

# Trustees, Director General, Secretary and Advisers

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*Chairman of Council*

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*Vice-Chairman of Council*  
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*Resigned 21 March 2016*

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*Appointed 22 October 2015*

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*Appointed 22 October 2015*

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Dr A G Limb CBE FCGI

T R Sermon MBE FCIS HonFCGI  
*Resigned 22 October 2015*

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

**Other Key Management Personnel**  
J T Conybeare-Cross  
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S Saxton  
*Group Director, People & Organisation Development*

P T Ellaway  
*Group Strategy Director*

K Donnelly  
*Managing Director, City & Guilds*

M Johnson  
*Managing Director, Kineo*

J Yates  
*Managing Director, ILM and New Ventures Director*

M Dawe  
*Managing Director, Global Skills Development Services*

## Principal Office

1 Giltspur Street  
London EC1A 9DD

## 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

BlackRock Global Investors Ltd  
12 Throgmorton Ave  
London EC2N 2DL

CCLA Investment Management Ltd  
Senator House  
85 Queen Victoria St  
London EC4V 4ET

## 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

## The City and Guilds of London Institute

Incorporated by Royal Charter  
Founded 1878

1 Giltspur Street  
London EC1A 9DD

T 020 7294 2468  
F 020 7294 2400  
info@cityandguildsgroup.com  
www.cityandguildsgroup.com

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## Introduction

The trustees ('the Trustees') of The City and Guilds of London Institute ('the Institute') present their Annual Report and the Consolidated Financial Statements for the year ending 31 August 2016. In preparing them, the Trustees have complied with the relevant legislation and adopted the provisions of 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) ('SORP 2015').

The Institute's principal office is set out on the inside front cover of this Report, together with the names of the Trustees at the date on which this Report was approved, any other Trustees who served during the year ending 31 August 2016, the Director-General, the Secretary, the external and internal auditors, the investment advisers, the principal bankers, the actuaries, and the principal legal advisers.

## Pioneers in skills development since 1878

The Institute was founded in 1878 by the Corporation of the City of London and livery companies (the Guilds) to protect and promote the standard of technical education.

The Institute was granted a Royal Charter by Queen Victoria on 26 October 1900. Its purposes and administration are regulated by the Royal Charter and the associated Supplemental Charters, Statutes, Ordinances and Standing Orders. It has retained its link with the Royal Family since 1881 when the Prince of Wales (who later became King Edward VII) became its first President. Today, the President of the Institute is Her Royal Highness The Princess Royal.

The Institute was registered as a charity in England and Wales (312832) in 1965 and is now also registered as a charity in Scotland (SC039576). It is the founding organisation of the City & Guilds Group ('the Group') and its businesses, and the awarding body recognised by the UK qualifications regulators for City & Guilds and ILM qualifications.



## Objectives and activities

# Our heritage makes us uniquely positioned to understand the future of work and learning

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.

Our heritage makes us uniquely positioned to understand the future of work and learning. We have always worked closely with industry and adapted to changing technical, social and economic trends to anticipate and fill skills gaps. The outcome is more confident, mobile and work-ready candidates, more capable and inspiring leaders, more productive workforces and successful economies.



## Key findings

1,302

hours of employee volunteering  
given across community  
programmes

20

fellowships  
awarded

26

industries covered by  
City & Guilds qualifications  
and learning programmes

£750k<sup>+</sup>

committed by our Skills Development  
Fund to create long-term  
social change

2m<sup>+</sup>

registrations for a City & Guilds  
or ILM qualification last year

95%

clients rated Kineo  
as 'excellent' or  
'very good'

20m<sup>+</sup>

people have received  
one of our qualifications  
since 2000

95k

managers took ILM  
qualifications last year

33

organisations awarded  
Princess Royal  
Training Awards

200

new standards in development  
with employers

137

apprenticeship  
frameworks offered  
by City & Guilds

90%

of staff connect strongly  
with our purpose

100

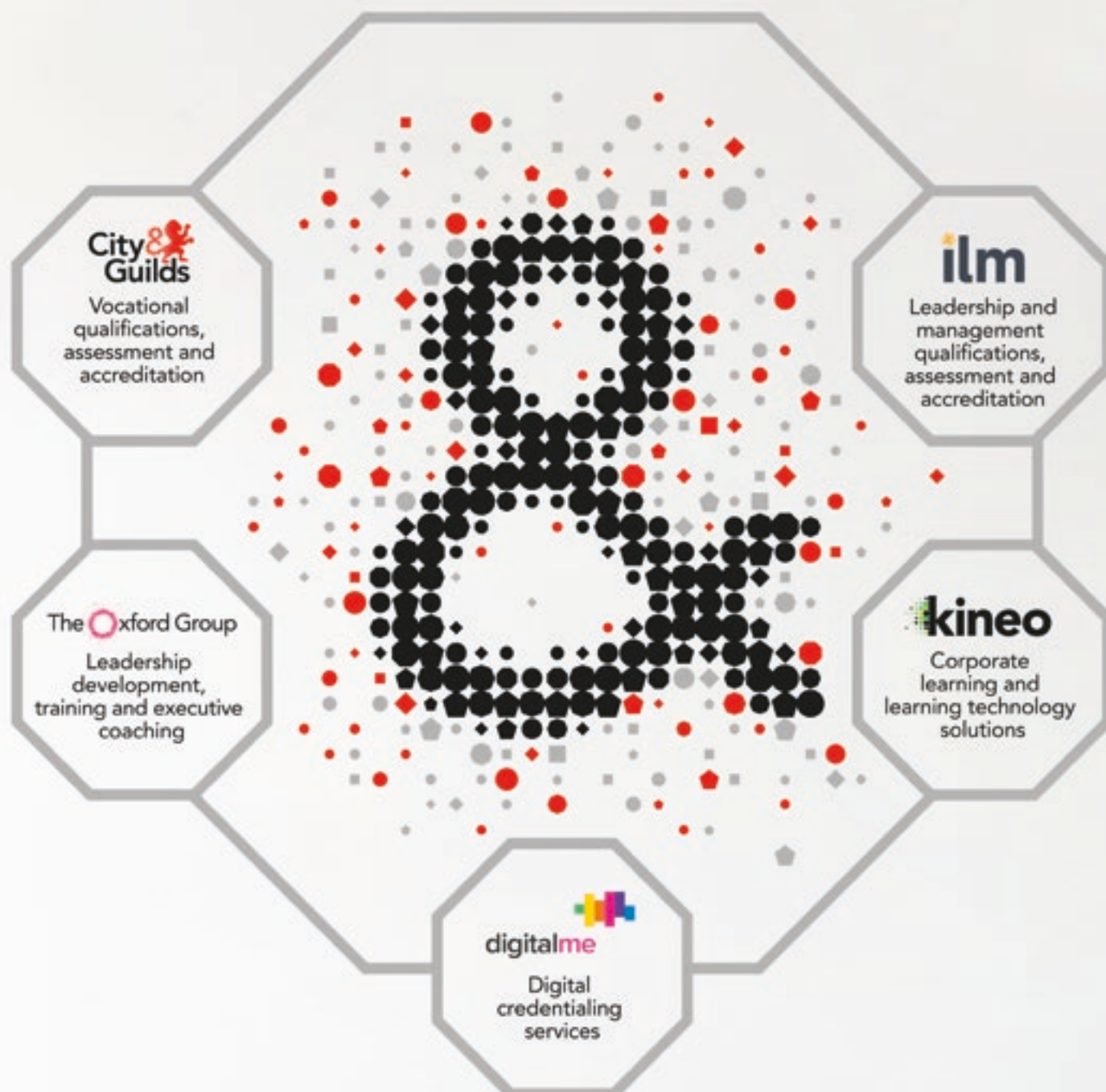
scholarships provided  
in India co-funded with  
Manipal Foundation



The City and Guilds  
of London Institute

# City&Guilds Group

Helping people, organisations and economies  
develop their skills for growth



'A key role of the City & Guilds Group is encouraging the development of skills that individuals and businesses, both large and small, need to ensure success. The Princess Royal Training Awards provide a platform for that commitment to be recognised, celebrated and most importantly, shared.'

—HRH The Princess Royal  
President, The City and Guilds of London Institute



## Objectives and activities

### Our growing business portfolio

The Group's longest-established business is City & Guilds. City & Guilds provides vocational qualifications, learning resources, assessment and accreditation to colleges and training providers to equip people with the skills to drive business and economic growth. City & Guilds qualifications and learning programmes are available across 26 industries and on six continents. Over the past 5 years there have been an average of over 2 million City & Guilds learners each year.

One of City & Guilds' key learning programmes is apprenticeships. Apprenticeships combine on-the-job experience with elearning to make sure apprentices gain the skills needed to move onto the next job. Taking part in these programmes helps organisations build a more qualified and better-trained workforce with the right skills for the job. City & Guilds offers the widest choice in the UK with over 135 frameworks available. Our apprenticeships are seen as the benchmark in key industries – from agriculture to engineering, management to hairdressing.

The City & Guilds Group businesses also include ILM, Kineo, The Oxford Group and Digitalme. Our businesses currently operate in Europe, the Americas, Africa, Middle East, Asia, and the Pacific. We have more than 10,000 approved training centres and partners worldwide.

Together, our group of businesses set the standards for work-based and corporate learning, on-the-job development, and skills recognition around the world. We make skills and careers portable.

We know our products work; from vocational qualifications, learning resources and assessments through elearning and learning technologies, to accreditation and training delivery. And we continue to expand the range of our products through acquisitions. We also invest in exciting new ventures that support the future of skills development.



### How we deliver value

As the market leaders in skills education and leadership and management qualifications, we deliver value for our customers by being a single supplier for elearning, training support services, accreditation, and digital credentialing services, and providing a broad and imaginative range of products and services. For example:

- Through Kineo we offer award winning elearning which 95% of clients have rated as 'excellent' or 'very good'. Kineo is also consistently ranked as a top 20 service provider by trainingindustry.com and the Totara Learning Management System is used by more than 7 million elearners worldwide.
- We are the internationally recognised standard for vocational qualifications through City & Guilds and ILM. It is estimated that since 2000 over 20 million people have received a qualification from the Group.
- 95,000 managers took an ILM qualification in the year ending 31 August 2016 with one million supported to date, including management apprenticeships which focus on developing practical leadership skills through a combination of on-the-job and theory-based training.
- We offer leadership training and coaching from The Oxford Group, which delivers measurable business results for our clients in over 60 countries and in 29 languages through a global network of over 200 leadership training consultants.
- Digitalme offers digital credentialing services including open badges for young people to share their skills in a digital world.
- We conduct international research to inform skills development and provision.
- We offer expert opinion on global skills development issues such as the future of work and learning, skilled labour mobility and productivity.

