City & Guilds Group

140 SINCE 1878 FORGING THE TALENT OF TOMORROW

Forging the talent of tomorrow

The City and Guilds of London Institute
Trustees' Annual Report and
Consolidated Financial Statements
For the year ended 31 August 2018

The City and Guilds of London Institute

Incorporated by Royal Charter
Founded 1878

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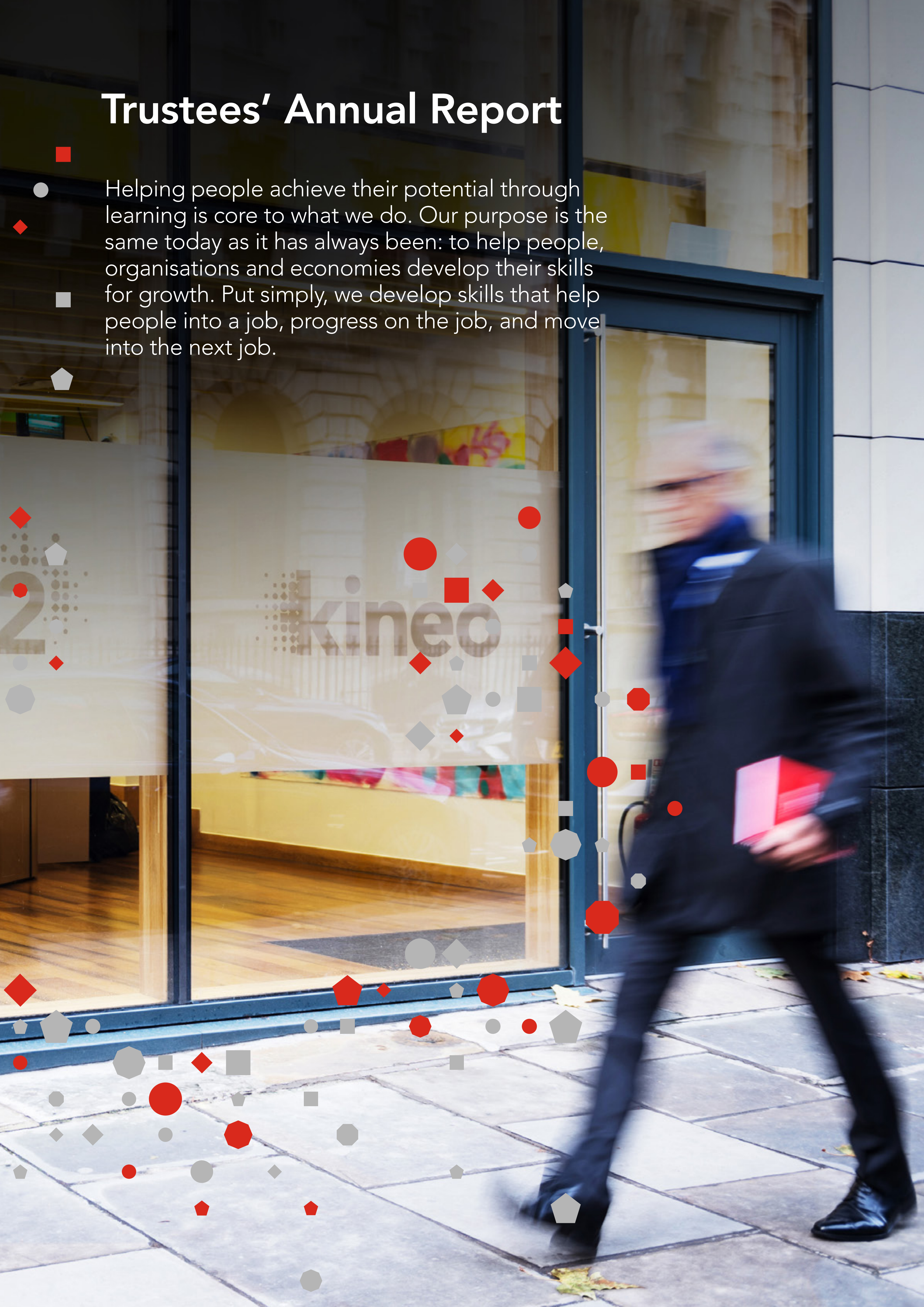
Trustees' Annual Report

Helping people achieve their potential through learning is core to what we do. Our purpose is the same today as it has always been: to help people, organisations and economies develop their skills for growth. Put simply, we develop skills that help people into a job, progress on the job, and move into the next job.



Chairman's statement

140 years of skills evolution

As we head into a new financial year, we celebrate 140 years of trading since The City and Guilds of London Institute was founded in 1878. In the midst of the second industrial revolution, the City of London Corporation and 16 Livery Companies – the trade guilds – joined forces to establish a Central Institution 'to protect and promote the standard of technical education'. The impact of this purpose on advancing the public interest led The City and Guilds of London Institute to be granted a Royal Charter by Queen Victoria in 1900.

Our link with the Royal Family started in 1881, when the Prince of Wales (who later became King Edward VII) became our first President. We have enjoyed our Royal patronage ever since, along with the 111 organisations who have achieved the Princess Royal Training Award standard of excellence. Today, the President of the Institute is Her Royal Highness, The Princess Royal, who is an active supporter of our work, hosting awards ceremonies and participating in events and discussions related to skills development.

At the start of the fourth industrial revolution, our purpose, whilst modernised, is essentially the same as it was then: to help people, organisations and economies develop their skills for growth. Today, the Institute is the founding organisation of the City & Guilds Group and its businesses and is the awarding body recognised by the UK qualifications regulators for City & Guilds and ILM qualifications.

> *OUR PURPOSE:*
> *To help people, organisations and economies develop their skills for growth.*

Our heritage makes us uniquely positioned to understand the future of work and learning. We have always worked closely with organisations and governments to help them anticipate and fill skills gaps, so they can adapt to changing technical, social and economic trends.

> *The City & Guilds Group has continually evolved to meet the changing needs of the future jobs market.*

To allow us to continue to fulfil our Royal Charter responsibilities and stay true to our purpose, the City & Guilds Group has continually evolved to meet the changing needs of the future jobs market. We have expanded internationally to address global skills shortages by offering targeted skills education and training services locally. We continue to expand and diversify through exciting new acquisitions and investments in order to pioneer the future of skills development and the creation of more productive workforces.

I'm proud to be part of the City & Guilds Group and excited for what the future holds.

Here's to another 140 years.

Founded in
1878

111
organisations hold the Princess Royal Training Award standard of excellence

Sir John Armitt, CBE
Chairman of The City and Guilds of London Institute

Introduction from the Group Chief Executive

Chris Jones
Group Chief
Executive

From our humble beginnings in 1878, providing training and exams for 202 students in London, we have continually adapted to the changing world around us in the pursuit of our purpose. Today we are a multinational organisation supporting the development of skills and knowledge of more than three million people every year, through training, assessment, elearning and learning technology.

> *Today we are a multinational organisation supporting the development of skills and knowledge of more than three million people every year.*

I'm as sure as I can be that the demand for competency-based education will see strong long-term growth. I believe that because the desire for learning, for self-improvement, for the knowledge and skills to achieve our dreams and goals in life, is a universal human goal.

I believe it also because most governments and businesses understand that the education of their people and employees is what makes them competitive, and most people understand that education breeds prosperity and strengthens our societies.

The last ten years of our strategy has led to an organisation which is more stable and sustainable. Better positioned to deliver on its purpose in a market full of opportunity and possibility, as well as greater uncertainty and risk.

The future of work and education

Rapid advances in digitisation, automation and artificial intelligence will have a profound effect on the global workforce: 14% of us will need to switch jobs, and the skills companies require will change constantly[1]. As the future of work unfolds, specific knowledge and skills, especially complex thinking and interpersonal capabilities, will be required. What makes us human is what will make us employable.

The concept of a linear career, where you move from education into a job that then takes you through to retirement, is a thing of the past. Maintaining a career requires people to embrace change and a lifetime of learning. This needs a more flexible, dynamic and equitable education system – one that values and strengthens essential human traits – which will require significant reform.

Forging the talent of tomorrow

We have a crucial role to play here. And, I believe we're well placed to adapt and evolve – as we have done throughout our past – to pioneer the new wave of demand-driven education. But, we need to think about our business differently. We must more vigorously pursue opportunities to support the acquisition of knowledge and the application of skills, which add more value for employers and learners.

Given this context, at the start of the year, I set out our 2020 ambition – to deliver our purpose with more impact, to more people – by focusing on the following goals:

1. To lead the market in apprenticeships and T levels.
2. To make our Corporate Learning activities more profitable.
3. To grow our Technical Training activities.
4. To improve how efficient we are as an organisation.

[1] https://www.mckinsey.com/featured-insights/future-of-work/jobs-lost-jobs-gained-what-the-future-of-work-will-mean-for-jobs-skills-and-wages

Our 2020 ambition: to deliver our purpose with more impact, to more people.

Progress towards 2020

We're well on track to achieving our ambition. Our businesses have supported more people and organisations to develop their skills for growth. And, through our social investments, we have awarded more bursaries and funded more programmes to help people into jobs. On page 8, I've pulled out my highlights of the year and in the sections that follow, you'll hear from my MDs about how we're performing in our markets. You'll also be able to read about the impact we've made through our social investments.

By unifying our businesses and taking out duplicative costs, we have identified and actioned (or will action) efficiency measures delivering £10M of operational expenditure savings by 2020. We've also announced that we'll be moving our head office and business support services into one building in London.

These savings are providing the funding capacity for us to remain competitive and win in our markets. And, the ability to invest in the infrastructure we need to support the business going forward, such as a new global HR technology platform to provide a better employee experience, and a more consistent approach across our finance systems to reduce unnecessary work.

Pride in our people

During the year, I set out to speak directly with as many employees across the Group as possible to talk about our plans for the future and our purpose, but most importantly to answer their questions and hear their concerns. I visited 13 of our offices around the UK and other key markets, from the US to Australia, and talked with around 900 employees in total. Some of the key themes from these

Our businesses have supported more people and organisations to develop their skills for growth and we have awarded more bursaries and funded more programmes to help people into jobs.

Supporting the development of skills and knowledge of more than

3m

people every year

conversations included understandable concerns about workload and change, but also a readiness for transformation and innovation, and excitement for new opportunities and working more collaboratively. What struck me the most was how committed our people across the Group are to our purpose. I'm really proud that this is something that connects us all and we feel so strongly about. Despite the necessary, and at times, difficult changes going on around them, our employees remain resilient and dedicated.

The journey ahead will not be easy or simple. But I believe the City & Guilds Group can, and indeed will, emerge over the next decade as an important pioneer in demand-driven education and training. And, we'll continue to deliver our purpose with more impact; supporting more people into a job, to progress on the job, and move into the next job.

> *"I'm really proud that this [our purpose] is something that connects us all and we feel so strongly about."*

Highlights

3m learners supported across the Group to develop their skills

72 people offered financial support through our Group bursary programme

500 young people supported on a work experience placement

4 work placements for people with disabilities

13 apprentices recruited across the Group (bringing the total to 47 since we launched our Apprentice Connect programme)

2 further investments made through our Skills Development Fund

4554 people directly supported through the Skills Development Fund to date

48 organisations achieved the Princess Royal Training Award standard (111 to date)

88% of Princess Royal Training Award recipients say achieving the standard has led to higher levels of staff retention

20,000 learners now registered onto City & Guilds Technicals qualifications

Winner Gen 2 wins National Apprenticeship Provider of the Year

52 UK universities now recognise the City & Guilds TechBac and Technicals qualifications

2588 hours of service on local community volunteering projects, making the Group a GivX25 winner

83% of employees are committed to the Group's purpose and believe in its values

9% Gender pay gap has narrowed from 16% to 9%

144 employees nominated by peers for championing our Group purpose and values

10 Mental Health First Aiders appointed

12 new Fellows

6 fantastic brands across the Group

140 years of skills evolution

Our people

83%
of employees are committed to the Group's purpose and believe in our core values

2588
hours of service on local community projects

71%
of all upward quartile moves and eight out of ten of the highest earning starters, were females

Why we're different

Our people are motivated by our shared purpose and ambition to pioneer skills development around the world and they're committed to our core values – leadership, imagination and integrity – which inspire everything we do. Our 2017 Employee Engagement Survey reported that 83% of employees are committed to the Group's purpose and believe in our core values. It's one of the main reasons our employees love working for us. They guide the way we work, our products and services, and how we act each and every day.

A great example of this, is how our employees engage with volunteering to support our purpose in the local community. During the year we encouraged our employees to take up their paid volunteering days (up to three days per year) and saw an increase of 53% to 353 UK employees, clocking up 2588 hours of service on local community projects.

Equality diversity and inclusion (EDI)

We believe that diversity makes us stronger and we're committed to making sure everyone in the Group – regardless of gender, ethnicity, race, sexual orientation, disability and background – has the same opportunities.

Our EDI programme has so far achieved the following:

- Changing our job descriptions so they no longer ask for qualifications and we have signed up to 'Ban the Box', so applicants do not need to tell us about previous convictions and 'clean sheet' which actively helps previous offenders into the workplace.
- Partnering with Remploy to provide work placements for individuals with a disability across the Group.
- Establishing Mental Health First Aiders who actively support colleagues when needed.
- Collecting wider information about our staff and job applicants – we now understand more about our staff e.g. those with caring responsibilities, different gender associations, social backgrounds etc.

We conducted an all staff EDI survey to inform the next stage of our strategy. Sixty percent of employees responded. Overall they think the Group is making good progress on EDI and they want to continue to be engaged, particularly around key topics for them, including work-life balance and equality of opportunity. Staff said that they want:

- to be trusted to deliver to deadlines and measured on output.
- flexible working patterns to be more widely accepted as the norm – this was particularly true for those with caring responsibilities, who also wanted to see re-induction for those returning to work.
- a transparent and fair approach to recruitment at all levels, including advertising to attract diversity and roles for part-time workers.

Gender pay reporting within the Group has also shown that the median pay gap has narrowed from 16% in 2017 to 9.3% in 2018, as a result of women being recruited or promoted into senior roles – 71% of all upward quartile moves and eight out of 10 of the highest earning starters, were females.

We have continued to work with Remploy to provide work placements for people with disabilities who have found it difficult to find employment due to the many barriers they face. Four placements have been completed with one person being employed permanently following his two week work placement.

We have also invested in developing our people through apprenticeships. Our apprenticeships vision is to acquire and develop great people sustainably, whilst reflecting our social purpose and delivering career growth for our employees. We recruited 13 apprentices into the organisation and provided structured development to three existing employees through our programme.

Recognising and rewarding talent

The Ampersand Awards provides us with the perfect opportunity to recognise and highlight the tremendous work our people do. There are four awards up for grabs, based on our three values and our purpose: imagination, integrity, leadership and pioneers in skills development.
For 2018, we received 144 nominations which were shortlisted to 12, including two nominations for the Ampersand Apprentice Award. All finalists are great examples of how our people really live and breathe our values and purpose in everything they do. They should all feel very proud of this achievement. The winners were announced at the Awards ceremony in September.

Health and wellbeing

The Mental Health First Aiders team – set up in 2017 – focused on embedding support services through a dedicated intranet page providing access to various resources to support mental ill health.
The team also organised very successful events for Mental Health Awareness week, including free yoga lessons and massage salons, resilience workshops from Canada Life and webinars from Remploy. This has seen a reduction in absence due to depression, anxiety and stress, over the last two years.

A new voice for our employees

Change is constant for us and our customers. And, if we're going to do a better job of helping our customers and the people we impact through our purpose, then we need to do a better job of changing too. As the Group goes through a period of change, we want our employees to be part of the process to help them feel more informed and able to share ideas, concerns and questions as we shape the way we work in future.

