grants will be made to projects from two general funding rounds and a likely focus on maths and science. We are also committed to funding more programmes focussing on essential skills.

The EEF will continue to publish evaluation reports from its projects and seek to scale up the most promising approaches from its evaluations, taking into account their cost effectiveness and replicability.

In line with the strategic review completed in 2016, the EEF will focus more resources on scaling up and disseminating successful approaches and lessons learnt through a variety of models, including:

- Regional campaigns, such as the ongoing work in Yorkshire and the North East on Teaching Assistants and literacy.
- Research Schools, which will act as evidence hubs in their region, running a variety of conferences, training and events for schools based on the best available evidence. The programme is likely to be expanded to the government's Opportunity Areas, bringing the total number of Research Schools to 23 in the next academic year.
- Encouraging schools to use evidence based programmes through local partnerships, such as work being undertaken in Suffolk, where an excellence fund has been created to incentivise the use of well evidenced programmes through a matched-funding arrangement
- Producing actionable guidance for schools based on EEF research and existing evidence – we currently have three published guidance reports and are planning a further 12 over the next 18 months
- Scaling individual programmes that are found to be successful in EEF evaluations, in particular by working with scale-up and capacity building partners

As described above, the development of the website and the EEF's digital and social media presence is a priority for the coming year too. A number of improvements have been made already or are in train, and an updated strategy will be developed and implemented this year.

The EEF will continue to work with the other members of the What Works Network to secure the use of rigorous evidence in Government.

The EEF intends to continue to review and update its investment strategy in 2017/18 based on the advice of its investment managers concerning current and expected bond and equity market conditions.

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.

The major risks identified in the plan and their mitigating actions are outlined below:

1. The EEF faces challenges recruiting schools for its trials

Mitigating actions: Only grantees with a track record in school engagement are selected. The EEF offers support on implementation and extends lead times for recruitment where needed.

THE EDUCATION ENDOWMENT FOUNDATION

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

FOR THE YEAR ENDED 31 MARCH 2017

2. The EEF projects do not reduce the gap

Mitigating actions: The EEF communicates regularly through blogs and news that it is also important to find out what does not work to stop schools spending on programmes that do not make a difference to children's attainment. The analysis of regranted projects shows that the EEF projects have a disproportionate benefit on free school meal students compared to peers.

3. The EEF evaluations are poorly delivered and poorly analysed and reported.

Mitigating actions: The EEF has developed guidance for projects on testing children and recruiting and retaining schools in evaluations. The EEF Evaluation team checks that the key evaluation milestones are achieved before approving payments.

All EEF reports are peer reviewed by two EEF evaluators and reviewed by the EEF team and grantee before published.

4. Evidence based practice is embraced by only a small core of schools and EEF project finds do not reach practitioners.

Mitigating actions: The EEF team is proactive in visiting regions of the country where engagement is weak. The EEF has established a network of Research Schools which helps disseminate EEF messages and provide support for schools on implementation. The EEF website has been redesigned to ensure that users move beyond a surface level engagement with the Toolkit, to access more project report findings and other useful resources. The EEF has developed a range of scale up models to find out the most effective way to help schools adopt evidence based practices.

5. The EEF scales up a programme based on inaccurate results

Mitigating actions: The grant team have a number of criteria for re granting which include the security of the findings of the first trial. The team gives a score to all trials published before re granting. Re granting is also always decided in context of the toolkit findings and wider context. Where re granting decisions are to be made, these projects will be prioritised for independent reanalysis by our overarching evaluator to make sure findings are secure.

6. Investment fails to perform at expected level and the scale of grant making needs to be reviewed

Mitigating actions: Robust processes are in place to monitor the performance of the investment portfolio on a regular basis and to respond to expert advice on fund management. The Finance Committee comprises Trustees with financial experience and takes other expert advice where necessary. The investment strategy and asset allocation has been chosen to limit the volatility risks of the portfolio.