### Who we work with

- Governments – to provide vocational education systems that meet regional skills needs and ultimately lead to growing economies.
- Learning providers – to provide centre support and consultancy services that lead to cost savings and increased efficiencies.
- Employers – to provide validation of candidates' skills, effective corporate learning and accreditation of learning and development programmes that leads to more productive workforces and increased efficiencies.
- Senior executives – to provide leadership training and coaching that lead to more capable and inspiring managers and measurable business results.
- Individual learners – to provide industry-recognised, market leading qualifications and credentials that lead to more confident and work-ready candidates.

### Our people/working with us

Across the Group, our people make us who we are. They range from employees to the Trustee and Management Boards, the Council, and Fellows of the Institute. All of our people are motivated by our shared purpose and ambition to lead skills development around the world and are committed to our core values – leadership, imagination and integrity – which inspire everything we do. They guide the way we work, our products and services, and how we act each and every day.

We value equality, diversity and inclusion in our employees, and we have positive plans in place to improve in these areas as an organisation. We launched an equality, diversity and inclusion programme that includes improving data and benchmarking by making changes to our recruitment strategy, raising awareness in the organisation and communicating our progress to employees. Currently 48.1% of the managers in our Group functions, Support Services and City & Guilds, ILM and Kineo businesses are female and 13.8% are from Black, Asian, Minority, and Ethnic (BAME) backgrounds. Our focus areas are to increase the number of BAME individuals in management positions (currently 5.7%), to increase the number of applications of individuals with multiple barriers to enter the workplace (currently 2.5%), and to increase the number of staff who have declared all the relevant personal data (currently 67%) so that we have a complete picture of our organisation.

We completed our first milestone to improve data and benchmarking by launching a campaign asking employees to anonymously log data about age, gender, ethnicity and disability so that we have 100% completion. We have also chosen to partner with Business in the Community (BITC) to submit our data for benchmarking to assess our organisation based on gender, race, age diversity and employee wellbeing, and we plan to publish our progress each year going forward.





## Worldchefs

Professional hospitality body Worldchefs teamed up with City & Guilds to launch a new digital tool allowing professional chefs to gain certification 'on the job'.



**The Global Culinary Certification programme allows participants to be fully recognised for their existing skills gained while working in the industry.**

The globally-recognised certifications include various levels of culinary education, pastry chef skills, and 'master chef' skills, and are available entirely online, meaning chefs do not have to travel or take time out of their day jobs to complete them.

The certificates range from the Certified Professional Cook (Commis Chef) requiring three years' professional experience in cooking or baking, to the Certified Master Chef title, suitable for chefs with a minimum of ten years' professional cooking who also hold the role of executive chef or equivalent.

Medium-level qualifications include the Certified Pastry Chef, suitable for a pastry chef or baker with at least seven years' professional experience.

Chefs taking part in the courses can showcase their skills online, and graduates receive sharable digital badges developed by Digitalme that they can use on social media and job sites, advertising the qualification to employers and colleagues.

Kirstie Donnelly, managing director at City & Guilds said: 'The Worldchefs global culinary certification has been well received by governments around the world and applauded by the industry and we are really excited about its potential to raise global standards of culinary excellence.'



‘Having internationally recognised standards that are earned online and recognised across the world will allow chefs to travel wherever their talents are in demand and help employers across the globe access the skilled workforces they need.’

—Kirstie Donnelly  
Managing Director  
City & Guilds

Tiana Locker  
Presenting at Work  
Experience Open Day



## Objectives and activities

We have worked to lessen the barriers in our recruitment process by removing the requirement for applicants to have qualifications, and have signed up to the Armed Forces Covenant to support members of the Armed Forces community. We have also set up a working group to review our current recruitment and employment processes and policies to see what we do well, what we can do better, and how we compare to other organisations.

We offer many sustainable initiatives to help our people maximise their impact on the community including organising staff volunteering days and matching charitable donations. Each employee is allowed to take three days per year for volunteering and we match donations up to £200 per employee, which helped us reach 22 charities. Due to these initiatives, 186 employees volunteered in their local communities, providing 1302 hours of service. In addition, City & Guilds employees spent 560 hours attending The Skills Show to engage with young people.

We provide a wide range of personal development tools including the same programmes we offer to our customers via Kineo's elearning platform Totara. In addition to offering a huge library of elective elearning topics, all employees must also regularly take anti-bribery training as part of a zero-tolerance policy towards bribery and corruption.

We also take a zero-tolerance approach toward modern slavery, which applies to all people working for the Group in any capacity, as well as our suppliers.

We were proud to provide 75 work experience placements across our businesses which is nearly six placements for every 100 employees. Our other youth engagement programmes included 10 Career Ready intern placements and 105 open days. These programmes give young people an insight into the world of work by placing them in a real work environment. Last year we also had our first international work experience placement when a young man travelled from South Africa to London to gain valuable experience in top kitchens with support from one of our Fellows.

In addition to our work experience programme, we offered several apprentice positions across the Group last year in areas such as IT, Operations, Marketing, Legal and Corporate Relations. Many of our apprentices progress onto their next job within the Group at the end of the programme.

Our Apprentice Connect programme lets current and former apprentices act as ambassadors and deliver sessions in schools, colleges and careers events to engage with young people, explain what apprenticeships are like and how they are a proven route to future careers. 77 ambassadors reached 10,506 young people through the Apprentice Connect programme.

**'Work experience is a great opportunity for young people to experience the world of work first hand and also for us to inspire them to join our workforce.'**

—Chris Jones  
Group Chief Executive  
City & Guilds Group



## BMI Healthcare

BMI Healthcare, one of the largest quality private health care providers in the UK, partnered with Kineo to develop 10,000 learners and remain compliant using all-in-one Learning Management Solution Totara.

BMI Healthcare weren't looking for an all-in-one learning and development solution when they first worked with Kineo. They were looking for a new compliance LMS because their old solution was ineffective. One of the biggest issues for learners was that their old system required everyone to take the same training, creating an impersonal and time consuming experience. Everything was done manually and training wasn't personalised to job roles or responsibilities. BMI Healthcare's sites interpreted requirements differently in regards to what training was and wasn't required or completed – making it difficult to prove compliance to visiting inspectors.

From leadership and development, induction, CPD revalidation and training, to performance management, BMiLearn has become the go-to place for their employees and is supporting the organisation's aim to help increase the capabilities of their workforce to develop their own staff.

To enable their learners to have a tailored experience on the system, BMI Healthcare started with the introduction of dynamic audiences and a training matrix. This means learners only take the mandatory courses they need to – and they can also track what learners are searching. To ensure mandatory training is done on time, the system is set up to automatically prompt learners on the homepage and has been configured so the review of competencies is the first thing they must do. Because of these prompts, BMI Healthcare now rests easy knowing that their dynamic audiences, which are based on detailed profile questionnaires, are set to automatically update every person's learning plan with appropriate courses and verification dates.

BMI Healthcare's L&D team are also using Totara LMS to prepare for the apprenticeship levy and have recently introduced performance management and CPD functionality. The CPD functionality Kineo created enables clinicians to revalidate with their professional bodies, track their competence and enables seamless single sign on for partners who support continuous professional development.

BMI Healthcare and the Care Quality Commission can now see, in real time, the compliance rate for the business, region, hospital, department, and individual. Time is no longer wasted tracking through paper and manual processes. Since switching to Totara LMS, BMI Healthcare has seen a 133% increase in their average compliance rate. In the first year, BMiLearn saw their compliance rate increase from an average of 40% per hospital to 60%, a percentage which has now risen to over 90%.

BMI Healthcare has significantly reduced the amount of time spent on annual face-to-face mandatory training and saved more than £800,000 per annum. As almost all of BMI Healthcare's training was previously face-to-face, the cost savings for the organisation as they continue to create and manage more training and development in the LMS is immeasurable.

While the new LMS has provided significant cost savings, BMI Healthcare believes the addition of non-mandatory training to the LMS is less about savings and more about long-term investment. With the new LMS, BMI Healthcare is not only reducing the hours employees spend on mandatory courses and the time spent generating reports, they are also reducing hire costs, improving retention rates, and employee engagement.

Jenny McKnight, Head of People Development stated: 'We are looking forward to this year's upgrade as we move towards better measuring of how useful and impactful our training is and using the system to its full capacity. We utilise all the tools and functionality to enable our employees to see and measure themselves against the company's overall goals. We use the system to help managers support employee performance through goal-setting, tracking and use the customisable performance review forms and scale. The 360 degree feedback gathered from peers we are looking forward to being anonymised to develop confidence in this function and the competency tracking, and more'.

'Totara has continued to meet our evolving requirements through the combination of its core functionality and customisations developed in partnership with Kineo. The platform has evolved from initially being focused on streamlining our mandatory training to now being core to our wider talent management strategy through performance management, induction, competency mapping, etc. It is the essential online entry point to our BMiLearning Academy; the academy offers a burgeoning number of apprenticeships, accredited programmes and other programmes to empower our people and "grow our own" – Ian Gardner, Learning and Development Lead at BMI Healthcare.

'It's clear that the world of learning and development is moving apace. By partnering closely with our clients, Kineo helps to anticipate their learning needs and create future-proof solutions that deliver improved, business performance.'

— **Matt Johnson**  
Global Managing Director, Kineo



## Achievements and performance

# Making money to make a difference

**We reinvest any surplus our businesses make into the future of learning and skills development by broadening and evolving the Group offer through acquisitions, investing in exciting new ventures, products and services, and funding sustainable charitable initiatives.**

Our objectives in the year ending 31 August 2016 were:

- To provide demonstrably superior products and services by continuing to develop TechBac from City & Guilds, our approach to skills-based education for 14–19 year olds, and launching PIVOT from Kineo, our Managed Learning System for apprenticeships
- To provide a high quality experience for customers and become more digital by developing Management Plus, a blended learning programme from Kineo and The Oxford Group for first time managers, and by offering digital credentialing from Digitalme
- To expand our international and employer markets, by acquiring or investing in relevant companies such as Nine Lanterns.

### Expanding and evolving through acquisitions

In October 2015 we acquired Nine Lanterns, an elearning provider based in Australia. Nine Lanterns are online learning experts, which helps us bolster the Group's position in the Pacific by becoming part of Kineo's Pacific operation, and allows us to offer high quality elearning to employers.

We were also excited to welcome Digitalme to the Group in June 2016, to expand our offer to include digital credentialing. Using Open Badge technology, Digitalme provides digital badges which are fast becoming the global standard for capturing and communicating skills across the web. Open Badges offer a way to validate individuals' learning and translate it into a valuable currency to support learners to unlock opportunities in education and employment.

### New ventures, products and services that create more productive workforces

#### New Ventures

We invest in order to accelerate the growth of innovative education and training by supporting the businesses of entrepreneurs who are committed to innovative skills development. We provide funding in return for an equity stake in the business and recipients also benefit from our expertise and resources to help get their ideas off the ground. Our New Venture Fund recipients included Credly, Filtered and GetMyFirstJob:

- Credly is a US-based digital credentialing services provider that currently works with many organisations including Adobe, New York's MoMA, Yale University, Harvard, and the Smithsonian Institute.
- Filtered is an online training platform that personalises learning material for each user by using algorithms to filter out things a user doesn't need or already knows to reduce the time spent training. It has grown quickly since its formation in 2009, serving 700,000 users. The Group now offers Filtered elearning to employees for skills training.
- GetMyFirstJob is the UK's leading online apprenticeship matching service with just under 300,000 registered users and thousands of applications processed each month.