This is why we have invested in refreshing the Group Employee Forum and Local Feedback Groups. The new model provides full representation for all parts of the organisation, aligns with our new operational structure and gives representatives more focus, authority and support to contribute to our growth strategy.

Two of our apprentices

Our Ampersand Awards winners

Helping people, organisations and economies to grow

To support us in achieving our

2020

ambition, we have reorganised our business operations into three clusters

Our growing portfolio

To support us in achieving our 2020 ambition, we have reorganised our business operations into three clusters to bring together brands with similar customers, products and services and market opportunities. We've done this to create more value for our customers through better collaboration, so we can deliver more impact, to more people. The clusters are: Skills Credentialing, Corporate Learning and Technical Training.

Everything we do – from the way we work, to our products and services and our social investments – seeks to make a difference to individuals, communities and economies around the world. We reinvest any surplus our businesses make into the future of learning and skills development through strategic complementary acquisitions, investing in exciting new ventures, products and services, and funding sustainable social initiatives.


140
City&Guilds Group

Investing in skills credentialing

by Kirstie Donnelly, MD – Skills Credentialing

20k

learners registered onto a City & Guilds Technical qualification at 223 colleges

Kirstie Donnelly
MD – Skills Credentialing

Global shift in skills policies
It's a challenging time for skills-based and technical education in the UK. Brexit on the horizon and employers struggling to recruit the skilled staff they need means quality technical education has never been more important to the future of UK Plc. This need to create a better skilled workforce that can adapt to the rapidly changing world of work is a global issue. We're working with stakeholders internationally to develop skills programmes that allow for mobility of skills in migration corridors, as well as in-country progression and recognition.

Delivering on our purpose… through Apprenticeships and Technicals

To achieve our 2020 goal to lead the market in apprenticeships and T levels, our focus has been on product investment, developing Technicals and winning UK Government tenders.

In the English apprenticeship market we have unprecedented change in the products we must provide, the price at which we charge for them and the volume of assessments we have to support. Despite this, our response to the apprenticeship reforms have been well received and our success in early UK Government tenders gives us confidence for the future T level tenders that we choose to compete in.

Through ILM, we have grown our market in management degree apprenticeships and master's degree apprenticeships. Our focus here is on supporting more people into higher education by providing access for those whom university might otherwise not be financially possible, or older workers for whom it was not a viable option at 18.

City & Guilds Technicals
Since we launched the City & Guilds level 2 Technical certificates, we've developed 31 new Technical certificates with over 9000 learners registered. These, along with our previously launched KS5 level 3 and our KS4 level 2, bring the total number of Technical qualifications we offer to 102 – all of which appear on the 2020 performance tables. We now have 223 colleges running City & Guilds Technical qualifications, with nearly 20,000 learners registered.

Establishing our End Point Assessment (EPA) offer
EPA is a new service that is now a mandatory part of all apprenticeships, demonstrating that the apprentice has reached occupational competency in their chosen field. We entered the EPA market in 2016 and now have the broadest EPA offer of all the awarding organisations, providing a full package of tools and support materials to make sure apprentices are able to achieve successful EPA outcomes. We have already secured a pipeline 12,000 assessment registrations for 2019.

New HMRC contract to deliver three standards
We won a new contract with HMRC to deliver EPA services to all civil service employers and government departments for Operational Delivery, Customer Services and Business Administration standards. Over the three year contract period, this is likely to deliver EPAs for up to 2000 apprentices across all three standards.

Sandra Aston, Head of Cross Government Operational Delivery Profession team at HMRC said: 'We chose City & Guilds… because it's a renowned learning organisation that is internationally known. And, for us it was important that we had an organisation we could trust. It really helped de-risk the process.'

Delivering on our purpose… by investing in new products and services

Digital credentialing

Digital credentialing helps people get the recognition they deserve by making all skills developed through study and work – not just qualifications – visible and shareable. It provides a broader picture than a certificate or a CV, and can easily be shared to professional profiles like LinkedIn, or embedded in CVs, websites or blogs. Crucially as people move through organisations and roles, their credentials travel with them, visible to prospective employers.

City & Guilds and global chefs' network Worldchefs scooped the top prize for innovation at the 2017 Federation of Awarding Bodies' annual awards ceremony. The award was won as a result of the creation of an innovative new online tool that allows chefs to earn a globally recognised professional certificate without leaving the kitchen.

Assured

People have always migrated for work and we are seeing new migration corridors opening up all the time. Employers with an international and global footprint are looking for consistency in how they develop their people, no matter where they are operating in the world.

Our new quality assurance and accreditation service – Assured – is proving successful in international markets, as employers seek to recognise their training programmes and provide some consistency. We won a contract for consultancy and Assured work with the World Refugee Schools. Now in its second phase, the pilot aims to support six schools and up to 4000 students across the region. If approved, the aim is to roll out the operation to target between 250,000 and one million Syrian refugee children in Turkey, Jordan, Egypt and Northern Syria.

"We chose City & Guilds… because it's a renowned learning organisation that is internationally known. And, for us it was important that we had an organisation we could trust. It really helped de-risk the process."

Sandra Aston
HMRC

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City & Guilds and Worldchefs team at the 2017 Federation of Awarding Bodies' awards ceremony

Investing in corporate learning

by John Yates, MD – Corporate Learning

Together, our corporate learning activities deliver elearning and training programmes across six continents, in

64

countries and in over

30

languages

John Yates
MD – Corporate Learning

Our Corporate Learning cluster works with the world's leading businesses to deliver measurable impact on their performance. We do this through two major global brands: Kineo – an award winning elearning content, platforms and consultancy provider – improves business performance through learning and technology, and The Oxford Group – a bespoke management training, leadership development and executive coaching specialist – supports organisations to create trusted and engaged leaders and managers, who will have a measurable impact on their performance. Together, our corporate learning activities deliver elearning and training programmes across six continents, in 64 countries and in over 30 languages.

Constantly evolving Learning & Development (L&D)

The evolution of the L&D market has accelerated quickly – transitioning from traditional elearning, to a much broader, experience-centred approach to digital learning, in just one generation. At the end of the nineties and start of the noughties, L&D focused on 'page-turning' elearning and blended programmes, based on a philosophy of instructional design, with users opting more than ever for online self-study. From 2010 and through the next decade, the focus shifted to continuous learning and experience design, with users wanting on demand and embedded learning, delivered via video and user-authored formats. Today, we're seeing this trend evolve further still, as users want access to their learning from anywhere, all of the time. Learning formats are employee-centric by design, shifting to micro-learning and real-time video as a result.

Delivering on our purpose… by improving profitability

To achieve our 2020 goal of making our activities more profitable so we can impact more people, we've focused on: creating synergies and efficiencies from bringing Kineo and The Oxford Group together, improving our margins, and setting the platform to deliver more of our revenues from products and subscription-based services on top of our custom and bespoke solutions. We have also fully integrated e3Learning into our Kineo Asia Pacific (APAC) operation.

We define our corporate learning market as:

- **elearning** – required by companies for compliance and staff development
- **learning platforms** – that support delivery and monitoring of this activity
- **leadership and management development and assessment** – delivered in a blend of face-to-face and online.

All three market segments continue to grow at strong double-digit levels across our key geographies – Europe, Asia Pacific, and the Americas.

We continue to provide excellent service to our customers, a reason we attribute to why 88% of The Oxford Group's work comes from referrals or repeat business from clients. To ensure we continue to do this, our focus has been on understanding the common problems that employers are trying to solve, so that collectively we can provide world-class product and platform solutions to complement our bespoke assessment, development and learning content. And, we're committed to demonstrating the positive impact that these solutions have on our customers' business performance.

Delivering on our purpose… by investing in new products and services

Elearning and learning platforms

Companies continue to buy elearning that is bespoke to their specific requirements, as well as the large, off-the-shelf libraries that we now offer as a result of acquiring e3Learning in 2016 and have launched this year as Kineo Courses.

Kineo Courses is a library of over 350 unique elearning courses across a wide range of workplace topics. It is a simple solution to onboarding new employees, building new skills and helping change workplace behaviour. The courses have been built around learner needs with recognised subject matter experts, and endorsed by respected industry bodies.

The learning platform market is becoming increasingly sophisticated through machine intelligence and the application of analytic technologies to large quantities of learning data. Kineo US has capitalised on this in 2018, with large sales of learning platforms, blended with content solutions driving its strong growth, while Kineo UK grew sales in bespoke elearning content and learning platforms. In Kineo APAC, we've been focused on integrating e3Learning within the Kineo brand.

Leadership and management development

2018 was a transformational year for The Oxford Group. Work continues to drive higher margin and more profitable products with a focus on reorganising the business around our key strengths: Leading Transformation and Engagement, Accelerating Talent Development, Building Global Management Capability and Executive Coaching. We have also invested in our IT infrastructure, refreshing The Oxford Group brand, launching a new website, and the roll-out of new delivery and marketing materials.

A key benefit of working closely with Kineo has led to us enhancing The Oxford Group's digital offer with the launch of a new Managing Change product, and many more products are planned for 2019.

88%

of The Oxford Group's work comes from referrals or repeat business from clients

Investing in specialist technical training

by Martin Hottass, MD – Technical Training

Martin Hottass
MD – Techincal Training

With the advent of the fourth industrial revolution and the macro-economic situation, there will be unprecedented demand for high quality vocational education. Research from Engineering UK[2] estimates that 203,000 people with Level 3+ engineering skills, are required each year to meet expected demand between 2014 and 2024. During the same period, 1.24m graduate and technician core engineering jobs will arise across all industries as a result of both replacement demand (i.e. people leaving the labour force) and expansion demand (i.e. new jobs). However, given the supply of engineering talent coming from the educational pipeline through apprenticeships and higher education, an annual shortfall of at least 83,000 and up to 110,000 is estimated.

Our Technical Training activities focus on cultivating the engineers and technicians of tomorrow, through technical education and skills training from apprenticeships to degree level programmes. We do this by partnering with engineering organisations to address skills gaps in Science, Technology, Engineering and Maths (STEM) industries. Tackling STEM skills gaps lies at the heart of the future success of our engineering industries. We believe that we have an important role to play in pioneering flexible skills solutions for key market segments which drive national growth and help more people into sustainable careers.

The acquisition of Gen2 – an OFSTED Outstanding training organisation, specialising in engineering and nuclear training – in 2017, was just the first step in our plans to grow this part of our business. Since then, we have successfully transitioned Gen2 to become the first City & Guilds Institute of Advanced Technology.

Our vision is to become a leading provider for specialist technical training in the UK and beyond, by building a network of Institutes of Advanced Technology.

Delivering on our purpose… by impacting organisations and economies

Gen2 has responded proactively to the major changes in the UK apprenticeship market arising from the Government's reform of funding through the introduction of the levy, and the replacement of frameworks with new standards.

This was a major task for Gen2 as it affected the whole of its apprenticeship business. While many providers put off switching to the frameworks, Gen2 seized the opportunity to move all available programmes over to the new standards. By doing so, we have been able to offer the latest, industry-led training products as well as access to potentially higher value government funding.

We also introduced new apprenticeships which will be available from September 2018, including Civils, Procurement and a suite of Degree Apprenticeship programmes.

Gen2 was successful in securing approval to access the UK Government's funding programme for smaller, non-levy companies, with an allocation of £340k being awarded. This was essential to enable Gen2 to continue to offer apprenticeships to all employers in Cumbria, including smaller organisations for which levy funding is not applicable. Other successful bids include: Cumbria County Council, ECITB and the NHS.

The high quality of Gen2's provision has been recognised by national industry and sector awards. Key achievements include:

Apprenticeship Provider of the Year
I'm extremely proud that Gen2 won Apprenticeship Provider of the Year at the 2018 Annual Apprenticeship Conference (AAC) Awards. The award symbolises excellence in the delivery of apprenticeships and was presented to Gen2 in recognition of its high level of engagement with employers and apprentices, sustained commitment to apprenticeships, and outstanding retention and outcomes for learners.

[2] https://www.engineeringuk.com/media/1576/7444_enguk18_synopsis_standalone_aw.pdf

RoSPA Gold Award winner
For the eighth consecutive year, Gen2 has been awarded a Royal Society for Prevention of Accidents (RoSPA) Gold Award, recognising our excellence in safety and the lowest accident record for Gen2 since 2000.

Delivering on our purpose… by impacting people and communities

Gen2 is the largest training provider to the UK's civil nuclear decommissioning industry, working with the likes of Sellafield Ltd, Wood Group and Glaxo Smith Kline (GSK). It helps approximately 1300 apprentices and 250 students on advanced learning programmes and plays an active role in the community to engage and promote education and employment opportunities. Notable events included:

Gen2's Graduation Ceremony
We held the largest ever higher education awards night with 250 students, families and employers in attendance to celebrate the success of our graduates.

National Apprenticeship Week
Gen2 held its largest National Apprenticeship Week, with four events taking place across Gen2 training centres and culminating in a 'Grand Final', which involved over 300 dignitaries, customers and learners. The Grand Final event saw the development of 30 challenges ranging from an interactive kit for use in schools, to entrepreneurial and environmental challenges. One of the outcomes of the event was £5000 raised for local charities.

Ongoing engagement
We continued our active youth engagement programme with over 100 school visits throughout Cumbria, promoting the opportunities available with Gen2 through assemblies, information and guidance sessions and interactive taster sessions. We also held a number of successful events promoting engineering and opportunities to under-represented and disadvantaged groups, including access to apprenticeship programmes and women-in-engineering events.

Gen2 helps approximately

1300

apprentices and

250

students on advanced learning programmes

Gen2's 2018 graduation ceremony

Making money to make a difference

One of the ways we invest the money our businesses make is through our social initiatives – including supporting other charities – that maximise long-term public benefit through skills development.

Apprentice Connect has engaged with over

60k

young people to date

70%

of bursary recipients said they had become financially independent as a result of receiving their bursary

Building better futures

Youth engagement is a key area of activity for us. We offer internships and an accredited work experience programme, aimed at helping 14–25 year olds who have less access to professional networks and career opportunities to help them successfully transition into the world of work.

In the last three years, we have supported over 500 young people through work experience placements and open days helping them to find out what employers look for in young people. Whilst we're pleased with the number of people we have engaged with, during the year we refreshed our Group work experience programme to focus on making more of an impact on the young people who need our support the most. As a result, nine young people from disadvantaged backgrounds took part in a six-week paid internship across four of our UK offices. A further seven young people completed a two-week accredited work placement and 90 attended work experience open days, including 21 who have a registered disability.

Apprentice Connect
Developed from an idea put forward by our own apprentices, Apprentice Connect reaches out to young people in schools and colleges through a network of trained apprentices. This peer to peer initiative has engaged with over 60,000 young people to date, and provided free communications skills training for apprentices from a range of organisations.

In 2018 we joined the Livery Schools Link, a career speakers volunteering platform, to support us in increasing the reach and impact of Apprentice Connect. The Livery Schools Link works with Livery Companies and schools to help prepare young people for work.

Bursaries
Not everyone is able to afford to develop their skills and become financially independent. Through the City & Guilds Group bursary programme, we support hundreds of people to achieve their ambitions. During the year we awarded 72 people with bursaries totalling just under £216,000. Our bursary fund makes a huge impact on changing people's lives. A recent survey of 2015 bursary recipients revealed that 70% of those who responded said they had become financially independent as a result of receiving their bursary.

One recipient who was homeless at time of application stated:

> *I have already secured a job just off the back of the company knowing I'm enrolled onto the course, which has led to me being able to get my own flat with a friend. The bursary has already helped me so much before I've even gained the qualification.*

Bursary recipient

GivX
GivX is a benchmarking tool created by Benefacto, which launched in 2017 and measures the value an organisation contributes to the community by calculating the worth of their financial contribution and volunteering hours and gives them a score. The top 25 with the highest scores are then celebrated for their contributions. During the year the City & Guilds Group submitted its data on staff volunteering and we're very proud to be a GivX25 winner.