Trustees' responsibilities statement

The Trustees (who are also directors of The Education Endowment Foundation for the purposes of company law) are responsible for preparing the Trustees' Report (including the Strategic 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. Under company law the Trustees must not approve the financial statements unless they are satisfied that they 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 period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

THE EDUCATION ENDOWMENT FOUNDATION

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

FOR THE YEAR ENDED 31 MARCH 2017

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.

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: 5 October 2017

THE EDUCATION ENDOWMENT FOUNDATION

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 2017 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 2017 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.

Scope of the audit of the accounts

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report and the incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Trustees' Report and the incorporated Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Trustees' Report and the incorporated Strategic 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 accounts are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

THE EDUCATION ENDOWMENT FOUNDATION

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE EDUCATION ENDOWMENT FOUNDATION

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' responsibilities set out on pages 10 and 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

RSM UK Audit LLP

Nicholas Sladden FCA DChA (Senior Statutory Auditor)
for and on behalf of RSM UK Audit LLP

5 October 2017

Chartered Accountants
Statutory Auditor

25 Farringdon Street
London
EC4A 4AB
United Kingdom

THE EDUCATION ENDOWMENT FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
<u>Income from:</u>					
Donations and legacies	3	21,541	2,433,870	2,455,411	6,756,661
Income from other trading activities	4	105,794	-	105,794	122,271
Investments	5	2,772,662	-	2,772,662	3,145,842
Total income		2,899,997	2,433,870	5,333,867	10,024,774
<u>Expenditure on:</u>					
<u>Raising funds</u>					
Fundraising expenditure	6	197,206	4,801	202,007	202,011
Trading costs	6	72,909	-	72,909	84,371
Investment management	6	544,101	-	544,101	587,156
		814,216	4,801	819,017	873,538
Charitable activities	7	8,165,885	4,112,438	12,278,323	18,895,895
Total expenditure		8,980,101	4,117,239	13,097,340	19,769,433
Net gains/(losses) on investments		5,049,659	-	5,049,659	(3,514,071)
Net movement in funds		(1,030,445)	(1,683,369)	(2,713,814)	(13,258,730)
Fund balances at 1 April 2016		95,725,082	3,773,736	99,498,818	112,757,548
Fund balances at 31 March 2017		94,694,637	2,090,367	96,785,004	99,498,818

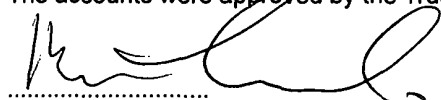
THE EDUCATION ENDOWMENT FOUNDATION

BALANCE SHEET

AS AT 31 MARCH 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	15	442,391		532,201	
Investments	16	114,502,691		119,196,951	
		<u>114,945,082</u>		<u>119,729,152</u>	
Current assets					
Debtors falling due after one year	18	1,571,950	1,700,000		
Deferred tax asset	23	1,202	-		
Debtors falling due within one year	18	2,480,130	1,996,239		
Cash at bank and in hand		2,412,337	5,436,463		
		<u>6,465,619</u>	<u>9,132,702</u>		
Creditors: amounts falling due within one year	19	<u>(16,842,069)</u>	<u>(18,527,580)</u>		
Net current liabilities		(10,376,450)		(9,394,878)	
Total assets less current liabilities		104,568,632		110,334,274	
Creditors: amounts falling due after more than one year	20	(7,783,628)		(10,835,204)	
Provisions for liabilities	23	-		(252)	
Net assets		<u>96,785,004</u>		<u>99,498,818</u>	
Charity funds					
Restricted funds	26	2,090,367		3,773,736	
General unrestricted funds	25	94,694,637		95,725,082	
		<u>96,785,004</u>		<u>99,498,818</u>	

The accounts were approved by the Trustees on 5 October 2017 and signed on their behalf by:



Sir Peter Lampl, Chairman
Trustee

Company Registration No. 07587909

THE EDUCATION ENDOWMENT FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash absorbed by operations	29	(15,351,826)		(4,577,827)	
Investing activities					
Purchase of tangible fixed assets		(188,881)		(132,077)	
Purchase of investments		(27,592,525)		(19,343,141)	
Proceeds on disposal of investments		37,336,444		23,562,929	
Investment income		2,772,662		3,145,842	
Net cash generated from investing activities		12,327,700		7,233,553	
Net (decrease)/increase in cash and cash equivalents		(3,024,126)		2,655,726	
Cash and cash equivalents at beginning of year		5,436,463		2,780,737	
Cash and cash equivalents at end of year		2,412,337		5,436,463	

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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 9th 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.

1.1 Accounting convention

These accounts have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), "Accounting and Reporting by Charities" the Statement of Recommended Practice for charities applying FRS 102, the Companies Act 2006 and UK Generally Accepted Accounting Practice as it applies from 1 January 2015. The charitable company is a Public Benefit Entity as defined by FRS 102.

The accounts 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 accounts have been prepared under the historical cost convention, unless otherwise stated. The principal accounting policies adopted are set out below.

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.

1.2 Going concern

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

1.3 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 2017

1 Accounting policies (Continued)

1.4 Income

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 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.

1.5 Expenditure

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.

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (Continued)

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.

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.

1.6 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.

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (Continued)

1.7 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.

Investment in a subsidiary company is held at cost less accumulated impairment losses.

1.8 Impairment of fixed assets

At each reporting end date, the charitable company reviews the carrying amounts of its tangible and intangible 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).

1.9 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.

1.10 Financial instruments

The charitable company has applied the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' 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.

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (Continued)

1.11 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.

1.12 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.

1.13 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.

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 15 for the carrying value of tangible fixed assets and note 1.6 for the useful economic lives for each class of asset.

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

3 Donations and legacies

	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
Donations and gifts	229	-	229	-
Grants	-	2,433,870	2,433,870	6,290,754
Donated services	21,312	-	21,312	465,907
	<u>21,541</u>	<u>2,433,870</u>	<u>2,455,411</u>	<u>6,756,661</u>
For the year ended 31 March 2016	<u>483,589</u>	<u>6,273,072</u>		<u>6,756,661</u>
	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
Grants				
Bank of America Merrill Lynch Foundation	-	154,285	154,285	32,804
Royal Society	-	12,248	12,248	10,000
Public Health England*	-	-	-	20,000
Northern Rock Foundation	-	-	-	5,000,000
Unbound Philanthropy	-	-	-	600,000
KPMG Foundation	-	-	-	132,500
ESRC*	-	-	-	17,682
Stone Family Foundation	-	-	-	50,000
Wellcome Trust	-	250,282	250,282	427,768
JP Morgan Foundation	-	1,110,177	1,110,177	-
Bell Foundation	-	555,517	555,517	-
Money Advice Service	-	335,361	335,361	-
Worshipful Company of Actuaries	-	16,000	16,000	-
	<u>-</u>	<u>2,433,870</u>	<u>2,433,870</u>	<u>6,290,754</u>
For the year ended 31 March 2016	<u>17,682</u>	<u>6,273,072</u>		<u>6,290,754</u>

*Government grants were received for co funding the Charity's grant making activity. The nature of the grants in 2017 are further disclosed in Note 26. No Government grants were received during the year (2016: £37,682). There were no unfulfilled conditions to government grants recognised in the year (2016: none).

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

3 Donations and legacies (Continued)

	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
Donated services				
The Sutton Trust	7,497	-	7,497	6,813
Macfarlanes	7,061	-	7,061	21,142
Freshfields	6,754	-	6,754	75,952
Boston Consulting Group	-	-	-	362,000
	<u>21,312</u>	<u>-</u>	<u>21,312</u>	<u>465,907</u>
For the year ended 31 March 2016	<u>465,907</u>	<u>-</u>		<u>465,907</u>

4 Income from other trading activities

	Unrestricted 2017 £	Unrestricted 2016 £
Licensing of Teaching and Learning Toolkit	<u>105,794</u>	<u>122,271</u>

The whole of the income from other trading activities is attributable to the development and licensing of Education Endowment Foundation resources to the Department of Education and Training (DET), previously Department of Education and Early Childhood Department, Australia (DEECD).