# 75

Work experience placements given last year – that's nearly 6 placements for every 100 employees.

**'Our New Venture Fund invests in businesses applying technology to support innovation in skills development across the World. Credly created and supports the world's widest-used technology behind verified digital credentials; GetMyFirstJob supports training providers and employers to recruit and place the best apprentices into work; Filtered deploy machine learning algorithms to provide personalised learning recommendations and pathways through their work-based online learning.'**

— **John Yates**  
New Ventures Director  
City & Guilds Group

*Investment in products & services*  
We invest in new products and services and improve existing products and services to constantly increase the quality of our offer to customers. We invested in the following product developments:

- **City & Guilds TechBac** – an innovative approach to skills-based education for 14–19 year olds in the UK, designed to bridge the gap between education and employment. Developed with employers and education providers, TechBac provides a high quality experience for learners, offering a unique mix of technical and workplace skills and behaviours. The programme helps learners to feel more confident and ready for work, and gives employers the skilled and work-ready recruits they need. 137 of our technical qualifications are now approved by the Department for Education and we plan to launch new performance measures and technical levels this year. We continued to develop TechBac and it is now supported by many employers across various industries such as EDF Energy, Bosch, RSPCA, Microsoft and Samsung
- **PIVOT** – a product from Kineo that provides a simple way for businesses to deliver, manage and track delivery of apprenticeships, featuring an easy-to-use front-end for the learner backed by a suite of eportfolio and assessor tools for the organisation. A robust funding engine also tracks and manages Skills Funding Agency submissions. Compass Group's use of PIVOT helped raise its Ofsted levels and increased the amount of qualifications it could deliver within its training budget by 50%. Capita Talent Partnership, KFC and Tesco are three other large organisations which now use PIVOT to deliver workplace training.
- **Management Plus** – a combination of award-winning learning design from Kineo with expertise in management development from The Oxford Group and aimed at employers. It is a new, blended learning approach to develop front-line managers, by addressing specific skills gaps to make sure they have the right skills for the job. Facilitated sessions are reinforced with elearning, including an integrated set of assessments, training, practice exercises, reflections and management reports – all in one portal.

Below  
Young people attending a  
Work Experience Open Day.



## Achievements and performance

### Charitable skills development initiatives

Everything we do as a group of businesses – from the way we work, to our products and services, to our charitable investments – seeks to make a difference to individuals and communities across the world. One of the ways we invest the money our businesses make is through our charitable initiatives that maximise long-term social benefit through skills development.

#### *Our Skills Development Fund*

A £5 million Skills Development Fund was created in September 2015 for social projects that help people and communities to create long-term, sustainable change through skills development. The fund focuses on projects to improve skills for women and girls, to prevent offending and re-offending, and to promote positive skills mobility. Over £750,000 was allocated to seven projects including:

- St Giles Trust, one of the leading charities focused on rehabilitation and the prevention of offending, was awarded £100,000 over a period of 3 years to support the development of its peer mentoring ex-offender employability programme in Leeds, London and Ipswich.
- AfriKids, set up in 2002 with a mission to protect and promote children's rights in one of the most deprived areas of Ghana, was awarded £63,225 to provide training loans and mentoring support for 20 young women in teaching and nursing; helping not only the individuals but also the community to fill vital skills gaps in the region. The project aims to be self-sustaining as the loans are repaid from future earnings.
- The Change Foundation, a UK-based youth charity that uses sport and dance to change the lives of disadvantaged people who are at risk from social exclusion, was awarded £147,329 over three years to support the Special Team Of Role Models (STORM) project, a mentoring programme that supports young women leaving care to make positive transitions into education, work or training.
- Global Generation, a London-based charity aiming to grow ecological understanding and entrepreneurialism as a foundation for creating a positive future, was awarded £160,059 over a period of three years, to support its Living Culture programme. This programme takes an innovative and holistic approach to the economic development of young people, which focusses both on the individual's personal development and their vocational skills development.
- The Manipal Foundation was awarded £97,470 over a period of three years, to support 'The Virtual Classroom' project. This flagship programme commenced in 2014 to provide rural children in India with access to high-quality urban teachers through a 'virtual school' – helping them pass the level 10 exams, which are the basic qualification for a government job.
- Near East Foundation UK was awarded £119,994 over a period of two years, to develop an employability and enterprise curriculum and establish a network of Master Trainers within local Siraj Centres in Jordan. The master trainers are aiming to train 6,000 vulnerable refugees and vulnerable Jordanians to enable them to move towards employment or to establish their own microenterprise.
- An Cosán was awarded £91,068 over a period of two years, to support women aged 30–36 in rural Ireland to complete a City & Guilds accredited programme, delivered through their innovative Virtual Community College.

**'I love working for the City & Guilds Group because of the people and our purpose. Everyone is extremely passionate about our purpose and I find it very rewarding.'**

—City & Guilds Group employee





## British Gas

British Gas worked with ILM to develop managers at first line level through apprenticeship programmes, running these programmes for potential managers in the contact centre, planning dispatch agents and engineering teams.

50%

Percentage of staff that have been promoted to first line manager level

**'British Gas decided to focus their development at first line level as it's the first transition from an individual role to one where staff are required to manage teams' says Neil Grant, head of British Gas Academies.**

'The connection with an external body like ILM gives the potential manager the confidence that the qualification they're taking isn't just an internal course, and that they're measured against like individuals in other industries.'

ILM management apprenticeships combine on-the-job and theory-based leadership and management training that allows organisations like British Gas to develop aspiring team leaders right the way up to experienced managers. The apprenticeships offer nationally recognised qualifications with a focus on developing practical leadership skills and knowledge, helping learners do their jobs more effectively.

British Gas dispatch manager Rakesh Mistry took an ILM Level 3 Advanced Apprenticeship in management. Mistry, who manages a team of eight staff, says the role has given him confidence in his own management abilities.

'Before I did the course there is no way on earth I thought I could do the management role. I don't think I would have taken it up at a college as I wouldn't have had the time, but doing it on the job makes it a lot easier.'

Since going through the programme, 50% of staff have been promoted to first line manager level, says Grant, with an expected 70% promotion rate by the end of each programme.

**'Having highly effective first line managers is the key to a highly effective workforce.'**

—Neil Grant  
Head of British Gas Academies



## O2

'By earning badges, young people become more discoverable by tech sector employers, showcasing skills that are now in high demand.'

—Ronan Dunne  
CEO Telefonica UK

In an increasingly competitive jobs market young people need to stand out to get noticed in the recruitment process. The traditional CV is no longer enough for young people to communicate, or employers to recognise skills and achievements. O2 use Open Badges to support their ongoing work to match talent with opportunity, wherever that talent may be.

O2 will be releasing a series of Open Badges throughout 2016 on the Open Badge Academy platform developed by Digitalme. Through earning O2 badges young people can evidence and gain recognition for their achievements in digital marketing, enterprise and employability and social action projects. O2 employees supporting young people to develop valuable skills for employment will also be recognised through their own digital CPD badges.

By connecting employers and their future workforces through innovative technology solutions, we can nurture a pipeline of talent required in the technology sector.



The Oxford Group  
A City & Guilds Group Business

## WaterAid

**The Oxford Group has worked with WaterAid, the international charity that transforms lives by improving access to safe water, hygiene and sanitation, since 2013.**

This work has included training on Personal Effectiveness, Career Conversations and Capacity Analysis delivered in Africa, the UK, India and Nepal. Last year they considerably expanded their suite of programmes to include Management Development Courses in these locations in order to build a group of courageous, proactive, committed managers to deliver strategic changes globally.

The Management Development Courses aimed to ensure that managers exhibited the role model values, were equipped

with the skills and effective behaviours needed to manage people and changes, and developed managers' self-awareness, competencies & confidence in performance management and in building trusting relationships with their direct reports.

The solution was a three phase learning journey including launch communications and webinars, 3 day face-to-face workshop, and follow-up activities including work-based application of new insights, skills and behaviours, a follow-up webinar and a structured conversation to help managers apply their new skills going forward.

The programme received positive feedback including scores over 4/5 on all aspects, with delegates saying that they have become better at managing difficult conversations, improved relations with co-workers, and even reduced travel frequency due to managers' having more effective meetings with their direct reports.

Right  
Image © WaterAid  
Zute Lightfoot



## Achievements and performance

# Everything we do as a Group seeks to make a difference to individuals and communities across the world.

### *Other community investment and youth engagement programmes*

We estimate that we currently invest more than £2 million each year in discretionary charitable initiatives, including work experience, volunteering and bursary programmes. We increased the amount awarded in bursaries in the UK by 25% to £250,000 to provide training and qualifications to 93 people who otherwise would not have been able to access them. We estimate that to date we have awarded over £2 million and supported over 1000 people since the programme began in 1999. We also committed to fund a three year scholarship programme, donating £25,000 per year (co-funded with the Manipal Foundation to provide £50,000) to award scholarships to 300 young Indians.

We were proud to support the following two initiatives in London to help our local community around our head office:

- The creation of a Quality Mark scheme by London Youth. Developed with and accredited by the City & Guilds business, it is the only quality assurance scheme for youth organisations that involves young people in the assessment. It provides youth organisations with a badge of excellence that they can show to local authorities, funders and young people to prove they are doing the most they can to transform lives. So far 90 youth centres have received the quality mark across 25 London boroughs.
- The House of St Barnabas' Employment Programme aims to break the cycle of homelessness by providing training, work experience and employment opportunities to help people rebuild their lives through a 12-week Employment Academy. This programme helped 17 people get back into employment.

In addition to investing in our communities, we are also working to lessen the impact we have on the environment in the areas where we operate. We are committed to energy efficiency in our offices to minimise our impact on the environment, and our suppliers need to abide by a strict code of conduct including offering a sustainable wage to contractors and not allowing modern slavery in any part of the supply chain. A Sustainable Procurement Working Group was set up to develop guidance on best practices when choosing suppliers across the Group, to make sure social enterprises, SMEs, minority-owned and eco-friendly businesses are considered in addition to large, established suppliers.

### *Building a community of excellence*

We are uniquely positioned to bring together communities who share our mindset as to the importance of work-related learning. These range from our Fellows, Trustees and Members through to livery companies and other skills related organisations as well as both nominees for and recipients of our awards.



Above  
Gary Richmond receiving  
The Prince Philip Medal from  
HRH The Princess Royal.

Our annual Awards Programme is comprised of a wide range of honours, which reward and recognise individuals and organisations that have demonstrated exceptional achievement through training and skills development.