Skills Development Fund
We work with a range of organisations who share our values and commitment to skills development and the impact it has on people's lives. Our Skills Development Fund, set up three years ago, allows us to work not just in the UK but across a number of countries where access to skills can be limited and limiting. Two organisations were awarded funding in 2018 – SOVA and The Girls Network – taking the total to nine, amounting to £1.4m of funding.

The Girls Network is being awarded £101,140 over three years to support its work in connecting girls from the most disadvantaged communities throughout England with a mentor and network of female role models.

SOVA is being awarded £160,672 over three years to fund its project in partnership with Birmingham Youth Offending Service and West Midlands Police, which will support young people in the community who are at risk of offending and not engaged in education or training.

A one-off investment of £4000 was made to East Coast FM through the Skills Development Fund towards equipment for the launch of a new pilot programme which will work with young people, identified as at risk of being NEET improving their radio-based confidence and employability skills.

A further investment of £47,500 was made to St Giles Trust which will support the roll out of the employability skills training to help get clients into meaningful employment.

Impact of the Fund
According to an independent impact analysis of the Fund, conducted by Cranfield University, the Fund has directly contributed to our purpose by achieving the following:

- 4554 people have been directly supported to develop their skills – this is double the number of people that the Fund directly impacted last year.
- 18,172 indirect beneficiaries developing their skills.

Participants being supported through our Skills Development Fund are more than three times more likely to be employed at the end of the programme. On top of this, participants also have increased potential earnings: 30% increase in potential earnings for those in the UK, and 300% overseas.

The ripple effect: AfriKids
In the case of one Skills Development Fund organisation, the funding received to support AfriKids' Transforming Futures programme in providing training loans to young women in teaching and nursing, has not only impacted the individuals' lives, their families and also the wider community, in terms of the patients they treat or the students they teach. But, it has also led to the Ghanian government changing its approach to how it funds training, using AfriKids' sustainble funding model which recycles loans once they're repaid.

The ripple effect: St Giles Trust
Closer to home, St Giles Trust has been able to train a cohort of peer advisors working with prisoners to support them into employment and reduce the risk of them reoffending. In this case, our funding of £100k to develop 30 peer advisors, actually led to 63 being trained and qualified who have worked with 105 ex-offenders (at the time of publishing). These ex-offenders are three times more likely to be employed which is estimated to be worth £6.5m in public value over three years.

Skills Development Fund beneficiaries:

4554

people directly supported,

18,172

indirectly supported to develop their skills

Image courtesy of AfriKids

St Giles Trust case-study: Impact of our funding

Our funding of

£100k

to develop

30

peer advisors

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63

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who have worked with

105

ex-offenders (at the time of publishing the report)

These ex-offenders are three times more likely to be employed which is estimated to be worth

£6.5m

in public value over three years

Rewarding and encouraging excellence

Fellowship

The City & Guilds Group benefits from a supportive community of Fellows who are appointed by Council. They represent individuals who have made a significant contribution to skills development and risen to the highest level of achievement in their respective careers. This community brings together the most influential and engaged members of wider society, to discuss and share experiences and encourage new collaborations around skills development. During the year we conferred 12 new Fellows, including the Rt Hon John Hayes, who spoke at our Annual General meeting. Our focus has been on deepening our engagement with Fellows, by involving them as commissioners in our awards programmes, inviting them to join committees and requesting input and advice with business proposals to learn from their expertise.

Princess Royal Training Awards

The Princess Royal Training Awards (PRTAs) were created three years ago to recognise the measurable impact training has on UK organisations and their people. Among the 48 organisations – more than ever before – to achieve the standard in 2018 are River Island, John Lewis, RBS, the Royal Air Force and GSK. Training programmes included apprenticeship schemes, gamified elearning and health and wellbeing programmes, so a real mixture.

A recent survey highlighted the impact the PRTA standard had on recipients' business. For example:

- 88% say it has led to higher levels of staff retention
- 77% say it helps with recruitment
- 68% applied because they wanted to benchmark their training
- 50% have seen an increase in investment in training in their organisation as a result of receiving the Award

A key aspect of the Awards is sharing best practice and building a community of employers committed to excellence in staff training and development. 111 employers in total have achieved the standard of excellence. New for 2018 is the launch of the PRTA Alumni. Its purpose is to connect the community of PRTA recipient organisations and inspire individual members to advocate our purpose. We will also use this channel to promote business opportunities with our brands and develop a pool of experts that we can engage for feedback and research. Another aim of the Alumni is to provide individual members with access to content to help improve their skills and knowledge and opportunities to meet like-minded people and increase their career profile.

Our engagement strategy includes an annual Alumni event plus four to five regional events each year. We have also created a digital community on LinkedIn offering fresh content and opportunities for members to share best practice.

111

employers in total have achieved the PRTA standard of excellence

Our future focus

Our focus until the end of FY2020, is on delivering our purpose with more impact, to more people. We will do this by remaining focused on the four strategic goals set out at the start of this financial year:

1. To lead the market in apprenticeships and T levels.
2. To make our Corporate Learning activities more profitable.
3. To grow our Technical Training activities.
4. To improve how efficient we are as an organisation.

We will continue to reinvest our surplus in supporting new ventures that focus on innovative education and training solutions, and in social initiatives that maximise our impact on public benefit, such as further developing our bursary and PRTA programmes. Finally, we will continue to invest in developing our people and technology. We also intend to put greater focus on our impact reporting, to improve how we report on the impact of all our business operations and social investments.

How we're governed and organised

Our constitution and charitable status

The Institute's purposes and administration are regulated by its Royal Charter (RC000117) granted on 26 October 1900, and the associated Supplemental Charters, Statutes, Ordinances and Standing Orders.

In 1965 the Institute was registered as a charity in England and Wales (312832) and it is now also registered as a charity in Scotland (SC039576). The Trustees have due regard to the Charity Commission public benefit guidance when exercising any powers or duties to which it is relevant, and take the view that the contents of this report demonstrate that its requirements are met.

The Office of the Scottish Charity Regulator (OSCR) expects the Trustees to include some narrative in this report about the Institute's activities in Scotland. They are the same as in the rest of the United Kingdom, but the Institute is supported by an advisory committee for Scotland. The advisory committee met twice in the year ending 31 August 2018: at those meetings it discussed educational and regulatory developments and advised on the Institute's strategy for Scotland.

Honorary Officers

Her Royal Highness The Princess Royal is the President of the Institute. The other Honorary Officers are the Vice-Presidents, the Treasurer (who is elected annually by the Members) and the Honorary Secretaries (who are appointed by Council).

Members

There are five categories of Member: Ex-officio, Honorary, Founder, Ordinary and Non-Corporate.

Council

Council's primary role is to appoint and advise the board of Trustees ('Trustee Board') and, jointly with the Trustees, to act as guardian of its constitution. There are four categories of Councillor: Ex-officio, Appointed (by the City of London Corporation and certain livery companies), Elected (by Members), and Co-opted (by Council itself). Appointed, Elected and Co-opted Councillors serve for limited terms.

Trustees

The Trustees have control of, and responsibility for, the affairs of the Institute. The Trustee Board consists of the Chairman and Vice-Chairman of Council, the Treasurer, the Honorary Secretaries, and other Trustees appointed from and by Council on advice from the Nominations Committee. The Trustee Board meets six times a year, its meetings presided over by the Chairman or Vice-Chairman of Council. Trustees undergo an induction process and receive updates and briefings on specific topics during their terms of office. One quarter of the appointed Trustees retire every year and are eligible for re-appointment.

A Board performance review was conducted in accordance with the Charity Commission's Charity Governance Code (July 2017) by the Vice Chairman in the year ending 31 August 2018. An action plan for 2018–19 is published on the City & Guilds Group website.

Under the constitution the Trustees may be remunerated for professional services, and the Chairman of Council may also be remunerated for acting as Chairman. Details of trustee expenses and any other benefits and remuneration may be found in the Financial Statements.

Secretary

The Secretary, who is appointed by the Trustees, is responsible, on behalf of the Trustee Board and Council, for ensuring compliance with the constitution and the Institute's legal obligations, and is accountable to the Trustee Board and Council through the Director-General.

Committees

There are five Trustee Board Committees: the Nominations Committee (which has a Fellowship sub-committee), the Audit and Risk Committee, the Remuneration Committee, the Skills Development Fund Committee, and the Investment Committee. They meet between two and four times a year, and the chairman of each committee is a Trustee who reports to the Trustee Board on its activities.

Quality and Standards Committee

The Quality and Standards Committee is independent of the Trustees and Council. Its principal role is to assist the Institute in respect of all Group activities to maintain and enhance the confidence of learners and centres in the currency and credibility of the Group's assessment and qualifications work. Included in this is oversight of Group internal appeal processes and the role of the final arbiter in appeals against decisions relating to qualifications and assessments awarded or made by Group members. It meets four times a year but if necessary holds additional meetings to deal with appeals or any other matter.

The Remuneration Committee

The Remuneration Committee ('the Committee') is a committee of the Trustee Board of the Institute. The Trustee Board considers the Committee's members to be independent. The members of the Committee during the financial year were Allan Johnston (Chair – resigned December 2017), Pat Stringfellow (former Trustee who assumed the Chair on Allan's departure), Ann Brown, David Illingworth (resigned April 2018) and Peter McKee. The Chair of the Trustee Board, Sir John Armitt, sits as an ex-officio Member.

The role of the Committee is to decide remuneration policy, terms of employment and remuneration plan for the executive key management personnel, including the CEO, and to confirm their salaries, individual opportunity and pay-outs under the annual bonus plan and Long-Term Incentive Plan (LTIP). During the course of FY 2018, the Terms of Reference for the Remuneration Committee were reviewed and updated.

During the year the Committee received remuneration policy advice and pay market information from Damien Knight Associates Ltd.

Executive management

The executive management of the Institute is delegated to the Director-General, who reports to the Trustees and Council. He has all the powers not expressly reserved to them or delegated by them to committees, and these powers may be exercised on his behalf by such members of staff as he determines. He works with and through a Management Board, which deals with major strategic and operational issues and receives reports from representatives of the Institute's divisions and the other Group members. The affairs of the other active Group members are overseen either by a chief executive (with or without a senior management team) or by their directors, depending on the extent and nature of their activities.

The policies maintained by the Trustees and the governing bodies of the other Group members include a policy which sets out the limits of the authority given to people at different levels to commit to transactions by reference to their financial or other value.

Remuneration report

Statement from Pat Stringfellow, Chair of the Remuneration Committee.

I am pleased to present, on behalf of the Remuneration Committee of the Trustees, the report on the remuneration of the executive key management personnel for year ended August 2018.

In compliance with the requirements of FRS 102 (the Larger Charities SORP) we are reporting details of the elements of remuneration of the Chief Executive and aggregate emoluments for the Chief Executive and those members of the Management Board reporting directly to him. This group are identified as the 'key management personnel' as defined by the new SORP. In addition we provide a 'future remuneration policy table' along the lines of that required by the Directors' Remuneration Reporting Regulations for main market listed companies, covering the Chief Executive and the rest of the key management personnel. Information on the number of management personnel falling into each band of total emoluments can be found in Note 15 to the Financial Statements.

It should be noted that any remuneration, benefits or expenses provided to the Trustees has to be reported in detail under SORP, and is included in Note 16–17 to the Financial Statements. It is not covered by this remuneration report.

In setting the remuneration policy for the key management personnel, the Committee has to strike a balance between the status of the Institute as a charity and the reality that it is competing against purely commercial organisations, both in product markets and talent markets. The Institute is not funded by charitable donations or grants, but must earn all its revenues in the market place.

Consequently, the basic remuneration policy needs to achieve a sufficient level of competitiveness in the relevant executive talent markets to allow the recruitment and retention of the people needed to lead the organisation in a global market. At the same time, meaningful incentive plans need to be in place to provide focus and alignment with the Institute's challenging objectives. The Committee has decided that the balance is best struck by providing a basic package (salary and benefits) which is around the middle of the market for similar-sized commercial service businesses (excluding financial services). At the same time, the Committee has considered information on the total remuneration available in other not-for-profit and charitable organisations and has set the incentive policy so that the total earnings opportunity is rather less at maximum, than would be provided in purely commercial organisations.

The Committee received external advice at the beginning of the year that the Management Board salaries were already in line with this policy and took the decision to hold salaries at the 2017 level. This was the third year when no general base pay increase was awarded.

As in the previous year, the 2018 annual bonus plan was based on performance against total Group operating surplus target only. The Remuneration Committee agreed it was better to focus the leadership on the overall surplus rather than business unit specific targets, to encourage overall team performance. In a year when the Institute faced challenging market conditions driven largely by changes in UK government skills policy and more conservative investment into workforce development arising from Brexit related concerns we achieved 85.4% of budgeted operating surplus before exceptional costs. As a result, no bonus was awarded to the Management Board members for FY18.

The opportunity to take pension benefit as cash was offered in response to the pension regime introduced by the Government since April 2016. Under this regime, the maximum amount of tax-allowable pension contribution (or deemed contribution under defined benefit plans) is reduced on a sliding scale to £10,000 a year for highly paid individuals. From the start of tax year 2018/19 key management personnel had pension contributions paid into their pension schemes which have now all closed to future accrual since 30 June 2018. Since 1 July 2018 the opportunity to take pension benefit as cash rather than contribute to the pension plan had been re-introduced for the reason stated above.

Last year the Committee introduced a new four-year LTIP covering the financial years 2017 to 2020. This plan is described in the policy table shown in this Remuneration Report.

Overall the Committee believes that the current remuneration policy (described in detail below) is working well to support the aims of the Institute.

Pat Stringfellow
Chair of Remuneration Committee of Trustees

Report on Remuneration for Year Ending 31 August 2018

The following table shows the detail of the emoluments paid to the CEO in the latest year and previous year.

Chris Jones CEO

	Salary[1]	Benefits[2]	Cash bonus earned in the year[3]	LTIP payment	Total emoluments*
2018	£280,000	£58,109	0	0	£338,109
2017	£273,167	£69,152	£109,267	0	£451,585

**Total taxable earnings*

Notes

1. Mr Jones' salary was increased in January 2017 to £280,000.
2. Includes car allowance, cash in lieu of pension, private medical insurance and health assessment. For the period September 2017 – April 2018, Mr Jones' total contractual pension entitlement remained the same as in 2017 at 25% of gross salary of which £10,000 was paid directly in to his pension scheme which was a non-taxable amount. The balance was paid as taxable income. As a result of pension change within the Group, Mr Jones voluntarily requested a 20% reduction in his contractual pension entitlement which was agreed by the Remuneration Committee resulting in a new contractual pension entitlement of 20% with effect from May 2018.
3. As explained above, Mr. Jones was not awarded any bonus for FY18 (2017: 40% of salary) against a target bonus of 40% salary. No deferral of bonus applies to the 2018 or 2017 awards.

Other key management personnel
The total value of emoluments (cash salaries, bonuses and taxable benefits-in-kind) paid to the key management personnel (including the CEO) in year ending August 2018 was £1,382,119 (in 2017 it was £1,971,584). In addition to these emoluments, the key management personnel (excluding the CEO) participate in the Institute's pension schemes on the same terms as other staff members, except that they may elect to take earned contributions in excess of £10,000 as cash.

The number of key management personnel members at the year-end was six (including the CEO).

Remuneration Policy
The Institute is non-profit making, and our mission is the achievement of our charitable objectives and fulfilment of our charter. At the same time most of our services are being sold and provided in a highly competitive and commercial market place in which we must either develop and grow or lose ground to stronger competitors. We need to make a healthy net surplus to allow reinvestment in the business to maintain the high-quality products for our learners, and to provide investment for growth. We also need to be able to recruit and retain talented staff.

Consequently, the Committee has proposed and agreed with the Trustees a clear remuneration philosophy and set of principles to guide its decisions about executive remuneration. These require it to take into account both market levels of remuneration and the economic and funding realities of the Group's business and to provide variable reward so as to allow employment costs to be managed and enhance the focus on performance.