All this income arose within the rest of the world.

5 Investments

	Unrestricted 2017 £	Unrestricted 2016 £
Income from listed investments	1,525,134	1,702,097
Interest receivable	1,247,528	1,443,745
	<u>2,772,662</u>	<u>3,145,842</u>

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

6 Expenditure on raising funds

	Unrestricted funds	Restricted funds	Total 2017	Total 2016
	£	£	£	£
<u>Fundraising expenditure</u>				
Legal and professional	232	6	238	975
Audit, accountancy and other finance costs	1,306	32	1,338	1,278
Office administration	5,746	140	5,886	7,662
Premises costs	11,360	276	11,636	13,750
Advertising	9,365	228	9,593	5,150
Staff costs	151,227	3,677	154,904	152,184
Depreciation and impairment	17,970	442	18,412	21,012
	<u>197,206</u>	<u>4,801</u>	<u>202,007</u>	<u>202,011</u>
<u>Trading costs</u>				
Licensing of EEF resources	64,423	-	64,423	76,007
Corporation tax on net trading income	9,940	-	9,940	10,634
Deferred tax release on net trading income	(1,454)	-	(1,454)	(2,270)
	<u>72,909</u>	<u>-</u>	<u>72,909</u>	<u>84,371</u>
<u>Investment management</u>				
Investment management costs	544,101	-	544,101	587,156
	<u>814,216</u>	<u>4,801</u>	<u>819,017</u>	<u>873,538</u>
For the year ended 31 March 2016				
Fundraising expenditure	171,124	30,887		202,011
Trading costs	84,371	-		84,371
Investment management	587,156	-		587,156
	<u>842,651</u>	<u>30,887</u>		<u>873,538</u>

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

7 Charitable activities

	2017 £	2016 £
Staff costs	912,525	713,592
Other staff costs	37,636	20,103
Donated services	21,312	465,907
	<u>971,473</u>	<u>1,199,602</u>
Grant funding of activities (see note 8)	10,704,035	17,212,775
Support costs (see note 10)	532,895	415,888
Governance costs (see note 10)	69,920	67,630
	<u>12,278,323</u>	<u>18,895,895</u>
Analysis by fund		
Unrestricted funds	8,165,885	14,684,154
Restricted funds	4,112,438	4,211,741
	<u>12,278,323</u>	<u>18,895,895</u>

8 Grants payable

	2017 £	2016 £
Grants to institutions (12 grants - 2016: 40 grants):		
See note below	<u>10,704,035</u>	<u>17,212,775</u>

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

9 Grants to institutions

		2017 £	2016 £
Grants awarded in the year ended 31 March 2017			
University of Chicago and United Learning	Motivating Teachers and Coaches	1,200,000	-
Sapere	P4C regrant	1,214,000	-
Peeples	Learning Together Programme	698,059	-
UCL Institute of Education	Maximising Teaching Assistants	558,148	-
British Science Association	CREST Silver Award	283,536	-
FFT Literacy	Reciprocal Reading	191,400	-
Kyra Teaching School Alliance	Using digital feedback to improve outcomes	175,141	-
University of Oxford	Nuffield Early Language Intervention	415,376	-
Rosendale Primary School and Education Development Trust	ReflectED	697,092	-
Association of Employment and Learning Providers	Embedding contextualisation in English and Maths GCSE teaching	606,350	-
University of Nottingham	Maths-for-Life	641,115	-
Behavioural Insights Team (BIT)	Texting students and study supporters	205,608	-
Grants to 40 organisations awarded in the year ended 31 March 2016		-	14,122,656
		<hr/>	<hr/>
		6,885,825	14,122,656
Adjustments to grants awarded in previous years		(1,053,820)	(109,120)
Scale up expenditure (research schools, advocacy and guidance report)		602,954	196,432
Evaluation and research funding		4,269,076	3,002,807
		<hr/>	<hr/>
Total Grants, Campaigns and Evaluation		10,704,035	17,212,775
		<hr/>	<hr/>