Fellowship is the highest of our Professional Recognition Awards. We awarded Fellowship to 20 exceptional people who have demonstrated excellence and can be considered role models for their profession. These Awards carry internationally-recognised post-nominal letters.

The Princess Royal Training Awards was created to highlight the positive impact that training and skills development can have on business performance. In this inaugural year we expected to receive 60 applications. We exceeded this number, with 110 submissions ranging from multinational businesses and SMEs to the public sector and education spread across the UK. We also received 250 registrations of interest in the awards since they launched.

The Princess Royal Training Awards Commission, which is comprised of Her Royal Highness The Princess Royal and 10 senior leaders from the business and learning and development community, made awards to 34 UK businesses of all sizes and sectors who achieved the new standard. The successful organisations all demonstrated that training can make a significant impact on business success. They were announced in August 2016 and received their award at a ceremony at St James's Palace in November 2016.

The Prince Philip Medal, which was created by our previous President His Royal Highness The Duke of Edinburgh, champions the link between training and career success. It honours one exceptional individual each year who has 'travelled the City and Guilds [of London Institute] path' throughout his or her life. The Prince Philip Medal was awarded to Gary Richmond, a Chef Tutor at the River Cottage Chefs' School.

## Achievements and performance

### The future of work and learning

Our heritage makes us uniquely positioned to understand the future of work and learning. We have always worked closely with industry and adapted to changing technical, social and economic trends to anticipate and fill skills gaps. We continued to work with key partners and commissioned research in this area.

#### Futureproof

We partnered with Business in the Community (BITC) this year to create a new campaign and framework to help businesses break down the barriers young people face in their recruitment processes.

#### Skills Debate 2016: The future world of work

In June 2016 we brought together leading business figures to share their insights into what skills the future world of work will require, and the impact this will have on productivity and the international flow of skilled labour, aiming to gain ideas towards a new economic model for skills. The debate spanned a range of topics, including the rise of automation and artificial intelligence, the changing nature of work, and shifts to global demographics. The panel concluded that, for businesses to succeed in the new world, they need to leverage the opportunities that technology brings without forgetting that 'people buy from people.' That means supporting their employees in developing skills in leadership and management so they are prepared for the future.

### Research

We conducted several pieces of in-depth research in order to inform and influence the conversation around global skills development. They included Skills Confidence 2016, The Economic Benefits of Vocational Education and Training (VET) in the UK and Making Apprenticeships Work.

Our Skills Confidence 2016 was an international study of 8,000 employees in the UK, USA, South Africa and India. This study – the first we have carried out – measured people's confidence in their skills for the workplace of today, in five years' time and in the next decade. Our key findings were:

- Almost all respondents (95%) are confident in their own skills and productivity.
- Only half (52%) of respondents feel over-qualified for the job they currently do, whilst over a quarter (29%) think that their skills are under-utilised in their current roles.
- 16% of UK respondents and 11% of US respondents are not that confident that their jobs will exist in the next 5 years
- 80% of Indian respondents are confident they have the skills to work abroad, but 40% worry about 'brain drain'
- 46% of all respondents lack confidence in their countries' education systems to prepare young people for the world of work.

Our research into the global economic benefits of investment in Vocational Education and Training (VET) explored systems in four countries – the UK, USA, India and South Africa – to understand the potential economic benefits of investing in skills. Key findings were:

- Boosting skills by 10% could increase UK GDP by £163bn.
- A 10% increase in the number of upper secondary school pupils enrolled in vocational education could lead to a 1.5% reduction in youth unemployment in the US and the UK.
- UK businesses see average annual productivity gains of over £10,000 per hired apprentice.
- Only 2.3% of India's workforce has undertaken formal skills training.
- US apprentices earn \$60,000 more than their counterparts in the nine years after enrolment. But less than 1% of 15–24 year olds are involved in an apprenticeship scheme.

Making Apprenticeships Work is a report that was developed with our Industry Skills Board to help make sure education meets the needs of employers. The research sets out a 25-point action plan focusing on how to deliver quality apprenticeships in the UK, including calls to increase the proportion of apprenticeships offered as vacancies, and recommendations for an employer-led governing body for apprenticeships, sitting separately from Government. Due to this research, our recommendation for an employer-led governing body has been taken on board and letters to editors featured in The Times and Daily Telegraph among a number of articles of coverage across national, regional and trade media.

**'The world of work is changing. For businesses to succeed in the new world, they need to leverage the opportunities that technology brings without forgetting that "people buy from people." That means supporting their employees in developing skills in leadership and management, so they are prepared for the future.'**

—Chris Jones

Group Chief Executive, City & Guilds Group  
Speaking at Skills Debate 2016

## AfriKids Training Empowers Northern Ghana's Next Generation



Image © AfriKids

In Ghana's rural Upper East Region, 1 in 5 people live in extreme poverty. For a young adult growing up in this deprived area of the world there are few promising opportunities, but AfriKids is working to change this.

**'AfriKids is empowering the next generation in northern Ghana to lead their families and communities out of poverty and into a brighter future for everyone.'**

—Amy Parker  
Chief Executive  
Afrikids

**In Ghana's rural Upper East Region, 1 in 5 people live in extreme poverty. For a young adult growing up in this deprived area of the world there are few promising opportunities, but AfriKids is working to change this.**

The UK-based child rights charity believes that skills training, and education as a whole, will empower northern Ghana's next generation. Skills help them to secure their own livelihoods and provide them and their families with brighter futures that are free of poverty.

AfriKids are investing time and resources in the area's next generation and laying foundations for future generations to come through a programme they call Transforming Futures.

AfriKids hope to drive the development of the region's economy by lifting young people out of poverty and into employment by providing them with skills training, whilst creating opportunities for future generations that are not dependent on aid. With support from partners, they're helping young people to develop skills in a number of different professions such as nursing, dressmaking, teaching, carpentry and welding.

Not only are young people empowered both financially and socially to take charge of their lives, the programme is working to achieve a sustainable funding model, recycling loans for future generations to receive the same valuable skills training. It will also strengthen the education services in the region, which desperately lack resources and capacity.



## International Work Experience

Mashudu Masinya, a culinary student better known as Lucky, was offered the opportunity to travel to London for the ultimate work experience.

**'I never thought I'd be able to take my passion to the Brit Awards.'**

— Mashudu 'Lucky' Masinya  
International Work  
Experience Student

Lucky first met the City & Guilds Group Management Board at a dinner catered by Johannesburg Culinary and Pastry School (JCPS), where he was studying a Level 2 Diploma in Patisserie. The Board members were so impressed with JCPS learners' exquisite catering skills that they offered Lucky a once-in-a-lifetime opportunity for a UK work experience placement.

The Board turned to celebrity chef Brian Turner, a Fellow of The Institute, to make sure that Lucky had the best possible experience in England. Brian arranged for Lucky to work as a patisserie chef for three of the UK's leading restaurant establishments.

Lucky's first placement was at Raymond Blanc's luxury Oxford restaurant 'Le Manoir aux Quat'Saisons'. In addition to learning the rules of the kitchen, Lucky said 'The pastry staff became like a family to me, taking me in and showing me that working as a team is very important.'

His second week was spent at the 'Pretty Sweet' catering company, where he learned from high-end pastry chef Claire Clark. It was during this time that Lucky got to work on the Brit Awards catering team – an experience he describes as unbelievable. 'I never thought I'd be able to take my passion to the Brit Awards,' he said. 'Not only did I get to serve celebrities, I got to talk to them too!'

In his final week, Lucky worked at The Ritz where he crafted petit fours. Each and every second was critical, and it taught him the importance of precision. 'This has been the best experience I've ever had, and I got to meet Brian Turner who's helped me secure these work placements. Talk about [being] lucky!'





PRINCESS ROYAL  
TRAINING AWARDS

## Mercedes-Benz Trucks UK

**Mercedes-Benz Trucks UK has taken an innovative approach to training which has yielded impressive results. The company has increased its market share in the truck sector and seen a 78% retention rate of trained employees since 2011, with 16% of those coming through the programme being female. In addition, the average age of sales executives in the truck division has lowered by nine years since the programme was launched meaning that Mercedes-Benz has managed to put a succession plan in place to meet a real business need.**

In 2010 Mercedes-Benz UK realised it needed to address a future skills shortage based on the predicted retirement age of its truck sales network. The result was the creation of its Truck Sales Executive Training Programme which opened up the recruitment process to those with no previous sales or automotive experience in order to meet the skills gap and increase its market share in the sector.

The 26-week intensive training programme includes both on and off the job training and covers parts, service, finance, sales and after-sales techniques. Applications come from far and wide, with the current cohort ranging from beauticians to financial analysts.

Matthew McGrattan, Truck Training Specialist, Mercedes-Benz and FUSO Trucks UK, said: 'We took a slightly different approach with the recruitment for this programme; rather than looking for people with specific truck sales experience, we focused on candidates who had some customer service experience, demonstrated the right

attitude and most of all, displayed a passion for joining the brand and immersing themselves in the products.'

Today, customers are becoming less brand-loyal in the automotive sector. An important part of the training focuses on the customer journey ensuring that customers receive expert advice about the products and services along with a great customer experience. A unique element of the training is that the trainee must learn to drive a truck and gain an HGV licence. This approach means that once trained, the sales person has not only got the product knowledge, but can also take the customer on a test drive allowing them to build a strong relationship, partnering with them throughout the entire sales process.

Mercedes-Benz's ground-breaking approach to training has not only taken skill levels to a new dimension in the company but it has also reduced the average age of the sales executives from 53 to 42. By equipping new recruits with in-depth knowledge and skills to best meet customers' needs it is achieving its strategic goals in a competitive and crowded marketplace.

As a result of the programme, Mercedes-Benz Trucks UK was one of 33 organisations who received a Princess Royal Training Award at the inaugural awards ceremony in November 2016. The Princess Royal Training Awards is a new honour for employers in the UK who have created outstanding training and skills development programmes which have resulted in exceptional commercial benefits.



## Plans for future periods

We plan to continue helping people, organisations and economies to develop their skills for growth.

This includes:

- Broadening and evolving through acquisitions to provide the best possible experience for our customers
- Investing in exciting new ventures and in products and services to expand our offer
- Funding sustainable charitable initiatives to make a positive impact on global skills development
- Investing in research to inform the future of work and learning to help shape skills education and training around the world.

# Financial Review

# Financial Review

More detail about the information in this section may be found in the Financial Statements. Some of the figures given for the year ending 31 August 2015 – which provide a comparison with those for the year ending 31 August 2016 – differ from those shown in the Report for the year ending 31 August 2015. Where this is the case, it is because the new FRS 102 SORP accounting principles differ from those applying under the previous regime, and the preceding year's figures have had to be re-calculated in order to give a true comparison.

The majority of the figures in this section are rounded to one decimal point: this may result in apparent arithmetical errors.