Future policy table – remuneration of CEO and other key management personnel

Base salary	
Purpose/Link to corporate strategy	Part of a basic competitive package to recruit and retain individuals of the necessary calibre to execute the Institute's business strategy.
Operation	Salary only. Reviewed annually with changes effective 1st January if appropriate.
Opportunity	Reviews based on market comparisons, the Institute's financial position and increases to other Group staff. Increases in salary will normally be limited to the average staff % increase in the Group or less. There is no automatic expectation of an increase each year.
Performance metrics	Individuals have scorecards, priorities and measures.
Pension	
Purpose/Link to corporate strategy	To provide Directors with a long-term savings opportunity. The pension contribution or cash-in-lieu is part of a basic competitive package to recruit and retain.
Operation	The Institute makes a company contribution to the CEO's Personal Pension Plan, and to the extent that this exceeds the maximum HMRC permitted tax free amount this is paid as cash-in-lieu of pension. Any amount paid in cash-in-lieu of pension is fully subject to income tax and National Insurance deductions. Other members of the key management personnel are members of the standard Institute pension schemes. However, they have the choice to opt into an arrangement, which reduces pensionable salary so that the value of pension saving is unlikely to exceed £10,000 (the 'minimum' HMRC saving limit, i.e. that at maximum tapering) and to receive, through PAYE, cash compensation for loss of pension benefits at the value of 16% of the difference between pensionable salary with and without this cap.
Opportunity	The CEO receives a total contribution of 25% of gross base salary (i.e. excluding bonus or any allowance). Due to the pension changes being made within the Group, the CEO voluntarily reduced this contribution to 20% and this took effect from May 2018. Other members of the key management personnel may participate in the Institute's pension schemes on the same terms as other members of staff, subject to the opportunity to elect for a cash-in-lieu arrangement as described above.
Performance metrics	None
Benefits	
Purpose/Link to corporate strategy	Insured benefits are included to provide employee protection for the benefit of the employee and Company. A car allowance is provided as part of a competitive package.
Operation	Car allowance paid in cash; private medical insurance for self and family under the Group scheme; life insurance and income protection under the Group scheme.
Opportunity	Private medical insurance – premium family cover.
	Life assurance – six times salary.
	Income Protection Policy – up to 55% of salary.

<table>
<tr><td></td><td colspan="3">Car Allowance currently £9,000 for CEO and other key management personnel.</td></tr>
<tr><td>Performance metrics</td><td colspan="3">None</td></tr>
<tr><td colspan="4">Annual performance bonus</td></tr>
<tr><td>Purpose/Link to corporate strategy</td><td colspan="3">To incentivise and focus attention on Institute key performance indicators (KPIs) and provide a competitive performance-related annual earnings opportunity.</td></tr>
<tr><td>Operation</td><td colspan="3">Targets are set at start of year. Payment is made after the year end, depending on achievement against targets.</td></tr>
<tr><td>Opportunity</td><td colspan="3">On-target bonus is 45% of salary for the CEO and 35% for the other key management personnel. Maximum bonus for exceptional achievement is 65% salary for the CEO and 50% for other key management personnel members.</td></tr>
<tr><td>Performance metrics</td><td colspan="3">Corporate financial goals are set which may include operating surplus and revenue at a Group level and individual stretch objectives. (For 2017 the sole measure was Group operating surplus.) Over-achievement of goals is required for maximum bonus. There is no payment below threshold performance (97% of target). All bonus payments are at the discretion of the Committee.</td></tr>
<tr><td colspan="4">2017–2020 Long-Term Incentive Plan (LTIP)</td></tr>
<tr><td>Purpose/Link to corporate strategy</td><td colspan="3">To reward the CEO and selected key management personnel for the conception and implementation of a business strategy that leads to long-term sustainable growth in order to drive performance and support retention and long-term commitment to Institute success.</td></tr>
<tr><td>Operation</td><td colspan="3">Cash payment at the end of a four-year period ended in August 2020, with an interim payment after three years. Payments are structured as a share of cumulative operating surplus over the period. No final payment will be made if the four-year cumulative operating surplus is less than £30m.</td></tr>
<tr><td>Opportunity</td><td colspan="3">Maximum 50% of cumulative salary over the four years whilst a plan participant.</td></tr>
<tr><td rowspan="5">Performance metrics</td><td></td><td>4-year cumulative operating surplus+</td><td>Total payment as % of cumulative salary</td></tr>
<tr><td>Maximum</td><td>£60m</td><td>50%</td></tr>
<tr><td>Good performance</td><td>£50m</td><td>42%</td></tr>
<tr><td>Threshold</td><td>£30m</td><td>25%</td></tr>
<tr><td colspan="3">+ after exceptional items</td></tr>
</table>

Financial review[3]

Financial effect of significant events

The year ending 31 August 2018 saw continued growth in non-UK qualifications markets and in revenue from existing and recently acquired subsidiaries of the Institute. This, together with further cost savings, offset partially the effect of declining trading conditions in the funded UK qualifications market and exceptional costs in the year.

Income and assets

The Group

The Group's income was £143.6m (2016–17: £142.6m). Of this 75% (2016–17: 74%) is classed as educational in the Financial Statements. The Group's expenditure was £155.0m (2016–17: £141.9m). Of this 75% (2016–17: 74%) is classed as educational in the Financial Statements. The educational components include income and expenditure from the Institute, City and Guilds International Limited and GenII Engineering & Technology Training Limited. The Institute and City and Guilds International Limited are registered charities specialising in the education sector. GenII Engineering and Technology Training Ltd is a subsidiary of the Institute which promotes apprenticeship training and offers training, educational products and services for the engineering, specialist manufacturing, energy and technology sectors.

The Group's net expenditure was £11.5m (2016–17: net income of £2.4m), largely as a result of incurred exceptional costs totalling £8.4m, related to closing the Group's defined benefit pension scheme which posed a significant long-term risk and one-off restructuring costs as we implemented changes ahead of apprenticeship policy reform.

To the net expenditure was added £25.4m (2016–17: an addition of £13.6m) to arrive at the net movement in funds, which totalled £13.9m (2016–17: £16.0m). This adjustment consisted of an actuarial gain in relation to the defined benefit pension scheme of £25.9m (2016–17: gain of £14.2m), and foreign currency losses of £0.5m (2016–17: losses of £0.6m). There is more information about pensions on p35 in this report.

The balance sheet value of the Group's assets at 31 August 2018 was £105.2m (31 August 2017: £91.3m). The increase was largely due to the actuarial gain in relation to the defined benefit pension scheme.

The Institute

The Institute's income was £89.7m (2016–17: £94.7m). Of this 99% (2016–17: 99%) is classed as educational in the Financial Statements. The Institute's expenditure was £99.5m (2016–17: £90.4m). Of this 100% (2016–17: 100%) is classed as educational in the Financial Statements. The Institute's net expenditure was £9.8m (2016–17: net income of £6.1m).

To the net expenditure was added £25.4m (2016–17: added £14.3m) to arrive at the net movement in funds which was £15.6m (2016–17: £20.4m). This adjustment consisted of an actuarial gain in relation to the defined benefit pension scheme of £25.9m (2016–17: gain of £14.2m). There is more information about pensions on p35 in this report. We also incurred £2.9m impairment of investment in subsidiary in the year. This cost related to our subsidiaries in Asia Pacific and resulted from a difficult year of transition and integration. The business is now set to grow in financial year 2019.

The balance sheet value of the Institute's assets at 31 August 2018 was £114.4m (31 August 2017: £98.8m). The increase was due to the actuarial gain in relation to the defined benefit pension scheme of £25.9m (2016–17: £14.2m), offset by the operating deficit (including exceptional items) generated by the Institute.

Other principal active members of the Group

Their results can be found in the Financial Statements. If the Institute's direct subsidiaries make profits and this is permitted by their constitutions, they normally pay them (either by dividend or gift aid donation) to the Institute. No subsidiary was in a material deficit to the Group, as at 31 August 2018.

[3] More detail about the information in this section may be found in the Financial Statements. The majority of the figures in this section are rounded to one decimal point: this may result in apparent arithmetical errors.

Capital expenditure and depreciation

The Group capital expenditure of £7.8m (2016–17: £5.6m) was largely on IT assets. Depreciation was £6.4m (2016–17: £6.0m). The Institute's capital expenditure of £5.6m (2016–17: £3.7m) was largely on IT assets. Depreciation was £4.3m (2016–17: £4.5m). Figures for the other Group members can be found in their own accounts.

Fund-raising statement

Fund-raising is defined as 'soliciting or otherwise procuring money or other property for charitable purposes'. Income of this nature received in the year to 31 August 2018 amounted to £nil (2016–17: £nil). We do not undertake widespread fund-raising from the public. We are not subject to any undertaking to be bound by any voluntary scheme for regulating fund-raising or any voluntary fund-raising standard. All solicitations are managed internally, without the involvement of commercial participators, professional fund-raisers or third parties. The day to day management of all income generation is delegated to the executive team and, since we do not solicit funds from the public and expect our staff to act appropriately at all times, we do not consider it necessary to put in place specific internal procedures to monitor fund-raising activities. We have received no complaints in relation to fund-raising activities.

Risk management

Understanding the risks we face and managing them appropriately is important to us to enhance the Group's ability to make better decisions to deliver on our purpose, with more impact, to more people.

How we manage risk

The City & Guilds Group has a clear Risk Management framework that supports the delivery of its risk management objectives and requirements for identifying, assessing, reporting and monitoring risk.

The Trustees, supported by the Audit and Risk Committee, keep under regular review the risks to which the Group is exposed, the risk appetite, and ways in which risk management processes can be used to enhance performance. Trustees formally approve the Strategic Risk Register and the risk appetite matrix annually. The Trustees seek to limit the impact of those risks by adopting appropriate measures and monitoring their implementation. The Strategic Risk Register and Operational Risk Registers for each business area record risks, their inherent and residual scores, mitigation and assurance measures. Each strategic risk is owned by a member of the Management Board who is responsible for monitoring it and ensuring that the measures are implemented. Risk management is undertaken at all levels of the organisation and the Group Risk Manager and Risk Co-ordinators meet regularly to discuss risk related issues. The Group Internal Auditor provides independent assurance that the risk management, governance and internal control processes are operating effectively.

The principal risks and uncertainties facing the Institute and its subsidiary undertakings, as identified by the Trustees are as follows (with a summary of the Trustees' plans and strategies for managing those risks):

- Ensure we effectively identify and comply with general legislative and regulatory compliance requirements across the Group. The Trustees' plans to manage this risk include developing and implementing a wider General Data Protection Regulation 12 month action plan to include detailed systems reviews and enhancing current monitoring and reporting processes, and to develop the Target Operating Model to include a Compliance resourcing structure.
- Ensure we effectively maintain and update systems, platforms and infrastructure to deliver secure and uninterrupted business services. The Trustees' plans to manage this risk include developing a long-term IT roadmap including enhancing existing hardware security and updating core software.
- Ensure we can effectively prevent / respond to a business continuity event. The Trustees' plans to manage this risk include rolling out mandatory cyber security training for all staff and adopting Cyber Essentials Plus as a minimum standard across the Group, and refreshing the business continuity strategy, including implementation of annual sampling of key business plans.

- Ensure we effectively respond to changes in the skills policy. The Trustees' plans to manage this risk include engagement and lobbying of policy makers to gain early insight into likely markets, impacts of major policy changes, and having a full policy team focussed around the two major reforms of skills plans and apprenticeships.
- Ensure we adapt the operating model to achieve organisational change to optimise operational delivery and financial results. The Trustees' plans to manage this risk include undertaking a structured review of talent and succession planning and aligning all change activity to achieve and embed the 2020 strategy.
- Ensure investments in products and services and acquisitions meet financial targets. The Trustees' plans to manage this risk include establishing an appropriate cost base and operating model alongside a product platform business strategy for Corporate Learning, developing technical training growth strategy for Technical Training and reviewing End Point Assessment (EPA) pricing structures.

Designated Fund

The Skills Development Fund was created by the Institute and made its first grants in the year ended 31 August 2016. Its aim is to invest in new and innovative activities which have a demonstrable impact; create long-term and sustainable change; deliver real benefit to the education sector, employers and/or learners; and reflect the Group's global profile. The timing of the expenditure depends on the strategies adopted for the Fund's use, and the nature, size and number of opportunities which present themselves. The value of the Fund at 31 August 2018 was £4.0m (2017: £4.4m).

Restricted Funds

NPTC Fund

Since 30 June 2010, the Institute has held a fund which supports its land-based activities. The timing of the expenditure depends on the strategies adopted for the Fund's use, and the nature, size and number of opportunities which present themselves. The value of the Fund at 31 August 2018 was £3.7m (2017: £3.8m), made up of £1.9m (2017: £nil) invested in the Barings Dynamic Asset Allocation Fund, £1.8m (2017: £nil) invested in the Insight Broad Opportunities Fund, £nil in equities (2017: £1.5m) managed by CCLA Investment Management Ltd and £nil in cash (2017: £2.3m). In the year ending 31 August 2018, £0.17m (2016–17: £0.17m) was spent. This consisted of bursaries, grants, staff costs and the first of three annual contributions to a national land-based college.

ILM Fund

Since 1 January 2016, the Institute has held a fund whose objects are the promotion and development of the science of leadership and management, and the advancement of education involving the study of the skills of leadership and management. At 31 August 2018, the Fund consisted of £3.1m in cash. This was the balance at 1 September 2017 (£3.6m) plus interest of £0.02m less the third in a series of annual payments to The Institute of Leadership and Management (TILM) of £0.5m. The Fund is not referred to in the Financial Statements. This is because it is valued at nil for accounting purposes since it is the Trustees' intention to use it for the remaining payments to TILM.

Reserves

The Institute adopts a risk based approach to setting a minimum level of free reserves which the Trustees consider to be appropriate to maintain for the coming year. Factors considered include budget cash flow forecasts, long-term plans, key risks, the timing of major income, expenditure and capital items, potential cash outflows not included in the budget process (acquisitions for example), and estimated closure costs. The Trustees review the policy on an annual basis to ensure it continues to comply with current Charity Commission guidance. The remit of the new Investment Committee includes evaluation of the target for reserve levels and consideration of the use to which reserves should be put.

The Charity's current stated strategy is detailed on pages 4 to 5 of this report. The Trustees consider that the current policy maintains a level of reserves that enables the management of the Charity to achieve this strategy.

The appropriate level of the Group's free reserves at 31 August 2018 was £45.0m (2017: £54.0m). The value of the actual free reserves at that date was £47.4m (2017: £50.2m). This was calculated by adding the net current assets (£11.3m) to the investments (£45.8m) and then deducting the value of the Restricted Funds (£3.7m) and Designated Fund (£4.0m) and provisions for liabilities and charges (£2.0m). Other members of the Group have policies which specify reserves of three months' planned operating expenditure or more. The aggregate free reserves of the Charity's subsidiaries at 31 August 2018 was £7.7m. The drop in the actual free reserves of £2.8m was largely a result of one-off exceptional costs (including transition payments) resulting from the closure of the defined benefit section of the Charity's pension scheme. The Trustees believe that the current level of reserves is acceptable.

Investments

The remit of the new Investment Committee is to direct and monitor the Institute's investments in cash, securities (including equities, and gilts) and property, and to provide ad hoc support as required to its acquisition activities and any other form of investment.

Subsidiaries

These investments take the form of shares in companies owned or controlled by the Institute, or loans to those companies. The Institute's investment in City and Guilds International Ltd is a 'programme-related investment', made to further the Institute's aims in a way that may also produce some financial return for it. The remainder are 'social investments', made with a view both to directly furthering the Institute's purposes and to achieving a financial return. The Trustees' policy is to set up new subsidiaries where it is prudent or desirable for activities to be carried out by a separate legal entity, and to acquire existing companies where this is preferable to creating a product or service in-house.