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

10 Support and Governance costs

	Support costs	Governance costs	2017	2016
	£	£	£	£
Staff costs	-	39,105	39,105	38,553
Depreciation	206,792	-	206,792	175,023
Legal and professional	13,360	-	13,360	8,126
Audit, accountancy and other finance costs	12,144	-	12,144	11,490
Office administration	65,252	-	65,252	63,817
Premises costs	128,999	-	128,999	114,533
Marketing and public relations	106,348	-	106,348	42,899
Audit fees	-	10,000	10,000	16,800
Accountancy fees	-	20,815	20,815	12,277
	<u>532,895</u>	<u>69,920</u>	<u>602,815</u>	<u>483,518</u>

11 Net movement in funds

	2017	2016
	£	£
Net movement in funds is stated after charging		
Depreciation of owned tangible fixed assets	<u>278,691</u>	<u>249,490</u>

12 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:

	2017	2016
	£	£
Audit of the charity's annual accounts	<u>11,700</u>	<u>11,400</u>
Non-audit services		
Regularity report	3,000	-
Taxation compliance services	3,420	3,420
All other non-audit services	3,840	5,400
Total non-audit fees	<u>10,260</u>	<u>8,820</u>

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

13 Employees

Number of employees

The average monthly number of employees during the year was:

	2017 Number	2016 Number
Chief Executive Officer	1	1
Grant making, evaluation and dissemination staff	11	7
Fundraising staff	1	1
Administration staff	4	5
	<u>17</u>	<u>14</u>

Employment costs

	2017 £	2016 £
Wages and salaries	774,796	676,718
Social security costs	81,263	66,671
Other pension costs	31,989	26,528
Other staff costs	218,486	151,565
	<u>1,106,534</u>	<u>921,482</u>

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

The remuneration and employee benefits of key management personnel, amounted to £440,216 in the year under review (2016: £384,880).

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

	2017 Number	2016 Number
In the band £90,001 - £100,000	1	1
In the band £160,001 - £170,000	1	1

Contributions totalling £11,130 (2016: £11,043) were made to defined contribution pension schemes on behalf of employees whose emoluments exceed £60,000.

14 Trustees

None of the trustees (or any persons connected with them) received any remuneration from the charitable company during the year (2016: £nil).

During the year, Trustees' travel expenses amounted to £25 for one trustee (2016: £59 for one trustee).

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

15 Tangible fixed assets

	Fixtures and fittings	Computers and IT Equipment	Total
	£	£	£
Cost			
At 1 April 2016	36,902	1,020,467	1,057,369
Additions	21,005	167,876	188,881
At 31 March 2017	57,907	1,188,343	1,246,250
Depreciation			
At 1 April 2016	19,607	505,561	525,168
Depreciation charged in the year	13,101	265,590	278,691
At 31 March 2017	32,708	771,151	803,859
Carrying amount			
At 31 March 2017	25,199	417,192	442,391
At 31 March 2016	17,295	514,906	532,201

16 Fixed asset investments

	Listed investments	Unlisted investments	Cash in portfolio	Total
	£	£	£	£
Cost or valuation				
At 31 March 2016	106,290,333	100	12,906,518	119,196,951
Additions	27,592,525	-	-	27,592,525
Revaluation changes	5,049,659	-	-	5,049,659
Movement in cash account	-	-	(2,073,238)	(2,073,238)
Disposals	(35,263,206)	-	-	(35,263,206)
At 31 March 2017	103,669,311	100	10,833,280	114,502,691
Carrying amount				
At 31 March 2017	103,669,311	100	10,833,280	114,502,691
At 31 March 2016	106,290,333	100	12,906,518	119,196,951
Historical cost				
	101,943,509	-	-	101,943,509