## The City & Guilds Group

This Report and the Financial Statements cover the activities of the City & Guilds Group ('the Group'). In addition to the Institute, the active members of the Group are:

City and Guilds International Ltd	CGIL	a company limited by shares registered in England and Wales (1894671) owned by the Institute and with the same England and Wales charity number. It is registered as an external company in seven countries, has twelve active wholly owned or controlled overseas subsidiaries and, through its Singapore subsidiary, a minority shareholding in one other (Manipal City & Guilds Pte Ltd)
City and Guilds Kineo Ltd	CGK	a company limited by shares registered in England and Wales (7150983) and owned by the Institute. It has one wholly owned US subsidiary (Kineo Group Inc.) and a minority shareholding in a New Zealand company (Totara Learning Solutions Ltd)
Flexible Learning Network Ltd	FLN	a company limited by shares registered in New Zealand (1727137) and owned by the Institute. It is registered as an external company in Australia, and formerly traded as Kineo Pacific
The Oxford Group Consulting and Training Company Ltd	OGCT	a company limited by shares registered in England and Wales (2828084) and as an external company in France and Hong Kong. OGCT is owned by The Oxford Group Consulting and Training Holding Company Ltd (a wholly owned subsidiary of the Institute) and has one wholly owned US subsidiary (Oxford Group Consulting and Training Inc.)
Nine Lanterns Pty Ltd	NLP	a company limited by shares registered in Australia (098839082) and acquired by the Institute on 30 October 2015
Radiowaves Schools Ltd	RSL	a company limited by shares registered in England and Wales (05774430) and acquired by the Institute on 10 June 2016
Digitalme Ltd	DML	a company limited by guarantee registered in England and Wales (05303626) and acquired by the Institute on 10 June 2016

On 7 January 2016, the Institute of Leadership and Management transferred part of its business to the Institute and ceased to be a member of the Group. On 8 November 2016, the Institute acquired Interact Learning Pty Ltd (an Australian company): more information about this will be given in the Report for the year ending 31 August 2017.

### Income and assets

#### *The Group*

The Group's income was £137.4m (2014–15: £141.1m). Of this 81% (2014–15: 85%) is classed as educational in the Financial Statements. The Group's expenditure was £135.0m (2014–15: £134.3m). Of this 81% (2014–15: 85%) is classed as educational in the Financial Statements.

The Group's net income was however £-10.0m (2014–15: £49.5m) because there was a one-off item of 'expenditure' totalling £13.8m to reflect the fact that The Institute of Leadership and Management ceased to be a member of the Group on 7 January 2016. Even if this had not been the case, there would still have been a marked difference between this and the previous year: this is because the previous year included a significant one-off gain on a property disposal.

From the net income was deducted £33.0m (2014–15: an addition of £1.7m) to arrive at the net movement in funds, which totalled £-43.0m (2014–15: £51.3m). This adjustment consisted of an actuarial loss in relation to the defined benefit pension scheme of £34.1m (2014–15: gain of £2.1m), and foreign currency gains of £1.1m (2014–15: losses of £0.3m). There is more information about pensions later in this Report.

The balance sheet value of the Group's assets at 31 August 2016 was £75.3m (31 August 2015: £118.3m). The difference between this and the previous year is attributable to the items detailed above.

#### *The Institute*

The Institute's income was £98.2m (2014–15: £101.8m). Of this 99% (2014–15: 98%) is classed as educational in the Financial Statements. The Institute's expenditure was £94.3m (2014–15: £96.4m). Of this 100% (2014–15: 100%) is classed as educational in the Financial Statements. The Institute's net income was £5.8m (2014–15: £48.9m). The marked difference between this and the previous year is because the previous year included a significant one-off gain on a property disposal. From the net income was deducted £34.3m to arrive at the net movement in funds which was £-28.6m (2014–15: £51.0m). This adjustment consisted of an actuarial loss in relation to the defined benefit pension scheme of £34.1m (2014–15: gain of £2.1m), and foreign currency losses of £0.3m (2014–15: gains of £0.07m). There is more information about pensions later in this Report. The balance sheet value of the Institute's assets at 31 August 2016 was £78.4m (31 August 2015: £107.0m). The difference between this and the previous year is attributable to the items detailed above.

#### *Other principal active members of the Group*

Their results can be found in the Financial Statements. If the Institute's direct subsidiaries make profits, they normally pay them (either by dividend or gift aid donation) to the Institute.

The balance sheet value of CGK's assets at 31 August 2016 was £-2.4m (31 August 2015: £-2.6m) and it was therefore materially in deficit. Following its acquisition in November 2012 revenue targets were set which are expected to eliminate the deficit over a reasonable period of time and CGK's performance has been in line with expectations. None of the Institute's other subsidiary undertakings were materially in deficit.

### Capital expenditure and depreciation

Capital expenditure of £3.1m (2014–15: £8.8m) was largely incurred by the Group on IT assets. Depreciation was £6.2m (2014–15: £7.4m). Capital expenditure of £2.9m (2014–15: £11.4m) was largely incurred by the Institute on IT assets. Depreciation was £5.9m (2014–15: £5.5m). Figures for the other Group members can be found in their own accounts.

### Risk management

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. 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, and mitigation 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):

- Failure to respond effectively to changes in funding, policy and regulation. The Trustees' plans to manage this risk include working with employers and industry contacts to influence policy before it happens
- Failure to maintain and support customer facing services (including quality issues). The Trustees' plans to manage this risk include focussing on ensuring platforms are integrated and roadmaps aligned, and improving the interfaces between underlying systems to enhance the customer experience
- Loss of key systems and/or data. The Trustees' plans to manage this risk include reviewing the existing hosting arrangements to enhance hardware security, and reviewing or updating core software to enhance software security
- Failure of acquisitions or investments to meet operational and financial targets. The Trustees already have adequate controls in place, and the key aim is therefore to ensure that they are applied.

## Financial Review (continued)

### Designated Fund

The Skills Development Fund was created by the Institute in July 2015. 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 2016 was £4.8m (2015: £5.0m).

### Restricted Funds

#### *ILM Fund*

Until 7 January 2016 The Institute of Leadership and Management (TILM) was a member of the Group. Its charitable objects ('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') are narrower than those of the Institute and TILM is therefore treated as a restricted fund in the Financial Statements. In the period between 1 September 2015 and 7 January 2016 its income was £3.4m, its expenditure £3.2m, and its net income therefore £0.2m. Further adjustments were made to arrive at the net movement in funds (£13.2m). These adjustments were investment gains of £0.1m and 'expenditure' of £13.3m to reflect the fact that TILM ceased to be a member of the Group on 7 January 2016.

Following the transfer to the Institute of part of TILM's business and assets on 7 January 2016, the Institute holds a fund (the ILM 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 7 January 2016 the ILM Fund consisted of cash of £3.3m and non-cash assets. At that date the non-cash assets were valued on an arm's length basis at £1.3m and, in order to avoid the costly and complex accounting required to record the cash flows of these assets, the Institute transferred £1.3m in cash to the ILM Fund in exchange for them. The ILM Fund therefore consists entirely of cash.

As part of the transfer arrangements, the Institute agreed to make a payment to TILM of £500,000 in each of the next 10 years. The first payment was due in mid-January 2016 and was met out of the ILM Fund. It is planned to fund the remaining nine payments (totalling £4.5m) out the ILM Fund as far as possible.

The cash transferred by TILM was £3.3m, the cash transferred by the Institute in exchange for the non-cash assets was £1.3m and the interest earned on the total cash to 31 August 2016 was £0.02m. Deducted from this prior to 31 August 2016 was the first payment to TILM of £0.5m.

In the Financial Statements the assets and liabilities of the fund have both been accounted for at book value (and discounted to present value where appropriate). The book value of the assets was £2.5m and the book value (discounted to present value) of the liabilities was £3.1m. As at 31 August 2016 the book value of the ILM Fund was therefore £nil.

#### *NPTC Fund*

Following the transfer to the Institute of NPTC's business and assets in 2010, the Institute holds 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 2016 was £3.8m (2015: £3.7m), made up of £1.3m in equities, managed by CCLA Investment Management Ltd, and £2.5m in cash. In the year ending 31 August 2016, £0.08m (2014-15: £0.03m) was spent. This consisted of bursaries, marketing and staff costs.

### 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. Other members of the Group have policies which specify reserves of three months' planned operating expenditure or more.

The appropriate level of the Group's free reserves at 31 August 2016 was £52.0m. The value of the actual free reserves at that date was £69.6m (2015: £59.9m). This was calculated by adding the net current assets (£59.6m) to the investments (£19.5m) and then deducting the value of the Restricted Funds (£3.8m) and Designated Fund (£4.8m) and provisions for liabilities and charges (£0.9m). Active consideration is being given to the investment of the excess reserves.

## Investments

### *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.

In the year ending 31 August 2016, the Institute acquired Nine Lanterns Pty Ltd, a company limited by shares registered in Australia (098839082); Radiowaves Schools Ltd, a company limited by shares registered in England and Wales (05774430); and Digitalme Ltd, a company limited by guarantee registered in England and Wales (05303626).

Information about the values of these investments can be found in Note 7 to the Financial Statements.

On 8 November 2016, the Institute acquired Interact Learning Pty Ltd (an Australian company): more information about this will be given in the Report for the year ending 31 August 2017.

### *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 2016, the Institute acquired minority interests in three companies: Excel With Business Ltd (a company limited by shares registered in England and Wales (06888906) which trades as Filtered), Credly Inc (a US registered company), and GetMyFirstJob Ltd (a company limited by shares registered in England and Wales (06685719)).

Information about the values of these investments can be found in Note 7 to the Financial Statements.

### *Cash and equities*

The Trustees' policy is, after keeping a prudent cash reserve, to invest in the BlackRock ChariTrak Fund, which aims to provide charity investors with returns in line with the UK equity market, using indexation techniques to track the performance of the FTSE All-Share Index. On behalf of its clients, Blackrock's dedicated team engages with companies and vote proxies to encourage business and management practices that support sustainable financial performance over the long-term. The Trustees' review of the objectives and strategy is ongoing as it is dependent on the plans for future capital expenditure.

At 31 August 2016, the Group's cash amounted to £67.8m (2015: £80.6m). The Group's equities were valued at £19.5m (2015: £22.3m), of which £16.0m (2015: £20.2m) was the market value of its ChariTrak holding and £1.3m (2015: £1.2m) the CCLA investments in the NPTC Fund. Statistics on the return on ChariTrak are available quarterly (at 31 December, 31 March, 30 June and 30 September), and the return for the year ending 30 September 2016 was 16.33% (2015: -2.6%) compared to the benchmark performance of 16.41% (2015: -2.6%).

### **Pension Fund**

At 31 August 2016, the funding of the defined benefit section of the City and Guilds (1966) Pension Scheme was in deficit by £62.7m (2015: £27.0m). The marked increase in the deficit resulted from a significant drop in corporate bond yields following the result of the EU referendum on 23 June 2016. These yields are used to discount future liability which in turn impacted the value of the deficit. 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.