Other investments in companies

These are also social investments. The Trustees' policy is to become a minority shareholder in existing companies where participation in their management will be more beneficial than contractual arrangements alone. In the year ending 31 August 2018, the Institute added to its minority interests in three companies: EmpowerTheUser Ltd (a company registered in Ireland), HT2 Ltd (a company limited by shares registered in England and Wales (04052815)) and Filtered Technologies Limited (formerly Excel with Business Limited, a company limited by shares registered in England and Wales (06888906)). Information about the values of these investments can be found in Note 7(c) to the Financial Statements.

Cash and equities

The Trustees implemented a new investment strategy in the year. Following a tender process, PiRho Investment Consultants were appointed to advise the Investment Committee on the strategy. It was agreed that the Group's investments were primarily to act as a source of funds for acquisitions and business development with a target return of cash plus 4%.

The investment committee decided that the best way to pursue this strategy was to invest in two complementary, multi-asset diversified growth funds. A fund management selection process was undertaken in January 2018 and, in March 2018, £20m was placed in each of the following two funds:

- Barings Dynamic Asset Allocation Fund (BDAAF)
- Insight Broad Opportunities Fund (IBOF)

The Group also sold all shares held in the BlackRock Charitrak Fund at this time.

On behalf of its clients, Baring's dedicated team engages with companies and vote proxies to encourage business and management practices that support sustainable financial performance over the long-term. Insight votes where it is appropriate and responsible to do so, using independent governance analysis drawn from thousands of market, national and international legal and best practice provisions from jurisdictions around the world.

At 31 August 2018, the Group's cash amounted to £21.8m (2017: £48.4m) and the Group's investments were valued at £45.8m (2017: £24.3m). £20.4m (2017: £nil) was invested in the BDAAF, £20.3m (2017: £nil) in the IBOF, £nil (2017: £18.2m) in ChariTrak and £nil (2017: £1.5m) in the CCLA COIF Fund. BDAAF has returned 3.0% since inception against a target return of 2.3% while IBOF has returned 1.9% against the same target.

Pension Fund

At 31 August 2018, the funding of the defined benefit section of the City and Guilds (1966) Pension Scheme was in deficit by £32.1m (2017: £53.8m). The improvement in the pension deficit was partly a result of the £5.8m (3.0%) increase in the value of the scheme assets (from £195.7m to £201.5m) and partly a result of the £15.9m decrease in the value of the liabilities (from £249.5m to £233.6m). The increase in the value of the scheme assets was due to a £7.8m rise in the market value of the scheme's investments while the decrease in the value of the liabilities was due to improvements in the financial assumptions (mainly the discount rate and inflation expectations) used to calculate the liability. The Trustees are aware of the volatile nature of pension surpluses/deficits calculated according to FRS102, which may vary in response to market factors and the actuarial assumptions made. The Trustees have considered the impact of this liability on future cash flow and reserves and believe that it will be funded from normal activities.

Relationships between the Institute and related parties

The Institute provides a range of services to its subsidiaries, for which payment on arms' length terms is made. The nature of those services varies according to the subsidiary concerned but may include management and support services such as IT, human resources and development, finance, facilities and legal.

Reference and administrative information

Trustees, Director General, Secretary and Advisers of The City and Guilds of London Institute:

Trustees
Sir John Armitt CBE FREng FICE FCGI
Chairman of Council

Peter R McKee HonFCGI
Treasurer

Dr Ann G Limb CBE FCGI
Vice-Chair & Joint Honorary Secretary

Kevin J Baughan
appointed 26 October 2017

Ann Brown
appointed 26 October 2017

Chris V Fenton
appointed 26 October 2017

Professor Alison Halstead FCGI

Andy P Smyth
Joint Honorary Secretary

Dr Timothy F Strickland

Andrew P Marchant
appointed 1 February 2018

David J Illingworth FCGI
resigned 01 May 2018

Allan J Johnston HonFCGI
resigned 22 November 2017

Secretary to the Institute
C D Miller

Group Chief Executive and Director General of the Institute
C E Jones FInstLM

Principal Office
1 Giltspur Street
London EC1A 9DD
Website: cityandguildsgroup.com

External Auditors
BDO LLP
2 City Place
Beehive Ring Road, Gatwick
West Sussex RH6 0PA

Internal Auditors
RSM
25 Farringdon Street
London EC4A 4AB

Investment Managers
Insight Investment Management Limited
160 Queen Victoria Street
London EC4V 4LA

Baring Asset Management Limited
155 Bishopsgate
London EC2M 3XY

Principal Bankers
The Royal Bank of Scotland
London Corporate Centre, PO Box 412
62–63 Threadneedle Street
London EC2R 8LA

Actuaries
Willis Towers Watson
71 High Holborn
London WC1V 6TP

Principal Legal Advisers
Charles Russell LLP
5 Fleet Place
London EC4M 7RD

Bird & Bird LLP
12 New Fetter Lane
London EC4A 1JP

Other Key Management Personnel

J T Conybeare-Cross ACA Chief Financial Officer

S Saxton Group Director, People & Organisation Development

P T Ellaway Group Strategy Director

K Donnelly MBE Managing Director, Skills Credentialing

J Yates Managing Director, Corporate Learning and New Ventures Director

M Hottass Managing Director, Technical Training (appointed 1 October 2018)

Statement of Trustees' responsibilities

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

The law applicable to charities in England & Wales and Scotland requires the Trustees to prepare the financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under charity 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 Group and Charity and of the incoming resources and application of resources, including the income and expenditure, of the Group for that period.

In preparing these Financial Statements, the Trustees are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Institute will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Act 2011, Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the Charity and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- there is no relevant audit information of which the Institute's auditor is unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The maintenance and integrity of the Institute's website is the responsibility of the Trustees. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

At the Yearly Meeting on 12 April 2018, BDO LLP was re-appointed as the Institute's auditors. It has indicated its willingness to continue in office and it is the current intention that it should do so.

Approval and signature

This report was approved by the Trustees on 6 December 2018 and signed on their behalf by

Sir John Armitt CBE FREng FICE FCGI
Chairman

Independent auditor's report to the Trustees of The City and Guilds of London Institute

Opinion

We have audited the financial statements of The City and Guilds of London Institute ('the Parent Charity') and its subsidiaries ('the Group') for the year ended 31 August 2018 which comprise the consolidated statement of financial activities, the consolidated and parent entity balance sheets, the consolidated 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 Financial Reporting Standard 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 Group's and of the Parent Charity's affairs as at 31 August 2018 and of the Group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011 and Charities and Trustee Investment (Scotland) Act 2005 and regulation 6 & 8 of the Charities Accounts (Scotland) Regulations 2006, as amended in 2010.

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 Group and the Parent Charity in accordance with the ethical requirements 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 related 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 Group or the Parent Charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The other information comprises the Trustees Annual Report. The Trustees are responsible for the other information.

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005 requires us to report to you if, in our opinion;

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

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determines 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 Group's and the Parent Charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or the Parent Charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the 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 at the Financial Reporting Council's ('FRC's') website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

This report is made solely to the Charity's trustees, as a body, in accordance with the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the Charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

James Aston (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor Gatwick

BDO LLP

17 December 2018
BDO LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006. BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements and notes to the Financial Statements


City
Guilds

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 AUGUST 2018
(Incorporating an Income and Expenditure Account)

	Note	£m	£m	Year ended 31 August 2018 £m	£m	£m	Year ended 31 August 2017 £m
		Unrestricted funds	**Restricted funds**	**Total**	Unrestricted funds	Restricted funds	Total
Income and endowments from:							
Donations and legacies		0.2	-	**0.2**	-	-	-
Other trading activities		45.7	-	**45.7**	38.6	-	38.6
Investments	2	0.4	-	**0.4**	0.8	0.1	0.9
Charitable activities	3	97.3	-	**97.3**	103.1	-	103.1
Total income		143.6	-	**143.6**	142.5	0.1	142.6
Expenditure on:							
Raising funds		46.3	-	**46.3**	39.4	-	39.4
Charitable activities							
Exceptional items		8.4	-	**8.4**	-	-	-
Other costs		99.8	0.2	**100.0**	102.1	0.2	102.3
Other							
Tax on overseas activities		0.3	-	**0.3**	0.2	-	0.2
Total expenditure	4	154.8	0.2	**155.0**	141.7	0.2	141.9
Net (expenditure) / income before investments and associates		(11.2)	(0.2)	**(11.4)**	0.8	(0.1)	0.7
(Losses) / Gains on investment assets	7	(0.1)	0.1	**-**	1.8	0.1	1.9
Share of outgoing resources of associate	7	(0.1)	-	**(0.1)**	(0.2)	-	(0.2)
Net (expenditure) / income		(11.4)	(0.1)	**(11.5)**	2.4	-	2.4
Other recognised gains and losses							
Loss on revaluation of foreign currency net investments		(0.5)	-	**(0.5)**	(0.6)	-	(0.6)
Actuarial gain on defined benefit pension scheme	19	25.9	-	**25.9**	14.2	-	14.2
Net movement in funds		14.0	(0.1)	**13.9**	16.0	-	16.0
Accumulated funds brought forward		87.5	3.8	**91.3**	71.5	3.8	75.3
Accumulated funds carried forward	13	101.5	3.7	**105.2**	87.5	3.8	91.3

The above results are derived entirely from continuing activities.
The notes on pages 45 to 68 form part of these Financial Statements.

BALANCE SHEETS
AT 31 AUGUST 2018

	Note	Group 31 August 2018 £m	31 August 2017 £m	Institute 31 August 2018 £m	31 August 2017 £m
Intangible fixed assets	5	**30.3**	34.3	**0.5**	0.3
Tangible fixed assets	6	**54.2**	54.8	**45.4**	45.0
Investments					
Investment in subsidiaries	7	-	-	**48.4**	51.5
Investment in associate	7	-	0.1	-	-
Other investments	7	**45.8**	24.3	**45.5**	24.0
(include £40.7m of current investments)					
Total investments		**45.8**	24.4	**93.9**	75.5
Total fixed assets		**130.3**	113.5	**139.8**	120.8
Current assets					
Debtors due within one year	8	**23.3**	25.0	**14.6**	19.8
Debtors due after one year	9	-	-	**5.1**	6.6
Stock		-	-	-	0.1
Cash at bank and in hand		**21.8**	48.4	**10.7**	33.4
Total current assets		**45.1**	73.4	**30.4**	59.9
Current liabilities					
Creditors: amounts falling due within one year	10	**(33.8)**	(38.0)	**(19.8)**	(24.7)
Net current assets		**11.3**	35.4	**10.6**	35.2
Total assets less current liabilities		**141.6**	148.9	**150.4**	156.0
Creditors: amounts falling due after one year	11	**(2.3)**	(2.4)	**(2.2)**	(2.3)
Provisions for liabilities and charges	12	**(2.0)**	(1.4)	**(1.7)**	(1.1)
Net assets excluding pension liability		**137.3**	145.1	**146.5**	152.6
Defined benefit pension scheme liability	19	**(32.1)**	(53.8)	**(32.1)**	(53.8)
Net assets		**105.2**	91.3	**114.4**	98.8
The funds of the Charity					
Unrestricted funds					
Unrestricted funds excluding pension liability	13	**126.1**	133.8	**135.3**	141.3
Revaluation reserve	13	**7.5**	7.5	**7.5**	7.5
Defined benefit pension scheme liability	19	**(32.1)**	(53.8)	**(32.1)**	(53.8)
Total unrestricted funds		**101.5**	87.5	**110.7**	95.0
Restricted funds	13	**3.7**	3.8	**3.7**	3.8
TOTAL CHARITY FUNDS		**105.2**	91.3	**114.4**	98.8

The notes on pages 45 to 68 form part of these Financial Statements.

The Financial Statements on pages 42 to 68 were approved by the board of Trustees and authorised for issue on 6 December 2018 and signed on its behalf by:

Sir John Armitt, Chairman

P McKee, Trustee

C Jones, Director-General

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2018

	Note	£m	Year ended 31 August 2018 £m	£m	Year ended 31 August 2017 £m
Cash flows from operating activities	14		**4.9**		12.6
Investment income (excluding re-investments)		**0.1**		0.2	
Taxation paid		**(0.3)**		(0.2)	
Net cash generated from operating activities			**4.7**		12.6
Cash flows from investing activities					
Purchases of tangible fixed assets		**(7.8)**		(5.6)	
Purchases of investments	7	**(22.1)**		(2.4)	
Proceeds from sale of fixed assets		**0.7**		0.1	
Investment in subsidiary undertakings	7	**(2.1)**		(29.0)	
Investment in associated undertaking	7	**-**		(0.2)	
Cash acquired with subsidiaries		**-**		5.1	
Net cash from investing activities			**(31.3)**		(32.0)
Net decrease in cash and cash equivalents			**(26.6)**		(19.4)
Cash and cash equivalents at beginning of year			**48.4**		67.8
Cash and cash equivalents at end of the year			**21.8**		48.4
Cash and cash equivalents comprise:					
Cash at bank and in hand			**21.8**		48.4
			21.8		48.4

The notes on pages 45 to 68 form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting policies

The City and Guilds of London Institute is a Royal Charter company and charity domiciled in England and Wales, registration number RC000117. The registered office is 1 Giltspur Street, London, EC1A 9DD.

The following accounting policies have been applied consistently in dealing with items that are considered material to the Charity's accounts.

1.1 Basis of preparation

The Financial Statements are prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

The Institute meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes. The financial statements have been prepared on a going concern basis as there are no material uncertainties about the charity's ability to continue.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

Parent entity disclosure exemptions

In preparing the separate financial statements of the parent, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No statement of cash flows has been presented; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent as their remuneration is included in the totals for the Group as a whole.

1.2 Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of The City and Guilds of London Institute ("the Institute") and of its subsidiaries.

All subsidiaries are consolidated on a line by line basis from the date of acquisition. Associates are accounted for using the equity method.

The investment in Totara Learning Solutions Limited is not treated as an associate despite a holding of more than 20% as The Group does not exert significant influence on the operating and financial policies of this company.

Despite there being a uniting direction in place between the Institute and City and Guilds International Ltd, the Institute figures presented in these accounts solely reflect the assets, liabilities and activities of the Institute.

In accordance with the transitional exemption available under Section 35 of FRS 102, the Group has chosen not to retrospectively apply Section 19 to business combinations that occurred before the date of transition to FRS 102, being 1 September 2014.

1.3 Reserves and fund structure

Unrestricted funds comprise accumulated surpluses on general funds and revaluation reserve which the Trustees are free to use for any purpose in furtherance of the charitable objects.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular 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 charity for particular purposes.

1.4 Tangible fixed assets and depreciation

The Institute's long leasehold offices at 1 Giltspur Street and 5–7 Giltspur Street are included at open market valuation, carried out by Daniel Watney, Chartered Surveyor, as at 1 September 2014 plus subsequent additions at cost. Surplus on revaluation is taken to the charity's funds with the then market values adopted as deemed costs on transition date in accordance with the transitional exemption available in FRS 102.

Freehold property is depreciated on a straight-line basis over 50 years.

Short leasehold properties held by the Group are accounted for as operating leases, but any initial or other major expenditure on improvements is capitalised and written off on a straight-line basis over the life of the leases, subject to a maximum period of 50 years.

Group policy is to capitalise equipment greater than £1,000.

Assets which are subject to a period of construction are depreciated from the date they are brought into operational use.

Other tangible fixed assets as stated below are depreciated on a straight-line basis over their estimated useful life as follows:

1. Accounting policies (continued)

Long leasehold land	Lease term
Long leasehold buildings	2%
Computer software and equipment	20%–33.33%
Furniture and fixtures	25%
Motor vehicles	25%–33.33%
Plant	5%–25%

1.5 Intangible fixed assets

Goodwill, being the excess of the purchase price of acquisitions over the fair value of the net assets acquired, is capitalised in accordance with FRS 102 and amortised over its estimated useful economic life, which is up to a maximum of 10 years.