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

16 Fixed asset investments (Continued)

	2017 £	2016 £
Material investments		
Fixed Interest securities	90,167,540	91,380,228
Equities	13,501,771	14,910,105
Cash held within investment portfolio	10,833,280	12,906,518
	<u>114,502,591</u>	<u>119,196,851</u>

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

	2017 £	2016 £
Investments at market value comprise:		
Investments held in the UK	11,732,449	11,035,700
Investments held overseas	102,770,142	108,161,151
	<u>114,502,591</u>	<u>119,196,851</u>

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.

17 Subsidiaries

Details of the charitable company's subsidiaries at 31 March 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
EEF Services Limited	England and Wales	Educational support services	Ordinary	100.00

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

Name of undertaking	Profit after tax £	Capital and Reserves £
EEF Services Limited	54,523	49,353

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

18 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Amounts due from subsidiary undertakings	71,491	-
Other debtors	31,862	284,976
Grants receivable	2,245,602	1,647,949
Prepayments and accrued income	131,175	63,314
	<u>2,480,130</u>	<u>1,996,239</u>
Deferred tax asset	1,202	-
	<u>2,481,332</u>	<u>1,996,239</u>
Amounts falling due after more than one year:		
Grants receivable	1,571,950	1,700,000
	<u>1,571,950</u>	<u>1,700,000</u>
Total debtors	<u>4,053,282</u>	<u>3,696,239</u>

19 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Other taxation and social security		40,395	36,685
Deferred income	21	1,330,950	1,197,284
Trade creditors		298,571	1,051,046
Other creditors		92,354	32,579
Grants accrued		10,149,181	12,455,698
Accruals		4,930,618	3,754,288
		<u>16,842,069</u>	<u>18,527,580</u>

20 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Deferred income	21	2,000,195	1,593,414
Grants accrued		5,783,433	9,241,790
		<u>7,783,628</u>	<u>10,835,204</u>

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

21 Deferred income

	2017 £	2016 £
Other deferred income	3,331,145	2,790,698

Deferred income is included in the financial statements as follows:

	2017 £	2016 £
Current liabilities	1,330,950	1,197,284
Non-current liabilities	2,000,195	1,593,414
	3,331,145	2,790,698

	2017 £	2016 £
Deferred income brought forward	2,790,698	3,135,138
Grants received in the year	2,979,509	5,946,314
Grants recognised in the year	(2,433,870)	(6,290,754)
Deferred income carried forward	3,336,337	2,790,698

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.

22 Financial instruments

	2017 £	2016 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	3,920,905	3,632,925
Equity instruments measured at cost less impairment	100	100
Equity instruments measured at fair value through profit and loss	114,502,591	119,196,951
Carrying amount of financial liabilities		
Measured at amortised cost	21,254,157	26,535,401

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

23 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:

	Liabilities 2017 £	Liabilities 2016 £	Assets 2017 £	Assets 2016 £
Balances:				
Deferred tax on capital allowances	-	252	1,202	-
Movements in the year:				2017 £
Liability at 1 April 2016				252
Released during the year to SOFA				(1,454)
Asset at 31 March 2017				(1,202)

The deferred tax asset set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

24 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 £31,989 (2016: £26,393).

Contributions totalling £6,714 (2016: £3,751) were payable to the fund at the balance sheet date and are included in other creditors.

25 Unrestricted funds

Movement in funds

	Balance at 1 April 2016 £	Income Expenditure £		Gains £	Balance at 31 March 2017 £
General Fund	95,725,082	2,899,997	(8,979,637)	5,049,659	94,695,101

Included within unrestricted funds is an unrealised reserve of £12,532,926 (2016: £7,483,267) relating to gains on investment assets.