# Remuneration Report

## **Statement from Allan Johnston, Chair of 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 2016.

For a number of years, as well as complying with the minimum remuneration reporting requirements of the charities recommended reporting practice (SORP), the Remuneration Committee has produced a more comprehensive remuneration report which, amongst other additional information, gave full details of the remuneration package of the Chief Executive.

Last year we introduced two further innovations. Firstly, in anticipation of the new larger charities SORP (FRS102), which was to apply for reporting years ending January 2016 and after, the Committee provided aggregate emoluments for the Chief Executive and those members of the Management Board reporting directly to him. This group were identified as the executive 'key management personnel' as defined by the new SORP. In addition we provided 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. We consider, therefore, that last year's report was already more than compliant with the new SORP and we are not introducing further structural changes this year.

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 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.

Nevertheless, the incentive plans are considered an important part of effective management. In the past year, the Institute had two plans for the key management personnel, an annual bonus plan and a three-year cash long-term incentive plan (the 'LTIP') which matured at the end of August 2016.

Due to significant changes in the organisation structure and operating targets following the separation of The Institute of Leadership & Management and the integration of our international and UK vocational awarding activities the 2016 annual bonus plan has been based on performance against total Group surplus targets only. The Remuneration Committee agreed it was better to focus the leadership on the overall surplus rather than business unit specific targets due to these changes. In a difficult market, the Group took market share from its competitors, and the Group operating surplus finally achieved was 101% of target.

The 2014–2016 LTIP was designed to reward the key management personnel for creating long-term value in the Institute by both growing the financial surplus over time and creating sustainability of future profits through the general strength of products and market presence. The performance period was the three fiscal years ending in August 2016. The Group has been accruing the cost of this plan in its accounts over the three years, but with respect to this Remuneration Report, the full three year payment is included as a lump sum in the Chief Executive's remuneration for the year and in the aggregate emoluments for the key management personnel. The payment for all participants was dependent on the average increase in operating surplus over the three years and a structured assessment of future growth prospects for the Group, taking into account the strength of the market position, success in diversification and Group financial strength. A final award of 108.6% of qualifying salary was made against a three year 'on target' opportunity of 100% salary.

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

**Allan Johnston**  
**Chair of Remuneration Committee of Trustees**

### 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 current members of the Committee are Allan Johnston (Chair), David Illingworth, Peter McKee and Pat Stringfellow. The Chair of the Institute Trustees, 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 design 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 LTIP.

During the year the Committee received remuneration policy advice and pay market information from MM&K, which was appointed as formal Committee adviser from September 2010 until December 2015, and subsequently from Damien Knight Associates.

### Report on Remuneration for Year Ending 31 August 2016

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

### Chris Jones CEO

	Salary <sup>1</sup>	Taxable Benefits <sup>2</sup>	Cash Bonus Earned in the Year <sup>3</sup>	LTIP Payment <sup>4</sup>	Total Emoluments*
2016	£259,500	£46,375	£107,367	£277,229	£690,471
2015	£256,333	£35,100	£140,350	£0	£431,783

\* Total taxable earnings

#### Notes

1. Mr Jones' salary was increased in January 2015 and has been unchanged since.

2. Includes car allowance and cash in lieu of pension. Mr Jones' total contractual pension entitlement remains the same as in 2015 at 25% of gross salary of which £27,500 was paid directly in to his pension scheme. The balance was paid as taxable income.

3. Mr. Jones was awarded a bonus of 41.4% of salary (2015: 54.1%) against a target bonus of 40% salary. No deferral of bonus applies to the 2016 or 2015 awards.

4. This is a lump sum payment covering the three years ended August 2016 and amounts to 36% of salary per year of the plan.

## Remuneration Report (continued)

### Other key management personnel

The total value of emoluments (cash salaries, bonuses and taxable benefits-in-kind) paid to the executive key management personnel (including the CEO) in year ending August 2016 was £3,273,222 (2015: £1,947,000). This figure includes the full payment of the three-year LTIP. In addition to these emoluments, the executive key management personnel (excluding the CEO) participate in the Institute's pension scheme on the same terms as other staff members. The number of executive Key management personnel members at the year end was 8.

### Remuneration Policy

As a registered charity, the Institute is non-profit making, and our mission is the achievement of our charitable objectives. 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 current 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 businesses 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

<b>Purpose/Link to corporate strategy</b>	Part of a basic competitive package to recruit and retain individuals of the necessary calibre to execute the Institute's business strategy.
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<b>Operation</b>	Salary only. Reviewed annually with changes effective 1 January if appropriate.
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<b>Opportunity</b>	Reviews based on market comparisons, the Institute's financial position and increases to other Group staff. The CEO's salary for 2016 and 2017 is shown in the implementation statement following. Increases in salary will normally be limited to the average staff increase in the Group or less.
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<b>Performance metrics</b>	None
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Pension	
<b>Purpose/Link to corporate strategy</b>	To provide Directors with a long-term savings opportunity. The pension cash in lieu is part of a basic competitive package to recruit and retain.
<b>Operation</b>	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 scheme.
<b>Opportunity</b>	The CEO receives a total contribution of 25% of gross base salary (i.e. excluding bonus or any allowance). Other members of the Key management personnel may participate in the Institute's pension schemes on the same terms as other members of staff. However, from tax year ending April 2017, 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 15% of the difference between pensionable salary with and without this cap.
<b>Performance metrics</b>	None

Benefits	
<b>Purpose/Link to corporate strategy</b>	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.
<b>Operation</b>	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.
<b>Opportunity</b>	Private medical insurance – premium family cover Life assurance – four times salary Income Protection Policy – up to 55% of salary Car Allowance currently £9,000 for CEO and other key management personnel
<b>Performance metrics</b>	None

## Remuneration Report (continued)

Annual bonus plan	
<b>Purpose/Link to corporate strategy</b>	To incentivise and focus attention on Institute key performance indicators (KPIs) and provide a competitive performance-related annual earnings opportunity; compulsory deferred element provides a retention effect.
<b>Operation</b>	Targets are set at start of year. Payment is made after the year end, depending on achievement against targets.
<b>Opportunity</b>	On-target bonus is 40% of salary for the CEO and 30% for the other Key management personnel members. Maximum bonus for exceptional achievement is 60% salary for the CEO and 45% for other Key management personnel members.
<b>Performance metrics</b>	Corporate financial goals are set which may include operating surplus and revenue at a Group and an individual business level. (For 2016 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.

### 2014–2016 Long-Term Incentive Plan (LTIP) – now complete

<b>Purpose/Link to Corporate Strategy</b>	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		
<b>Operation</b>	Single cash payment at the end of a three year period ended in August 2016 depending on both average operating surplus over the three year period and the Remuneration Committee's assessment of surplus growth prospects at the end of the three year period		
<b>Opportunity</b>	Maximum 150% of average salary over the three years (i.e. 50% of salary per year) for all participants. Actual payment 108.6% has been made		
<b>Performance Metrics</b>		<b>Threshold £</b>	<b>Achieved £</b>
	Cumulative operating surplus	24.1m	29.1m (after costs)
	Average operating surplus	8.03m	9.7m (after costs)
<b>Future Plan</b>	The Remuneration Committee have now begun to consider what alternative plans could be introduced in order to incentivise key management personnel to further develop the Institute.		

# Structure, governance and management

## Constitution and charitable status

The Institute's purposes and administration are regulated by its Royal Charter 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. The nature of the Institute's activities in Scotland is the same as in the rest of the United Kingdom. The Institute is supported by an advisory committee for Scotland which met twice in the year ending 31 August 2016 and at those meetings reviewed the Institute's activities in Scotland, discussed product development, received updates on regulation and policy in Scotland, considered the implications for Scotland of changes in the English regulatory framework, and were briefed on organisational changes.

## 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. Members meet once a year to receive the Annual Report and Financial Statements, elect the Treasurer and Councillors, and appoint the auditors.

## 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. Council meets twice a year to receive financial reports and reports from the Trustees and the Quality and Standards Committee, to appoint new Chairmen, Honorary Secretaries and Trustees, to co-opt Councillors, to consider other matters brought to it for consideration and to discuss specific topics of current relevance.

## 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. One quarter of the appointed Trustees retire every year and are eligible for re-appointment. 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. The skills required on the Trustee Board, the Trustee

recruitment policy and process, and the induction and development policies are kept under review as a matter of course.

Under the constitution the Trustees may be remunerated for professional services rendered, and the Chairman of Council may also be remunerated for acting as Chairman. No other benefits may be received except as permitted by law. 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 Learning, Assessment and Digital Policy Committee (whose role is under review), the Audit and Risk Committee, the Remuneration Committee and (since October 2015) the Skills Development Fund 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 terms of reference were reviewed in the year ending 31 August 2016 with a view to giving it a more active role in the maintenance of quality and standards. Its principal role is now 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.

## 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.

# 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 14 April 2016, 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 8 December 2016 and signed on their behalf by

A handwritten signature in black ink, appearing to read 'John Armitt', written over a horizontal line.

**Sir John Armitt CBE FREng FICE FCGI**  
*Chairman*

# Independent Auditors' Report

## To The Trustees Of The City And Guilds Of London Institute

We have audited the financial statements of The City and Guilds of London Institute for the year ended 31 August 2016 which comprise the Group Statement of Financial Activities, the Group and Institute Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under section 144 of the Charities Act 2011 and report in accordance with regulations made under those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Institute's affairs as at 31 August 2016 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, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

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

### BDO LLP

Statutory Auditor  
Gatwick  
United Kingdom  
Date:



9 December 2016

BDO LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Consolidated Statement Of Financial Activities for the Year Ended 31 August 2016 (Incorporating an Income and Expenditure Account)