Other intangible fixed assets consist of intellectual property rights, customer relationships, programme content and trade names, which are capitalised at cost or transaction value and amortised on a straight-line basis over their estimated useful economic lives. The intangible assets are amortised over the following useful economic lives:

Intellectual property rights	IPR term	Based on IPR protection period
Customer relationships	various	Based on the estimated life of the cash flows
Programme content	various	Based on the estimated remaining life of the cash flows
Trade name	various	Based on the estimated remaining life of the cash flows

When circumstances are identified which give rise to an impairment in the value of any intangible or fixed asset, that impairment loss is recognised immediately.

1.6 Taxation

The Institute is a charity within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly the Institute is exempt from taxation in respect of income or capital gains within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Trading subsidiaries provide for tax at amounts expected to be paid or recovered using tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

1.7 Incoming resources

Fee income relating to registrations is deferred and recognised over the estimated time taken to complete the relevant qualification. A proportion of registration fee income is recognised immediately to reflect an estimate for learners who do not complete the course. Where assessment and certification income exceeds registration fee income for any qualification, the registration income is not deferred. Registration income for qualifications with a typical duration of three months or less is not deferred.

Membership income is recognised over the period to which the subscription relates.

Sales of named user licences with indefinite expiry dates are deferred until licence activation and then recognised evenly over the estimated period of use of the licence.

Income receivable from contracts entered into to provide elearning or other services or solutions is recognised on the basis of percentage of contract completed.

1.8 Resources expended

Expenditure is recognised on an accrual basis as a liability is incurred.

The costs of preparing examinations are written off as they are incurred irrespective of examination dates.

Third party content development costs are written off in the year they are incurred unless:

- The product has an estimated useful life of more than one year; and
- There is a reasonable expectation that the revenue to be generated over the useful life of the product will exceed the expected total development costs and that those costs are separately identifiable and quantifiable

If the above criteria are met, the expenditure is carried forward in prepayments and written off over three years, which is the typical useful life of the product.

Irrecoverable VAT is included within resources expended or capitalised with the appropriate asset.

Costs of raising funds include costs incurred in trading activities that raise funds.

Charitable activities include expenditure in respect of education services, and include both direct costs and support costs relating to these activities.

Governance costs include expenditure in respect of the Institute's constitutional requirements.

Support costs include central functions and have been allocated to activities on a basis consistent with the use of resources. The allocation is shown in Note 4.

1.9 Foreign currency translation

Transactions denominated in foreign currencies are translated into sterling at the monthly average rate of exchange. Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling on the Balance Sheet date.

The Financial Statements of overseas branches and undertakings are translated into sterling on the following basis:

- Assets and liabilities at the rate of exchange ruling at the Balance Sheet date.
- Statement of Financial Activities items at the average rate of exchange for the year.

Exchange differences arising on the re-translation of the results of overseas entities into sterling are included in other recognised gains and losses within the Consolidated Statement of Financial Activities.

1.10 Pensions

The City and Guilds (1966) Pension Scheme has defined benefit and defined contribution sections.

The defined benefit section is accounted for in accordance with the requirements of FRS 102 and details are shown in note 19. The difference between the fair value of the assets held in the Group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Group's balance sheet as a pension asset or liability as appropriate. Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contributions by the Group are charged to expenditure or other gains and losses within the Statement of Financial Activities in accordance with FRS 102.

The Institute operates a policy of recharging the costs of the defined benefit pension scheme to group entities based on employer contributions made of behalf of the relevant staff members.

Contributions to the defined contribution section are charged to the Consolidated Statement of Financial Activities in the year in which they are made.

Following a period of employee consultation, the existing defined benefit and defined contribution sections of the City and Guilds (1966) Pension Scheme were closed to future benefit accrual on 30 June 2018 and a new defined contribution section was opened for future benefit accrual on 1 July 2018.

1.11 Holiday pay accruals

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

1.12 Concessionary loans

Concessionary loans are those loans made or received by the Group to further its purposes and any interest charged is below the prevailing market rates. These loans are measured at cost less provisions for impairment.

1.13 Operating leases and leased assets

Rentals applicable to operating leases are charged to the Consolidated Statement of Financial Activities on an accruals basis.

1.14 Investments

Investments in subsidiary companies are shown at cost in the parent company, less provisions where appropriate.

Investments in group companies are a combination of programme related investments and mixed motive investments.

The programme related investments are held at cost. Each year end consideration is given to whether there are any indicators or impairment, based on the charitable benefit expected to be provided by these entities going forwards.

The mixed motive investments are also held at cost. Each year end consideration is given to whether there are any indicators of impairment, based on a combination of the charitable benefit expected to be provided by these entities going forwards as well as the expected financial contribution to the group going forwards.

Quoted investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. The Consolidated Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year.

1.15 Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all its liabilities.

1. Accounting policies (continued)

1.16 Judgements in applying accounting policies

In preparing these financial statements, the management has made the following judgements:

Indicators of impairment and impairment of assets

Management determines whether there are indicators of impairment of the Group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Actuarial assumptions in respect of defined benefit pension schemes

The application of actuarial assumptions relating to defined benefit pension schemes is incorporated in the financial statements in accordance with FRS 102. In applying FRS 102, advice is taken from independent qualified actuaries. In this context, significant judgement is exercised in a number of areas, including future changes in salaries and inflation, mortality rates and the selection of appropriate discount rates.

The assumptions underlying the pension scheme valuation: The principal actuarial assumptions are shown in note 19(f). The effect of changes in these assumptions on scheme liabilities are as follows:

- 0.1% pa increase in discount rate leads to a decrease of £5.0m in scheme liabilities
- 0.1% pa decrease in inflation rate leads to an decrease of £4.9m in scheme liabilities
- 0.25% pa decrease in rate of salary increases leads to an decrease of £0.3m in scheme liabilities
- 0.1% pa increase in rate of increase in pensions in payment leads to an increase of £3.0m in scheme liabilities
- 1.5% pa increase long-term rates of improvement leads to an increase of £3.0m in scheme liabilities

1.17 Other key sources of estimation uncertainty

Tangible and intangible fixed assets, are depreciated or amortised over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

The impact on income of the estimated course length: Fee income relating to registrations is deferred and recognised over the estimated time taken to complete the relevant qualification. An increase in course length by 10% during the year would result in a reduction in net surplus by £0.6m (2017: £0.7m) on existing income level.

The impact on income of the estimated drop-out rates for students signing up to courses: As a proportion of registration fee income is recognised immediately to reflect an estimate for learners who do not complete (i.e. drop out of the course), an increase in drop-out rates by 10% will result in an increase in net surplus by £0.1m (2017: £0.3m) on existing income level.

The assumptions underlying the valuation of intangible assets: The acquired intangible assets are professionally valued using multi-period excess earnings and relief from royalty methods. The valuation approach relies on both internal and external business intelligence which can only ultimately be reliably tested in the market itself. Key inputs into the valuations were:

- Customers retention rate
- Long-term operating EBIT margin
- Percentage of all revenues generated from bespoke and blended learning solutions
- Royalty rate
- Weighted Average Cost of Capital specific to the acquisition on the transaction date

The future viability of courses where third party content development costs have been deferred: Development in new products has many inherent uncertainties, with the future viability being the key one. The Group mitigates this risk through the use of analytical and tracking tools like regular market research. As at the balance sheet date, the management considers the risk to be remote. The Group also has a prudent policy of immediately expending deferred third party content development costs when the future viability of the underlying courses is in question.

Determining whether **an investment in subsidiary is impaired** requires an estimation of the recoverable amount of the investment at the end of the financial year. When there is an indication of impairment for the Institute's investment in Interact Learning Pty Limited, management has assessed the value in use using the cash flows expected to arise from the cash generating unit over a period of five years using a discount rate of 10.0%. Estimates of future cash flows are based on projected annual growth in revenues and expenditures in the range of 4.8% to 18.6% and 5.0%, respectively. Terminal growth rate of 2.5% is also expected. The carrying amount of investment in subsidiary after impairment as at 31 August 2018 was £17.4m (2017: £20.5m). Had the discount rate that was used been increased by 0.5% then the resultant carrying value of the investment would have reduced by £0.7m. Similarly, a reduction in the terminal growth rate of 0.5% would decrease the carrying value of the investment by £0.6m.

Risk of material adjustment to the carrying value of investment portfolio: All investments are carried at their fair value. The basis of fair value for quoted investments is equivalent to the market value, using the bid price. Asset sales and purchases are recognised at the date of trade at cost (that is their transaction value).

The main risk to the Group from financial instruments lies in the combination of uncertain investment markets and volatility in yield.

Liquidity risk is anticipated to be low as the Group's investments are mainly traded in markets with good liquidity and high trading volumes. The Group has no material investment holdings in markets subject to exchange controls or trading restrictions.

The Group manages these investment risks by retaining expert advisors and operating an investment policy that provides for a high degree of diversification of holdings within investment asset classes that are quoted on recognised stock exchanges. The Group does not make use of derivatives and similar complex financial instruments.

2. Income from investments

	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m
Interest on deposits	0.1	0.2
Interest on investments	0.3	0.7
	0.4	0.9

3. Income from charitable activities: Educational services

	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m
Fee income	97.3	103.1
	97.3	103.1

4. Resources expended

(a) Analysis of total expenditure

	Staff costs (Note 15) £m	Other direct costs £m	Support costs £m	Year ended 31 August 2018 Total £m	Year ended 31 August 2017 Total £m
Trading costs	18.8	22.7	4.8	46.3	39.4
Educational services	59.1	16.7	24.2	100.0	102.3
Tax on overseas activities	-	0.3	-	0.3	0.2
	77.9	39.7	29.0	146.6	141.9

(b) Analysis of support costs

	Trading costs £m	Educational services £m	Governance £m	Year ended 31 August 2018 Total £m	Year ended 31 August 2017 Total £m
Premises and utilities	1.1	4.7	0.01	5.8	5.2
Communication and IT	1.4	6.5	0.02	7.9	7.6
Postage and printing	0.1	1.0	-	1.1	1.2
Other	0.7	1.9	-	2.6	1.8
Depreciation	1.5	4.9	0.01	6.4	6.0
Amortisation costs	-	4.3	0.01	4.3	3.8
Financial costs	-	0.9	-	0.9	0.4
	4.8	24.2	0.04	29.0	26.0

Support costs are allocated on a basis consistent with the use of resources and apportioned to the respective activity by utilising the average number of staff employed on relevant activities as a proportion of the total average staff number. For the purpose of allocation, governance costs within the support costs are considered to be educational services related, and non-trading.

4. Resources expended (continued)

(c) Analysis of governance costs

	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m
Audit fees	0.3	0.3
Professional fees	0.1	0.2
Staff costs	0.2	0.2
Apportionment of support costs	-	0.1
	0.6	0.8

(d) Cost analysis

Included within total expenditure are the following individual items:

	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m
Group auditors' remuneration:		
Audit fees	0.24	0.24
Other services	0.04	0.03
Other auditors' remuneration:		
Audit fees	0.05	0.04
Taxation and other services	0.01	0.01
Operating lease rentals:		
Land and buildings	2.56	2.22
Plant and equipment	0.47	0.39
Loss on disposal of tangible fixed assets	1.10	0.01
Depreciation (Note 6)	6.40	5.96
Amortisation (Note 5)	4.30	3.78
Net loss/(gain) on foreign currency transactions	0.28	(0.16)

5. Intangible fixed assets

	Goodwill £m	Intellectual property rights £m	Customer relationships £m	Programme content £m	Trade name £m	Total £m
Group:						
Cost or valuation						
At 1 September 2017	37.0	1.7	8.3	1.4	0.6	49.0
Exchange rate differences	0.3	-	-	-	-	0.3
At 31 August 2018	37.3	1.7	8.3	1.4	0.6	49.3
Amortisation						
At 1 September 2017	11.6	1.7	0.8	0.5	0.1	14.7
Amortisation for the year	3.4	-	0.7	0.2	-	4.3
At 31 August 2018	15.0	1.7	1.5	0.7	0.1	19.0
Net book values						
At 31 August 2017	25.4	-	7.5	0.9	0.5	34.3
At 31 August 2018	22.3	-	6.8	0.7	0.5	30.3
Institute:						
Cost or valuation						
At 1 September 2017	1.9	1.7	-	-	-	3.6
Exchange rate differences	0.2	-	-	-	-	0.2
At 31 August 2018	2.1	1.7	-	-	-	3.8
Amortisation						
At 1 September 2017	1.6	1.7	-	-	-	3.3
Amortisation for the year	-	-	-	-	-	-
At 31 August 2018	1.6	1.7	-	-	-	3.3
Net book values						
At 31 August 2017	0.3	-	-	-	-	0.3
At 31 August 2018	0.5	-	-	-	-	0.5

5. Intangible fixed assets (continued)

Goodwill is reviewed annually for indications of impairment. If such indications exist, goodwill is additionally tested for impairment using value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering 2017/18. The key assumptions used by management in the value in use calculations were:

Discount rates
The discount rate is based on the risk free rate for government bonds, adjusted for a risk premium to reflect the specific circumstances of each investment.

Perpetuity growth rates
A perpetuity growth rate of 2.25% was used based on the long-term forecast growth rate in the UK.

Cash flow growth rates
Cash flow growth rates are based on management's forecasts of sales, gross operating margins and overheads for the next 5 years.

Customer relationships are core business assets retained through the strong relationship management capability at senior level. The amortisation period for the carrying intangible is 10–12 years.

Programme content comprise of learning solutions, learning content, training products including the flagship 5 Conversations product that are intrinsic to the business operations. The amortisation period for the carrying intangible is 7.5 years.

Trade name is associated with businesses acquired by the Group. The amortisation period for the carrying intangible is 20 years.

6. Tangible fixed assets

	Freehold property £m	Leashold property £m	Computer software and equipment £m	Plant, fixtures and motor vehicles £m	Assets under construction £m	Total £m
Group:						
Cost or valuation						
At 1 September 2017	4.7	37.7	26.4	4.9	4.8	78.5
Transfers	-	-	3.3	-	(3.3)	-
Additions	0.2	0.1	2.0	0.5	5.0	7.8
Disposals	(0.6)	(0.5)	(1.4)	(0.1)	-	(2.6)
At 31 August 2018	4.3	37.3	30.3	5.3	6.5	83.7
Accumulated depreciation						
At 1 September 2017	-	1.7	19.0	3.0	-	23.7
Charge for the year	-	0.8	4.8	0.8	-	6.4
Disposals	-	(0.4)	(0.4)	-	-	(0.8)
Foreign exchange revaluation	-	-	0.3	(0.1)	-	0.2
At 31 August 2018	-	2.1	23.7	3.7	-	29.5
Net book values						
At 31 August 2017	4.7	36.0	7.4	1.9	4.8	54.8
At 31 August 2018	**4.3**	**35.2**	**6.6**	**1.6**	**6.5**	**54.2**
Institute:						
Cost or valuation						
At 1 September 2017	-	37.2	21.4	3.6	4.3	66.5
Transfers	-	-	3.3	-	(3.3)	-
Additions	-	0.1	0.2	-	5.3	5.6
Disposals	-	-	(0.9)	-	(0.3)	(1.2)
At 31 August 2018	-	37.3	24.0	3.6	6.0	70.9
Accumulated depreciation						
At 1 September 2017	-	1.5	17.5	2.5	-	21.5
Charge for the year	-	0.6	3.2	0.5	-	4.3
Disposals	-	-	(0.3)	-	-	(0.3)
At 31 August 2018	-	2.1	20.4	3.0	-	25.5
Net book values						
At 31 August 2017	-	35.7	3.9	1.1	4.3	45.0
At 31 August 2018	**-**	**35.2**	**3.6**	**0.6**	**6.0**	**45.4**

Assets under construction are transferred to the relevant asset category on becoming operational.