THE EDUCATION ENDOWMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

26 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:

	Movement in funds			
	Balance at 1 April 2016	Income	Expenditure	Balance at 31 March 2017
	£	£	£	£
Transition (DfE)	721,765	-	(721,765)	-
Administrative costs relating to DfE themed rounds	63,335	-	(40,000)	23,335
Northern Rock Foundation	2,988,636	-	(1,109,222)	1,879,414
JP Morgan Foundation (Post -16)	-	1,110,177	(1,076,844)	33,333
Bank of America Merrill Lynch Foundation	-	154,285	-	154,285
Bell Foundation	-	555,517	(555,517)	-
Money Advice Service	-	335,361	(335,361)	-
Royal Society	-	12,248	(12,248)	-
Wellcome Trust	-	250,282	(250,282)	-
Worshipful Company of Actuaries	-	16,000	(16,000)	-
	<u>3,773,736</u>	<u>2,433,870</u>	<u>(4,117,239)</u>	<u>2,090,367</u>

The Transition (DfE) Fund is restricted to funding literacy catch-up projects for pupils who attract the Pupil Premium who achieve below Level 4 in English at the end of Key Stage 2.

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 to funding trials improving outcomes for young people through careers education.

Bell Foundation fund is restricted to funding trials boosting the attainment of disadvantaged pupils with English as Additional Language (EAL).

Money Advice Service fund is restricted to funding Financial Education themed grants.

Royal Society fund is restricted to commission a review to improve science results for disadvantaged pupils in primary and secondary schools across England.

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 2017

27 Analysis of net assets between funds

	Unrestricted funds £	Restricted funds £	Total £
Fund balances at 31 March 2017 are represented by:			
Tangible assets	442,391	-	442,391
Investments	114,502,691	-	114,502,691
Current assets/(liabilities)	(14,038,767)	3,662,317	(10,376,450)
Long term liabilities	(6,211,678)	(1,571,950)	(7,783,628)
	<u>94,694,637</u>	<u>2,090,367</u>	<u>96,785,004</u>

28 Related party transactions

Sir Peter Lampl, the Chairman of the Education Endowment Foundation is also the Chairman of the Sutton Trust. Lee Elliott Major is employed by the Sutton Trust. During the year the charity made payments of £160,132 (2016: £113,266) to the Sutton Trust for the use of office premises and related office administration expenses and reimbursed the Sutton Trust the sum of £155,921 (2016: £125,068) 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 Education Endowment Foundation with a value of £7,497 (2016: £6,813).

At the year end the Sutton Trust were owed £91,202 (2016: £28,808) by the Education Endowment Foundation. This amount is included in other creditors.

The Education Endowment Foundation received income on behalf of EEF Services Limited, a subsidiary company, totalling £nil (2016: £11,000). Costs of £91,618 (2016: £64,647) were recharged from the Education Endowment Foundation to EEF Services Limited. At the year end, EEF Services Limited owed £76,831 (2016: £53,647) to the Education Endowment Foundation, and this amount is included in other debtors.

No guarantees have been given or received.

29 Cash generated from operations

	2017 £	2016 £
Deficit for the year	(2,713,814)	(13,258,730)
Adjustments for:		
Investment income recognised in income and expenditure	(2,772,662)	(3,145,842)
Fair value gains and losses on investments	(5,049,659)	3,514,071
Depreciation and impairment of tangible fixed assets	278,691	249,490
Movements in working capital:		
(Increase)/decrease in debtors	(355,841)	459,951
(Decrease)/increase in creditors	(5,277,534)	4,815,057
Increase in provisions	(1,454)	(2,522)
Increase in deferred income	540,447	2,790,698
Cash absorbed by operations	<u>(15,351,826)</u>	<u>(4,577,827)</u>