	Note	£'000	£'000	Year ended 31 August 2016 £'000	£'000	£'000	Year ended 31 August 2015 £'000
		Unrestricted Funds	Restricted Funds	Total	Unrestricted Funds	Restricted Funds	Total
<b>Income and endowments from:</b>							
Donations and legacies		–	–	–	13	–	13
Other trading activities		25,509	–	<b>25,509</b>	19,493	–	19,493
Investments	2	790	73	<b>863</b>	731	387	1,118
Charitable activities	3	107,660	3,339	<b>110,999</b>	110,397	10,030	120,427
<b>Total income</b>		<b>133,959</b>	<b>3,412</b>	<b>137,371</b>	<b>130,634</b>	<b>10,417</b>	<b>141,051</b>
<b>Expenditure on:</b>							
Raising funds		25,655	–	<b>25,655</b>	19,267	–	19,267
Charitable activities		105,915	3,260	<b>109,175</b>	105,306	9,338	114,644
Other							
Investment management costs		33	–	<b>33</b>	31	–	31
Tax on overseas activities		185	–	<b>185</b>	392	–	392
<b>Total expenditure</b>	4	<b>131,788</b>	<b>3,260</b>	<b>135,048</b>	<b>124,996</b>	<b>9,338</b>	<b>134,334</b>
<b>Net income before investments, property disposals, associates and deconsolidations</b>							
		2,171	152	<b>2,323</b>	5,638	1,079	6,717
Gains / (Losses) on investment assets	7	703	781	<b>1,484</b>	(1,199)	(467)	(1,666)
Gain on disposal of property		–	–	–	44,689	–	44,689
Share of outgoing resources of associate	7	(63)	–	<b>(63)</b>	(198)	–	(198)
Deconsolidation of subsidiary charity	13	–	(13,789)	<b>(13,789)</b>	–	–	–
<b>Net (expenditure) / income</b>		<b>2,811</b>	<b>(12,856)</b>	<b>(10,045)</b>	<b>48,930</b>	<b>612</b>	<b>49,542</b>
<b>Other recognised gains and losses</b>							
Gain / (loss) on revaluation of foreign currency net investments		1,076	–	<b>1,076</b>	(305)	–	(305)
Actuarial (loss) / gain on defined benefit pension scheme	19	(34,067)	–	<b>(34,067)</b>	2,050	–	2,050
<b>Net movement in funds</b>		<b>(30,180)</b>	<b>(12,856)</b>	<b>(43,036)</b>	<b>50,675</b>	<b>612</b>	<b>51,287</b>
<b>Accumulated funds brought forward</b>		<b>101,646</b>	<b>16,645</b>	<b>118,291</b>	<b>50,971</b>	<b>16,033</b>	<b>67,004</b>
<b>Accumulated funds carried forward</b>	13	<b>71,466</b>	<b>3,789</b>	<b>75,255</b>	<b>101,646</b>	<b>16,645</b>	<b>118,291</b>

The above results are derived entirely from continuing activities.

The notes on pages 46 to 71 form part of these Financial Statements.

## Balance Sheets at 31 August 2016

	Note	Group 31 August 2016 £'000	31 August 2015 £'000	Institute 31 August 2016 £'000	31 August 2015 £'000
<b>Intangible fixed assets</b>	5	<b>17,345</b>	16,924	<b>363</b>	410
<b>Tangible fixed assets</b>	6	<b>46,257</b>	49,738	<b>45,721</b>	48,817
<b>Investments</b>					
Investment in subsidiaries	7	-	-	<b>21,930</b>	18,545
Investment in associate	7	<b>67</b>	28	-	-
Other investments	7	<b>19,522</b>	22,336	<b>19,200</b>	15,874
<b>Total investments</b>		<b>19,589</b>	22,364	<b>41,130</b>	34,419
<b>Total fixed assets</b>		<b>83,191</b>	89,026	<b>87,214</b>	83,646
<b>Current assets</b>					
Debtors due within one year	8	<b>25,810</b>	26,160	<b>21,910</b>	20,993
Debtors due after one year	9	-	-	<b>6,961</b>	6,572
Stock		<b>47</b>	197	<b>103</b>	212
Cash at bank and in hand		<b>67,809</b>	80,595	<b>55,543</b>	62,989
<b>Total current assets</b>		<b>93,666</b>	106,952	<b>84,517</b>	90,766
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	10	<b>(34,105)</b>	(48,328)	<b>(26,001)</b>	(38,218)
<b>Net current assets</b>		<b>59,561</b>	58,624	<b>58,516</b>	52,548
<b>Total assets less current liabilities</b>		<b>142,752</b>	147,650	<b>145,730</b>	136,194
<b>Creditors: amounts falling due after one year</b>	11	<b>(3,882)</b>	(599)	<b>(3,882)</b>	(542)
<b>Provisions for liabilities and charges</b>	12	<b>(915)</b>	(1,760)	<b>(710)</b>	(1,628)
<b>Net assets excluding pension liability</b>		<b>137,955</b>	145,291	<b>141,138</b>	134,024
<b>Defined benefit pension scheme liability</b>	19	<b>(62,700)</b>	(27,000)	<b>(62,700)</b>	(27,000)
<b>Net assets</b>		<b>75,255</b>	118,291	<b>78,438</b>	107,024
<b>The funds of the charity</b>					
<b>Unrestricted funds</b>					
Unrestricted funds excluding pension liability	13	<b>126,433</b>	120,521	<b>129,616</b>	122,229
Revaluation reserve	13	<b>7,733</b>	8,125	<b>7,733</b>	8,125
Defined benefit pension scheme liability	19	<b>(62,700)</b>	(27,000)	<b>(62,700)</b>	(27,000)
<b>Total unrestricted funds</b>		<b>71,466</b>	101,646	<b>74,649</b>	103,354
<b>Restricted funds</b>	13	<b>3,789</b>	16,645	<b>3,789</b>	3,670
<b>TOTAL CHARITY FUNDS</b>		<b>75,255</b>	118,291	<b>78,438</b>	107,024

The notes on pages 46 to 71 form part of these Financial Statements.

The Financial statements on pages 43 to 71 were approved by the board of Trustees and authorised for issue on 8 December 2016 and signed on its behalf by:

Sir John Armitt, Chairman

P McKee, Treasurer

C Jones, Director-General

## Consolidated Statement of Cash Flows for the Year Ended 31 August 2016

	Note	£'000	Year ended 31 August 2016 £'000	£'000	Year ended 31 August 2015 £'000
<b>Cash flows from operating activities</b>	14		<b>269</b>		<b>4,561</b>
Investment income (excluding re-investments)		<b>249</b>		462	
Taxation paid		<b>(185)</b>		(392)	
<b>Net cash generated from operating activities</b>			<b>333</b>		<b>4,631</b>
<b>Cash flows from investing activities</b>					
Purchases of tangible fixed assets		<b>(4,744)</b>		(11,154)	
Purchases of investments	7	<b>(1,288)</b>		–	
Proceeds from sale of fixed assets		<b>630</b>		65,160	
Investment in subsidiary undertakings	7	<b>(3,649)</b>		(7,711)	
Investment in associated undertaking	7	<b>(102)</b>		(65)	
Cash acquired with subsidiaries		<b>–</b>		1,044	
Net cash outflow on separation from subsidiary charity		<b>(3,966)</b>		–	
<b>Net cash from investing activities</b>			<b>(13,119)</b>		<b>47,274</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>			<b>(12,786)</b>		<b>51,905</b>
Cash and cash equivalents at beginning of year			<b>80,595</b>		<b>28,690</b>
<b>Cash and cash equivalents at end of the year</b>			<b>67,809</b>		<b>80,595</b>
Cash and cash equivalents comprise:					
Cash at bank and in hand			<b>67,809</b>		<b>80,595</b>
			<b>67,809</b>		<b>80,595</b>

The notes on pages 46 to 71 form part of these Financial Statements.

# Notes to the Financial Statements for the Year Ended 31 August 2016

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## 1. Accounting policies

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 FRS102. 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.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015. Information on the impact of first-time adoption of FRS 102 is given in note 23.

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;
- 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. Accounting policies (continued)

### 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.

The offices of the Institute of Leadership and Management are included at cost.

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:

Long leasehold land	Lease term
Long leasehold buildings	2%
Computer software and equipment	20%–33⅓%
Furniture and fixtures	25%
Motor vehicles	25%–33⅓%
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.

# Notes to the Financial Statements for the Year Ended 31 August 2016

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## 1. Accounting policies (continued)

### 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 e-learning 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
- 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.

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## 1. Accounting policies (continued)

### 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 on 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.

### 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.

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 Judgements in applying accounting policies

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

#### Indicators of impairment

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.

#### 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.

# Notes to the Financial Statements for the Year Ended 31 August 2016

## 1. Accounting policies (continued)

### 1.16 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 £1,160,000 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 £240,000 on existing income level.

**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 £3.7m in scheme liabilities
- 0.1% pa increase in inflation rate leads to an increase of £3.6m in scheme liabilities
- 0.25% pa increase in rate of salary increases leads to an increase of £0.8m in scheme liabilities
- 0.1% pa increase in rate of increase in pensions in payment leads to an increase of £2.4m in scheme liabilities
- 1 year increase in life expectancy leads to an increase of £5.9m in scheme liabilities

**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.

**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 2016 £'000	Year ended 31 August 2015 £'000
Interest on deposits	249	266
Interest on investments	614	852
	<b>863</b>	<b>1,118</b>

## 3. Income from charitable activities: Educational services

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000
Fee income	110,989	120,405
Royalties received	10	22
	<b>110,999</b>	<b>120,427</b>

## 4. Resources expended

### (a) Analysis of total expenditure

	Staff Costs (Note 15) £'000	Other Direct Costs £'000	Support Costs £'000	Year ended 31 August 2016 Total £'000	Year ended 31 August 2015 Total £'000
Trading costs	13,756	8,812	3,087	25,655	19,266
Investment management costs	–	33	–	33	31
Educational services	59,497	29,690	19,988	109,175	114,645
Tax on overseas activities	–	185	–	185	392
	<b>73,253</b>	<b>38,720</b>	<b>23,075</b>	<b>135,048</b>	<b>134,334</b>

### (b) Analysis of support costs

	Trading Costs £'000	Educational Services £'000	Governance £'000	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000
Premises and utilities	918	3,566	9	4,493	4,716
Communication and IT	913	5,470	13	6,396	5,524
Postage and printing	78	1,357	3	1,438	1,976
Other	989	860	4	1,853	2,547
Depreciation	185	5,957	12	6,154	7,538
Amortisation costs	–	2,595	5	2,600	2,054
Financial costs	4	137	–	141	293
	<b>3,087</b>	<b>19,942</b>	<b>46</b>	<b>23,075</b>	<b>24,648</b>

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.

## Notes to the Financial Statements for the Year Ended 31 August 2016

### 4. Resources expended (continued)

#### (c) Analysis of governance costs

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000
Audit fees	305	221
Professional fees	198	174
Costs of governance meetings and Trustee travel	86	142
Staff costs	146	160
Apportionment of support costs	46	57
	<b>781</b>	<b>754</b>

#### (d) Cost analysis

Included within total expenditure are the following individual items:

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000
Group auditors' remuneration:		
Audit fees	267	203
Fees paid to auditors for non-audit services:	32	37
Other auditors' remuneration:		
Audit fees	38	18
Operating lease rentals:		
Land and buildings	1,807	1,537
Plant and equipment	460	518
Loss on disposal of tangible fixed assets	71	221
Depreciation (Note 6)	6,154	7,539
Amortisation (Note 5)	2,600	2,054
Net loss on foreign currency transactions	91	71

## 5. Intangible fixed assets

	Goodwill £'000	Intellectual Property Rights £'000	Customer Relationships £'000	Programme Content £'000	Trade Name £'000	Total £'000
<b>Group:</b>						
<b>Cost or valuation</b>						
At 1 September 2015	20,032	1,680	1,497	1,437	562	25,208
Additions	3,021	–	–	–	–	3,021
At 31 August 2016	23,053	1,680	1,497	1,437	562	28,229
<b>Amortisation</b>						
At 1 September 2015	6,563	1,506	87	112	16	8,284
Amortisation for the year	2,172	58	150	192	28	2,600
At 31 August 2016	8,735	1,564	237	304	44	10,884
<b>Net book values</b>						
At 31 August 2015	13,469	174	1,410	1,325	546	16,924
<b>At 31 August 2016</b>	<b>14,318</b>	<b>116</b>	<b>1,260</b>	<b>1,133</b>	<b>518</b>	<b>17,345</b>
<b>Institute:</b>						
<b>Cost or valuation</b>						
At 1 September 2015 and 31 August 2016	1,893	1,680	–	–	–	3,573
<b>Amortisation</b>						
At 1 September 2015	1,657	1,506	–	–	–	3,163
Amortisation for the year	(11)	58	–	–	–	47
At 31 August 2016	1,646	1,564	–	–	–	3,210
<b>Net book values</b>						
At 31 August 2015	236	174	–	–	–	410
<b>At 31 August 2016</b>	<b>247</b>	<b>116</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>363</b>

## Notes to the Financial Statements for the Year Ended 31 August 2016

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### 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 2016/17. 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 average residual amortisation period for the carrying intangible is 9 years.