At 31 August 2018, the historical cost of the leasehold property of the Group amounted to £29.0m (2017: £29.4m) and of the Institute amounted to £29.4m (2017: £29.3m).

7. Investments

a) Subsidiaries:

All investments in subsidiaries are deemed mixed motive investments with the exception of the investment in City and Guilds International Limited, which is programme related.

The Group's net movement in funds, a surplus of £13.9m (2017: £16.0m), includes the results of the following nine fully controlled charitable / wholly owned trading subsidiaries all of which are incorporated in the UK and limited by shares unless otherwise stated:

- City and Guilds International Limited, a limited company and a registered charity within the Institute's registration. Together with its overseas subsidiaries it delivers examination and award services overseas.
- City and Guilds Kineo Limited, a limited company that, together with its US subsidiary, helps businesses improve their performance through learning and technology.
- Flexible Learning Networks Limited (traded as Kineo Pacific) a limited company incorporated in New Zealand which provides elearning solutions for corporate and public sector clients.
- The Oxford Group Consulting and Training Holding Company Limited, a limited company that, together with its UK and US subsidiaries, delivers management development, leadership and executive coaching programmes.
- Nine Lanterns Pty Limited, a limited company incorporated in Australia which partners with businesses to create custom-built elearning content and platform solutions.
- Digitalme Limited, a company limited by guarantee that provides a range of design, consultancy and platform services relating to digital credentialing for education providers, employers and professional bodies.
- Radiowaves Schools Limited, a limited company that provides Schools Internet Radio.
- Interact Learning Pty Limited, a limited company incorporated in Australia that, together with its UK and Australia subsidiaries, provides design, development, implementation of training management and compliance solutions.
- Gen II Engineering & Technology Training Limited, a company limited by guarantee that, together with its UK subsidiary promotes apprenticeship training and offers training, educational products and services for the engineering, specialist manufacturing, energy and technology sectors.

The Group also includes the following dormant subsidiaries: NPTC, Guildco Limited, City and Guilds for Business Limited, Screenhold Limited, City and Guilds Enterprises Limited, Learning Assistant Limited, City and Guilds of North America Inc, City and Guilds International (Hungary) Education and Services LLC, City and Guilds (South Asia) Pte Ltd, Business Start-up Training Pty Ltd, Oxford Group Pension Trustees Limited, Nucleus Training Ltd and Nucleus Safety Training Ltd.

7. Investments (continued)

a) Subsidiaries:

The carrying value as well as the performance of these nine subsidiaries is summarised below:

	Company number (Charity number)	Financial Year	Investment £m	Total income £m	Total expenditure £m	Surplus / (deficit) £m	Assets £m	Liabilities £m	Funds £m
City and Guilds International Limited	1894671 (312832)	2018 2017	1.2 1.2	9.9 11.1	(8.4) (10.7)	1.5 0.4	9.5 12.6	(3.1) (7.7)	6.4 4.9
City and Guilds Kineo Limited	7150983 (N/A)	2018 2017	9.7 9.7	19.3 13.2	(17.8) (12.0)	1.5 1.3	5.3 4.6	(4.9) (6.1	0.4 (1.5)
Flexible Learning Network Limited	155963250 (N/A)	2018 2017	2.3 2.3	1.0 1.9	(1.5) (1.9)	(0.5) (0.0)	0.5 0.8	(1.3) (1.0)	(0.8) (0.2)
The Oxford Group	6074029 (N/A)	2018 2017	6.2 6.2	7.5 7.4	(7.7) (6.7)	(0.2) 0.7	5.4 4.9	(2.8) (3.4)	2.6 1.5
Nine Lanterns Pty Limited	ACN 098 839 082 (N/A)	2018 2017	1.8 1.8	1.2 1.4	(1.4) (1.9)	(0.2) (0.5)	(0.4) 0.2	(0.3) (0.8)	(0.7) (0.6)
Digitalme Limited	05303626 (N/A)	2018 2017	- -	0.1 0.1	(0.4) (0.3)	(0.3) (0.3)	0.1 0.0	(0.8) (0.4)	(0.6) (0.4)
Radiowaves Schools Limited	05774430 (N/A)	2018 2017	1.0 1.0	0.2 0.2	(0.7) (0.6)	(0.5) (0.3)	0.2 0.3	(1.2) (0.8)	(0.9) (0.5)
Interact Learning Pty Limited	095674285 (N/A)	2018 2017	17.4 20.5	5.8 5.6	(6.8) (6.4)	(1.0) (0.8)	5.2 5.4	(4.9) (3.9)	0.3 1.6
Gen II Engineering & Technology Training Ltd	03804696 (N/A)	2018 2017	8.8 8.8	10.6 3.0	(10.0) (3.2)	0.6 (0.2)	7.8 7.7	(2.1) (1.9)	5.7 5.8

During the financial year, the Group carried out a review of the recoverable amount of the investment in Interact Learning Pty Limited due to the slower than expected revenue growth. The review led to the recognition of an impairment loss of £2.9m that has been recognised in the Institute's Statement of Financial Activities. The recoverable amount of the investment of £17.4m has been determined on the basis of its value in use. The discount rate used in measuring value in use was 10.0%.

b) Associate:

	Group 31 August 2018 £m	31 August 2017 £m	Institute 31 August 2018 £m	31 August 2017 £m
Investment in Associates				
Manipal City & Guilds Pte Limited				
At 1 September	0.1	0.1	-	-
Capital injection	-	0.2	-	-
Share of retained loss	(0.1)	(0.2)	-	-
At 31 August	-	0.1	-	-

The Group holds, through City and Guilds (Asia) Pte Limited (a subsidiary of City and Guilds International Limited), 49% (2017: 49%) of the share capital in Manipal City & Guilds Pte Limited, a company incorporated in India.

c) Other:

	Group 31 August 2018 £m	31 August 2017 £m	Institute 31 August 2018 £m	31 August 2017 £m
At 1 September	24.3	19.5	24.0	19.2
Additions	52.3	2.4	52.3	2.4
Disposals	(30.2)	-	(30.2)	-
Net loss – realised	(0.8)	1.8	(0.8)	1.8
Net gain – unrealised	-	-	-	-
Income reinvested	0.2	0.6	0.2	0.6
31 August	45.8	24.3	45.5	24.0

Other investments are comprised of 89% (2017: 81%) listed investments in the year.

Holdings in the listed investments in excess of 5% (2017: 5%) of the market value of the portfolio at 31 August 2018 are as follows: 44.5% (2017: nil%) is invested in the Barings Dynamic Asset Allocation Fund, 44.3% (2017: nil%) is invested in the Insight Broad Opportunities Fund, nil% (2017: 74.9%) is invested in the Blackrock ChariTrak UK Equity Accumulation Fund and nil% (2017: 6.1%) in the CCLA COIF Fund.

At 31 August 2018, the historical cost of these listed fixed asset investments of the Group amounted to £40.0m (2017: £18.4m) and of the Institute amounted to £40.0m (2017: £18.4m).

Holdings in the unlisted investments included £0.3m in Totara Learning Solutions Ltd, £0.6m in MyKindaFuture Ltd, £1.2m in Filtered Technologies Limited (formerly Excel With Business Ltd), £1.5m in Credly Inc, £0.5m in GetMyFirstJob Ltd (fully impaired during the year), £0.7m in EmpowerTheUser Ltd and £1.0m in HT2 Ltd.

8. Debtors: Amounts falling due within one year

	Group 31 August 2018 £m	31 August 2017 £m	Institute 31 August 2018 £m	31 August 2017 £m
Trade debtors	15.8	18.3	8.0	10.0
Amounts owed by subsidiary undertakings	-	-	1.4	5.2
Other debtors	2.7	2.0	1.2	0.9
Prepayments	4.8	4.7	4.0	3.7
At 31 August	23.3	25.0	14.6	19.8

All debtors fall due for payment within one year.

The impairment loss recognised in the Group net income for the period in respect of bad and doubtful trade debtors was £0.5m (2017: £0.2m). The impairment loss recognised in the Institute net income for the period in respect of bad and doubtful trade debts was £0.3m (2017: £0.1m).

9. Debtors: Amounts falling due after one year

	Group 31 August 2018 £m	31 August 2017 £m	Institute 31 August 2018 £m	31 August 2017 £m
Concessionary loans owed by subsidiary undertakings	-	-	5.1	6.6

The above included amounts owed by City and Guilds International Limited, a subsidiary to the Institute. Interest is chargeable at concessionary rate for these loans.

10. Creditors: amounts falling due within one year

	Group 31 August 2018 £m	31 August 2017 £m	Institute 31 August 2018 £m	31 August 2017 £m
Trade creditors	4.3	4.7	2.2	2.6
Taxation and social security	3.6	2.2	2.9	1.3
Other creditors	1.6	3.4	1.3	3.2
Accruals	8.9	10.0	5.7	6.5
Deferred consideration	0.1	2.1	0.1	2.1
Deferred income – see below	15.3	15.6	7.6	9.0
	33.8	38.0	19.8	24.7

Deferred income:

	Group 31 August 2018 £m	31 August 2017 £m	Institute 31 August 2018 £m	31 August 2017 £m
At 1 September	15.6	12.5	9.0	8.7
Deferred in the year	15.3	15.6	7.6	9.0
Released in the year	(15.6)	(12.5)	(9.0)	(8.7)
	15.3	15.6	7.6	9.0

11. Creditors: amounts falling due after one year

	Group 31 August 2018 £m	31 August 2017 £m	Institute 31 August 2018 £m	31 August 2017 £m
Other creditors	2.2	2.1	2.2	2.1
Deferred consideration	0.1	0.3	-	0.2
	2.3	2.4	2.2	2.3

12. Provisions for liabilities and charges

	Group 31 August 2018 £m	31 August 2017 £m	Institute 31 August 2018 £m	31 August 2017 £m
At 1 September	1.4	0.9	1.1	0.7
Provided in the year	0.6	0.7	0.6	0.6
Utilised in the year	-	(0.2)	-	(0.2)
At 31 August	2.0	1.4	1.7	1.1

The above totals for both Group and Institute contain an amount of £1.0m relating to a Long-Term Incentive Plan (2017: £0.5m). The Long-Term Incentive Plan liability is payable in the year ended 31 August 2020, subject to performance conditions being met.

The remaining balance relates to a provision for the dilapidation cost that will crystallise on termination of building leases. The exact cost of these dilapidations will only be known once the lease is terminated.

13. Funds

Analysis of Group net assets between funds:

	Restricted £m	Unrestricted £m	At 31 August 2018 £m	Restricted £m	Unrestricted £m	At 31 August 2017 £m
Fixed Assets	-	84.5	84.5	-	89.1	89.1
Investments	3.7	42.1	45.8	1.5	22.9	24.4
Net current assets	-	11.3	11.3	2.3	33.1	35.4
Provisions	-	(2.0)	(2.0)	-	(1.4)	(1.4)
Creditors: amounts falling due after one year	-	(2.3)	(2.3)	-	(2.4)	(2.4)
Defined benefit pension scheme liability	-	(32.1)	(32.1)	-	(53.8)	(53.8)
Net assets at 31 August	3.7	101.5	105.2	3.8	87.5	91.3

13. Funds (continued)

Analysis of movement in the funds of the Charity:

	At 1 September 2017 £m	Income £m	Expenditure £m	Other Movements £m	At 31 August 2018 £m
Group:					
Unrestricted					
General	129.4	143.6	(150.2)	(0.7)	122.1
Revaluation reserve	7.5	-	-	-	7.5
Skills Development Fund	4.4	-	(0.4)	-	4.0
Defined benefit pension scheme liability	(53.8)	-	(4.2)	25.9	(32.1)
Total unrestricted funds	87.5	143.6	(154.8)	25.2	101.5
Restricted					
NPTC	3.8	-	(0.2)	0.1	3.7
Total restricted funds	3.8	-	(0.2)	0.1	3.7
Total	**91.3**	**143.6**	**(155.0)**	**25.3**	**105.2**
Institute:					
Unrestricted					
General	136.9	89.7	(94.7)	(0.6)	131.3
Revaluation reserve	7.5	-	-	-	7.5
Skills Development Fund	4.4	-	(0.4)	-	4.0
Defined benefit pension scheme liability	(53.8)	-	(4.2)	25.9	(32.1)
Total unrestricted funds	95.0	89.7	(99.3)	25.3	110.7
Restricted					
NPTC	3.8	-	(0.2)	0.1	3.7
Total restricted funds	3.8	-	(0.2)	0.1	3.7
Total	**98.8**	**89.7**	**(99.5)**	**25.4**	**114.4**

13. Funds (continued)

Analysis of movement in the funds of the Charity – prior year:

	At 1 September 2016 £m	Income £m	Expenditure £m	Other Movements £m	At 31 August 2017 £m
Group:					
Unrestricted					
General	121.7	142.5	(136.0)	1.2	129.4
Revaluation reserve	7.7	-	-	(0.2)	7.5
Skills Development Fund	4.8	-	(0.4)	-	4.4
Defined benefit pension scheme liability	(62.7)	-	(5.3)	14.2	(53.8)
Total unrestricted funds	71.5	142.5	(141.7)	15.2	87.5
Restricted					
NPTC	3.8	0.1	(0.2)	0.1	3.8
Total restricted funds	3.8	0.1	(0.2)	0.1	3.8
Total	**75.3**	**142.6**	**(141.9)**	**15.3**	**91.3**
Institute:					
Unrestricted					
General	124.9	94.6	(84.5)	1.9	136.9
Revaluation reserve	7.7	-	-	(0.2)	7.5
Skills Development Fund	4.8	-	(0.4)	-	4.4
Defined benefit pension scheme liability	(62.7)	-	(5.3)	14.2	(53.8)
Total unrestricted funds	74.7	94.6	(90.2)	15.9	95.0
Restricted					
NPTC	3.8	0.1	(0.2)	0.1	3.8
Total restricted funds	3.8	0.1	(0.2)	0.1	3.8
Total	**78.5**	**94.7**	**(90.4)**	**16.0**	**98.8**

Unrestricted

Institute
Within the Institute's unrestricted funds are prize and trust funds of £0.02m (2017: £0.02m).

Subsidiary charities
The unrestricted funds of each subsidiary are given in Note 7(a).

Designated
The Skills Development Fund was created by the Institute. Its aim is to invest in new and innovative activities which have a demonstrable impact; create long-term and sustainable change; deliver real benefit to the education sector, employers and/or learners; and reflect the Group's global profile.

Restricted

NPTC
The NPTC Fund relates to assets transferred from NPTC whose use is restricted to the advancement of education and training by means of the establishment and/or administration of schemes of Proficiency Tests, Vocational Qualifications, Certificates of Competence, Certificates of Qualification and other such awards in agriculture, horticulture, forestry and other industries as the Charity shall from time to time decide. It is the intention of the Trustees of The City and Guilds of London Institute to continue to support specific land-based activities through such things as research, grants and bursaries, product development and other industry initiatives.

14. Reconciliation of net income to cash flows from operating activities

	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m
Net (expenditure) / income	(11.5)	2.4
Adjust for non-cash items:		
Net outgoing resources of associate	0.1	0.2
Investment income	(0.4)	(0.9)
Depreciation	6.4	6.0
Amortisation	4.3	3.8
Taxation	0.3	0.2
Gain on investment assets	-	(1.9)
Loss on disposal of fixed assets	1.1	-
Impairment in investment	0.6	-
Decrease in stock	-	-
Decrease in debtors	1.4	3.3
Decrease in creditors	(2.2)	(6.3)
Increase in provisions	0.6	0.5
Pension deficit movement	4.2	5.3
Cash flows from operating activities	4.9	12.6

15. Group staff costs

	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m
Wages and salaries	59.8	59.2
Social security	5.9	5.6
Severance payments	1.0	0.3
Pension	11.2	11.8
	77.9	76.9

The above staff costs include bonus and long service award costs.

	Year ended 31 August 2018	Year ended 31 August 2017
Average number of staff:		
Educational services	1,371	1,281
Governance	2	2
	1,373	1,283

15. Group staff costs (continued)

	Year ended 31 August 2018 (excl. TP)	Year ended 31 August 2018 (incl. TP)	Year ended 31 August 2017
Number of staff whose emoluments fell within the following bands:			
£60,001–£70,000	81	100	59
£70,001–£80,000	70	75	48
£80,001–£90,000	36	41	24
£90,001–£100,000	12	20	17
£100,001–£110,000	12	12	11
£110,001–£120,000	10	11	7
£120,001–£130,000	6	8	5
£130,001–£140,000	4	4	4
£140,001–£150,000	2	2	2
£150,001–£160,000	5	4	2
£160,001–£170,000	2	3	1
£170,001–£180,000	-	-	3
£180,001–£190,000	2	2	1
£200,001–£210,000	1	1	2
£210,001–£220,000	1	-	1
£220,001–£230,000	1	2	1
£230,001–£240,000	1	1	-
£250,001–£260,000	-	-	2
£290,001–£300,000	-	-	1
£340,001–£350,000	1	1	-
£370,001–£380,000	-	-	1
£450,001–£460,000	-	-	1
£480,001–£490,000	-	-	1*
£510,001–£520,000	-	-	1*
£690,001–£700,000	-	-	1*

Emoluments in the above bands comprise salaries, bonus, benefits in kind, severance payments of £0.9m (2017: £0.6m), contingent consideration relating to acquisitions of £nil (2017: £1.8m) and long-term incentive plan payments of £nil (2017: £nil). TP denotes pension scheme closure transition payments taken as cash.

*indicates staff whose emoluments include contingent consideration relating to acquisitions.

99 of these staff (2017: 122) accrued retirement benefits under the defined benefit section of the City and Guilds (1966) Pension Scheme until it was closed on 30 June 2018. 120 of these staff (2017: 28) are accruing retirement benefits under defined contribution arrangements during the year. Contributions to the defined contribution scheme in respect of these 120 were £0.3m (2017: £0.1m).

The total compensation paid to key management personnel for services provided to the Group was £1.9m (2017: £2.8m) including £0.1m (2017: £0.1m) of employers' pension contribution.

16. Expenses reimbursed to Trustees

	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m
Travel and subsistence expenses reimbursed	0.01	0.01

	Year ended 31 August 2018	Year ended 31 August 2017
Number of Trustees in receipt of expense reimbursements	11	9

17. Emoluments to Trustees

Indemnity insurance is paid on the Trustees' behalf. No remuneration was paid to any trustee during the year nor did they receive any other benefits from employment with the charity or its subsidiaries during the year.

18. Operating leases

Minimum lease payments under non-cancellable operating leases were as follows:

Operating leases that expire:	Group 31 August 2018 £m	31 August 2017 £m	Institute 31 August 2018 £m	31 August 2017 £m
Land and buildings:				
Within one year	1.9	2.3	0.7	1.0
In two to five years	2.0	3.3	0.9	1.5
Over five years	18.4	18.5	18.4	18.5
Other:				
Within one year	0.2	0.2	0.2	0.2
In two to five years	0.2	0.1	0.1	0.1

19. Pensions

The Institute provides a pension scheme, the City and Guilds (1966) Pension Scheme, which comprises both defined benefit sections and defined contribution sections. Total contributions to the defined contribution sections for the year were £2.0m (2017: £1.9m). Both sections are approved by HM Revenue and Customs with their assets each held separately from those of the Group.

There were no prepaid or outstanding contributions in relation to either of the two defined contribution schemes as at 31 August 2018.

A triennial valuation of the City & Guilds (1966) Pension scheme is being carried out by independent qualified actuaries, Willis Towers Watson at 30 September 2017. We are expecting this valuation to disclose a funding deficit amounting to £50.0m and require the deficit recovery plan annual contributions to increase to £5.0m from 1st September 2018 for 10 years.

The scheme is closed to new entrants and has been closed to future accrual since 30 June 2018.

The courts have recently ruled that benefits arising in respect of guaranteed minimum pensions of the Lloyds Banking Group should be equalised. The Trustees cannot yet quantify what impact, if any, this will have on liabilities within the City and Guilds defined benefit pension scheme.

The final salary section of the scheme was closed to future accrual on 1 April 2009.

Disclosure in relation to the defined benefit scheme is in accordance with FRS 102.

a) Amounts recognised in the Balance Sheets

	31 August 2018 £m	31 August 2017 £m
Fair value of Scheme assets	201.5	195.7
Present value of funded obligations	(233.6)	(249.5)
Net liability	(32.1)	(53.8)

b) Amounts recognised in the Statement of Financial Activities

	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m
Current service cost	(7.6)	(9.2)
Net interest charge	(1.3)	(1.3)
Total included in net income	(8.9)	(10.5)
Actuarial gain	22.8	4.9
Return on assets greater than discount rate	3.1	9.3
Total credit in Statement of Financial Activities	17.0	3.7

Actual return on Scheme assets was £7.8m (2017: £13.1m).

c) Changes in the present value of the Scheme obligations

	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m
At 1 September	249.5	246.2
Service cost	7.6	9.2
Interest charge on Scheme liabilities	6.0	5.1
Gain on change in assumptions	(16.6)	(4.9)
Experience loss	(6.2)	-
Benefit payments	(6.8)	(6.2)
Expenses payments	(0.8)	(0.9)
Member contributions	0.9	1.0
At 31 August	233.6	249.5

d) Changes in fair value of Scheme assets

	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m
At 1 September	195.7	183.5
Interest on assets	4.7	3.8
Return on assets	3.1	9.3
Institute contributions	4.7	5.2
Member contributions	0.9	1.0
Actuarial adjustments	-	-
Benefit payments	(6.8)	(6.2)
Expenses payments	(0.8)	(0.9)
At 31 August	201.5	195.7

The Group expects to make normal contributions of £nil (2017: £3.6m) and deficit payments of £5.0m (2017: £1.6m) during the next financial year.

19. Pensions (continued)

e) Major categories of assets as % of total assets

	Year ended 31 August 2018 %	Year ended 31 August 2017 %
Equities	21.1	19.5
Bonds	23.3	24.0
Property	6.6	6.3
Diversified Growth Funds	49.1	48.4

f) Principal actuarial assumptions at the Balance Sheet date

	Year ended 31 August 2018 %	Year ended 31 August 2017 %
Rate of increase in salaries above inflation rate	0.75	0.75
Rate of increase in pensions in payment	2.90	2.90
Discount rate	2.70	2.40
Inflation rate assumption (RPI)	3.10	3.10
Inflation rate assumption (CPI)	2.10	2.10

The post-retirement mortality assumptions adopted at 31 August 2018 are in line with the standard SAPS S2 All Pensioners tables with a multiplier of 92% and future improvements based on the CMI 2017 projections with a long-term trend of 1.25% pa.

g) History of deficit and experience gains and losses

	31 August 2018 £m	31 August 2018 % of assets	31 August 2017 £m	31 August 2016 £m	31 August 2015 £m	31 August 2014 £m	31 August 2013 £m
Scheme assets	201.5		195.7	183.5	156.8	142.4	123.7
Scheme obligations	(233.6)		(249.5)	(246.2)	(183.8)	(176.2)	(158.0)
Deficit	(32.1)		(53.8)	(62.7)	(27.0)	(33.8)	(34.3)
Experience adjustments on assets	-	0.0%	-	-	(0.3)	9.8	6.5
Experience adjustments on liabilities	6.2	3.1%	-	(0.2)	5.5	0.9	(0.6)
Gain / (loss) on change in assumptions	16.6		4.9	(54.4)	(5.3)	(10.3)	(9.6)
Actuarial gain / (loss)	22.8	9.8%	4.9	(54.6)	(0.1)	0.4	(3.7)

20. Parent Charity Income and Expenditure account

The City and Guilds of London Institute has not presented its own Income and Expenditure account. The income of the parent Charity is £89.7m (2017: £94.7m) and the surplus for the year to 31 August 2018 is £15.6m (2017: £20.4m).

21. Related party transactions

Transactions with related parties are set out below.

	Note	As at 31 August 2018 Amounts due from £m	As at 31 August 2018 Amounts due to £m	Year ended 31 August 2018 Sales to £m	Year ended 31 August 2018 Purchases from £m	As at 31 August 2017 Amounts due from £m	As at 31 August 2017 Amounts due to £m	Year ended 31 August 2017 Sales to £m	Year ended 31 August 2017 Purchases from £m
Institute: Subsidiary undertakings	a								
City and Guilds International Limited		0.2	-	5.0	-	4.8	-	6.9	0.2
Screenhold Limited		-	-	-	-	-	-	-	-
City and Guilds Enterprises		-	-	-	-	-	-	-	-
Guildco Limited		-	0.5	-	-	-	0.5	-	-
City and Guilds for Business Limited		-	-	-	-	-	0.5	-	-
Learning Assistant Limited		-	-	-	-	-	-	-	-
City and Guilds Kineo Limited		1.5	-	2.6	-	3.0	-	2.4	-
Flexible Learning Network Limited		-	0.2	-	-	-	-	-	-
The Oxford Group		-	-	-	-	0.8	-	-	-
Nine Lanterns Pty Limited		0.5	-	-	-	-	-	-	-
Digitalme Limited		0.6	-	-	-	0.4	-	-	-
Radiowaves Schools Limited		1.1	-	-	-	0.7	-	-	-
Interact Learning Pty Limited		-	-	-	-	-	-	-	-
Gen II Engineering & Technology Training Ltd		-	-	-	-	0.5	-	-	-
Total		3.9	0.7	7.6	-	10.2	1.0	9.3	0.2

a) Unless specified otherwise, amounts due from and to subsidiary undertakings are repayable on demand. Transactions with subsidiary undertakings are primarily for intra-group services and cross company recharges.

Details of transactions with other Group companies (that are not wholly owned subsidiaries) are set out below.

The City and Guilds of London Institute paid £0.03m (2017: £0.24m) to Manipal City & Guilds Pte Limited in the period for services provided. £nil (2017: £nil) was outstanding at the period end.

City and Guilds Kineo Limited paid £0.61m (2017: £0.43m) to Totara Learning Solutions Limited for services provided. £nil (2017: £nil) was due to Totara Learning Solutions Limited at the year end.

22. Financial instruments

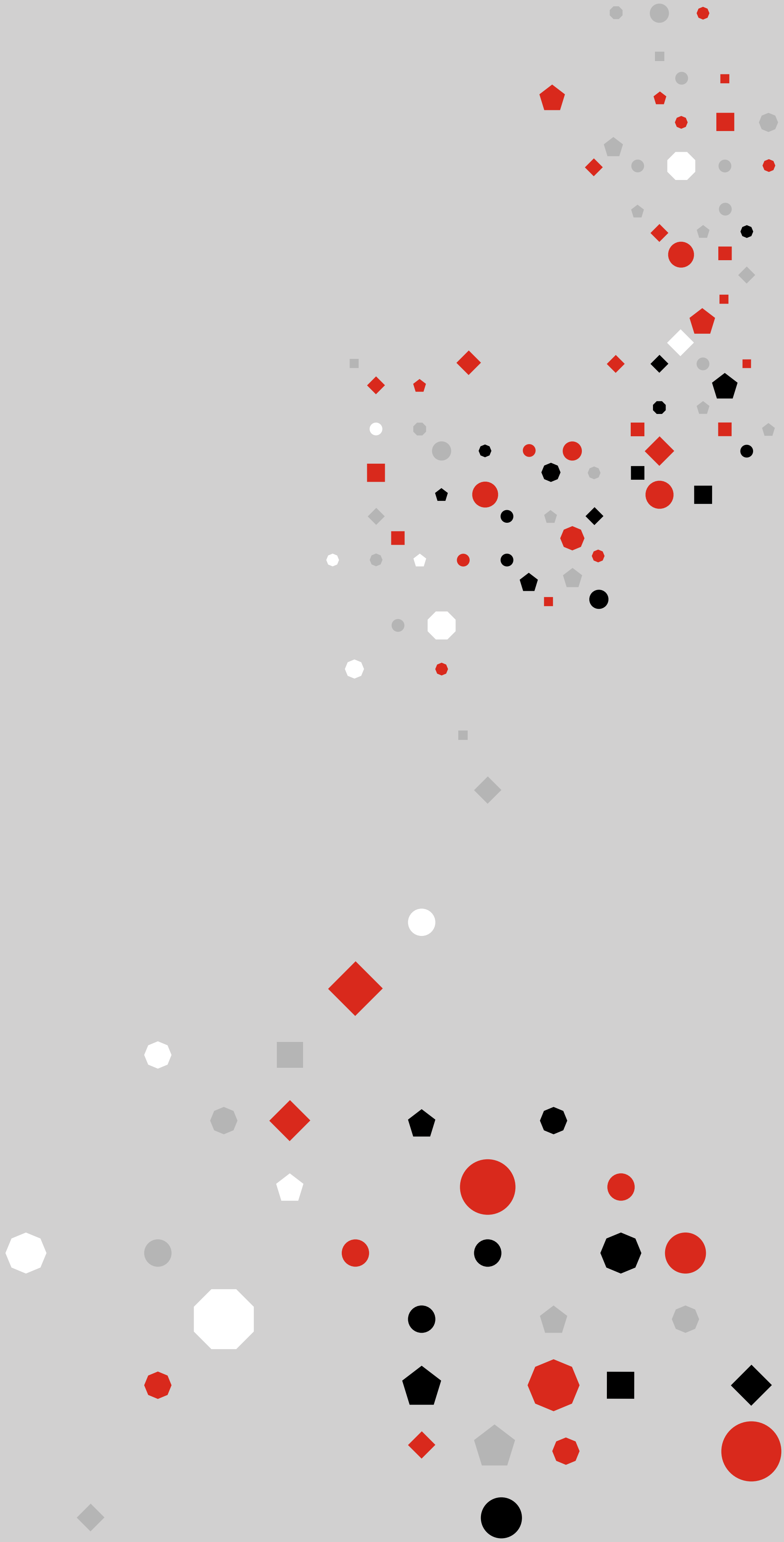
The Group's and Institute's financial instruments may be analysed as follows:

	Group 31 August 2018 £m	31 August 2017 £m	Institute 31 August 2018 £m	31 August 2017 £m
Financial assets				
Financial assets measured at amortised cost				
Cash at bank and in hand	21.8	48.4	10.7	33.4
Trade debtors	15.8	18.3	8.0	10.0
Amounts owed by subsidiary undertakings	-	-	6.5	11.8
Other debtors	2.7	2.0	1.2	0.9
Prepayments	4.8	4.7	4.0	3.7
Financial assets measured at fair value through profit or loss				
Other investments	40.7	19.7	40.7	19.7
Total financial assets	85.8	93.1	71.1	79.5
Financial liabilities				
Financial liabilities measured at amortised cost				
Trade creditors	4.3	4.7	2.2	2.6
Taxation and social security	3.6	2.2	2.9	1.3
Other creditors	3.8	5.5	3.5	5.3
Accruals	8.9	10.0	5.7	6.5
Deferred consideration	0.2	2.4	0.1	2.3
Deferred income	15.3	15.6	7.6	9.0
Total financial liabilities	36.1	40.4	22.0	27.0

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, other debtors, prepayments and amounts owed by subsidiary undertakings.

Financial assets measured at fair value through profit or loss comprise other investments in a trading portfolio of listed company shares.

Financial liabilities measured at amortised costs comprise trade creditors, other creditors, accruals, deferred consideration, deferred income and amounts owed to subsidiary undertakings.



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