Programme content comprises of learning solutions, learning content, training products including the flagship 5 Conversations product that are intrinsic to the business operations. The average residual amortisation period for the carrying intangible is 6.5 years.

Trade name is associated with businesses acquired by the Group. The average residual amortisation period for the carrying intangible is 19 years.

## 6. Tangible fixed assets

	Freehold Property £'000	Leasehold Property £'000	Computer Software and Equipment £'000	Plant, Fixtures and Motor Vehicles £'000	Assets Under Construction £'000	Total £'000
<b>Group:</b>						
<b>Cost or valuation</b>						
At 1 September 2015	594	37,837	19,463	3,308	1,660	62,862
Transfers	–	–	383	238	(621)	–
Additions	–	28	207	251	2,610	3,096
Disposals	(594)	–	(307)	(49)	–	(950)
Foreign exchange revaluation	–	(19)	50	(21)	–	10
At 31 August 2016	–	37,846	19,796	3,727	3,649	65,018
<b>Accumulated depreciation</b>						
At 1 September 2015	200	926	10,335	1,663	–	13,124
Charge for the year	6	655	4,840	653	–	6,154
Disposals	(207)	–	(298)	(38)	–	(543)
Foreign exchange revaluation	1	–	16	9	–	26
At 31 August 2016	–	1,581	14,893	2,287	–	18,761
<b>Net book values</b>						
At 31 August 2015	394	36,911	9,128	1,645	1,660	49,738
<b>At 31 August 2016</b>	<b>–</b>	<b>36,265</b>	<b>4,903</b>	<b>1,440</b>	<b>3,649</b>	<b>46,257</b>
<b>Institute:</b>						
<b>Cost or valuation</b>						
At 1 September 2015	–	37,752	19,181	2,560	1,662	61,155
Transfers	–	–	383	238	(621)	–
Additions	–	2	153	109	2,608	2,872
Disposals / write downs	–	–	(180)	(16)	–	(196)
Foreign exchange revaluation	–	–	3	–	–	3
At 31 August 2016	–	37,754	19,540	2,891	3,649	63,834
<b>Accumulated depreciation</b>						
At 1 September 2015	–	880	10,312	1,146	–	12,338
Charge for the year	–	621	4,742	543	–	5,906
Disposals	–	–	(121)	(13)	–	(134)
Foreign exchange revaluation	–	–	3	–	–	3
At 31 August 2016	–	1,501	14,936	1,676	–	18,113
<b>Net book values</b>						
At 31 August 2015	–	36,872	8,869	1,414	1,662	48,817
<b>At 31 August 2016</b>	<b>–</b>	<b>36,253</b>	<b>4,604</b>	<b>1,215</b>	<b>3,649</b>	<b>45,721</b>

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

At 31 August 2016, the historical cost of the leasehold property of the Group amounted to £29,425,000 (2015: £29,416,000) and of the Institute amounted to £29,333,000 (2015: £29,331,000).

## Notes to the Financial Statements for the Year Ended 31 August 2016

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### 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 deficit of £43,036,000 (2015: surplus of £51,287,000), includes the results of the following eight charitable / wholly owned trading subsidiaries all of which are incorporated in the UK unless otherwise stated:

City and Guilds International Limited, a registered charity within the Institute's registration. Together with its eight subsidiaries it delivers examination and award services overseas.

City and Guilds Enterprises Limited, a limited company which undertakes commercial activities on behalf of the Group.

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 (trading as Kineo Pacific) a company incorporated in New Zealand which provides e-learning 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 company incorporated in Australia which partners with businesses to create custom-built e-learning 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.

NPTC, Guildco Limited, City and Guilds for Business Limited, Screenhold Limited, Learning Assistant Limited, City and Guilds of North America Inc, Oxford Call Centres Limited, Oxford Europe Limited, Oxford Personnel Limited, Oxford Group Pension Trustees Limited, Oxford Recruitment Limited and Oxford Training Limited, are dormant subsidiaries in the Group.

## 7. Investments (continued)

### a) Subsidiaries:

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

	Company Number (Charity Number)		Investment £'000	Total Income £'000	Total Expenditure £'000	Surplus / (Deficit) £'000	Assets £'000	Liabilities £'000	Funds £'000
<b>City and Guilds International Limited</b>	1894671 (312832)	2016 2015	1,007 1,007	17,314 22,481	(17,224) (22,925)	90 (444)	12,645 9,858	(11,206) (8,509)	1,439 1,349
<b>City and Guilds Enterprises Limited</b>	5200334 (N/A)	2016 2015	– –	19 22	(19) (22)	– –	21 13	(21) (13)	– –
<b>City and Guilds Kineo Limited</b>	7150983 (N/A)	2016 2015	9,733 9,733	15,708 14,149	(15,494) (13,937)	214 212	5,111 8,603	(7,471) (11,177)	(2,360) (2,574)
<b>Flexible Learning Network Limited</b>	155963250 (N/A)	2016 2015	2,225 1,623	2,508 2,252	(2,734) (2,416)	(226) (164)	1,211 878	(1,379) (820)	(168) 58
<b>The Oxford Group</b>	6074029 (N/A)	2016 2015	6,150 6,162	7,330 3,992	(7,215) (3,613)	115 379	5,885 4,457	(3,418) (2,105)	2,467 2,352
<b>Nine Lanterns Pty Limited</b>	ACN 098 839 082 (N/A)	2016 2015	1,763 n/a	695 n/a	(937) n/a	(242) n/a	48 n/a	(320) n/a	(272) n/a
<b>Digitalme Limited</b>	05303626 (N/A)	2016 2015	– n/a	37 n/a	(108) n/a	(71) n/a	129 n/a	(230) n/a	(101) n/a
<b>Radiowaves Schools Limited</b>	05774430 (N/A)	2016 2015	1,032 n/a	33 n/a	(120) n/a	(87) n/a	151 n/a	(236) n/a	(85) n/a

### b) Acquisitions:

In the year, the Institute completed the acquisition of Nine Lanterns Pty Limited and Digitalme Limited/Radiowaves Schools Limited on 30 October 2015 and 10 June 2016 respectively through the purchase of 100% of the ordinary share capital of these entities.

<b>Subsidiaries acquired</b>	<b>Nine Lanterns Pty Ltd £'000</b>	<b>Digitalme Ltd/Radiowaves Schools Ltd £'000</b>	<b>Total £'000</b>
Net assets acquired	(46)	(86)	(132)
Total cash consideration	1,763	1,032	2,795
Total goodwill acquired – note 5	1,809	1,118	2,927

In addition to the cash sums payable on completion, there are also elements of deferred consideration and earn-out consideration: the deferred consideration is payable by instalments on anniversary of completion contingent on certain conditions being satisfied. The earn-out consideration is payable by instalments contingent on certain targets relating to operating contribution being met.

The estimated useful life of the goodwill arising on these acquisitions is 10 years based on management's expected flow of future economic benefits.

## Notes to the Financial Statements for the Year Ended 31 August 2016

### 7. Investments (continued)

c) Associate:

	Group 31 August 2016 £'000	31 August 2015 £'000	Institute 31 August 2016 £'000	31 August 2015 £'000
Investment in Associates				
Manipal City & Guilds Pte Limited				
At 1 September	28	161	–	–
Capital injection	102	65	–	–
Share of retained loss	(63)	(198)	–	–
At 31 August	67	28	–	–

The Group holds, through City & Guilds (Asia) Pte Limited (a subsidiary of City and Guilds International Limited), 49% (2015: 49%) of the share capital in Manipal City & Guilds Pte Limited, a company incorporated in India.

d) Other:

	Group 31 August 2016 £'000	31 August 2015 £'000	Institute 31 August 2016 £'000	31 August 2015 £'000
At 1 September	22,336	23,126	15,874	16,353
Additions	1,288	–	1,288	–
Disposals	(6,327)	–	–	–
Net (loss) / gains	1,645	(1,446)	1,458	(999)
Income reinvested	580	656	580	520
At 31 August	19,522	22,336	19,200	15,874

Other investments are comprised of 89% (2015: 96%) listed investments in the year.

Holdings in the listed investments in excess of 5% (2015: 5%) of the market value of the portfolio at 31 August 2016 are as follows: 82.0% is invested in the ChariTrak UK Equity Accumulation Fund and 6.9% in the CCLA COIF Fund.

At 31 August 2016, the historical cost of these listed fixed asset investments of the Group amounted to £16,026,000 (2015: £16,963,000) and of the Institute amounted to £16,026,000 (2015: £10,924,000).

Holdings in the unlisted investments included £322,000 in Totara Learning Solutions Ltd, £557,000 in MyKindaFuture Ltd, £488,000 in Excel With Business Ltd, £286,000 in Credly Inc and £488,000 in GetMyFirstJob Ltd.

### 8. Debtors: Amounts falling due within one year

	Group 31 August 2016 £'000	31 August 2015 £'000	Institute 31 August 2016 £'000	31 August 2015 £'000
Trade debtors	18,596	18,954	9,760	8,864
Amounts owed by subsidiary undertakings	–	–	6,286	6,730
Concessionary loans owed by subsidiary undertakings	–	–	–	–
Other debtors	3,058	2,789	2,632	1,814
Prepayments	4,156	4,417	3,232	3,585
	25,810	26,160	21,910	20,993

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 £495,000 (2015: £324,000). The impairment loss recognised in the Institute net income for the period in respect of bad and doubtful trade debts was £142,000 (2015: £78,000).

## 9. Debtors: Amounts falling due after one year

	Group 31 August 2016 £'000	31 August 2015 £'000	Institute 31 August 2016 £'000	31 August 2015 £'000
Concessionary loans owed by subsidiary undertakings	–	–	<b>6,961</b>	6,572

The above is made up of 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 2016 £'000	31 August 2015 £'000	Institute 31 August 2016 £'000	31 August 2015 £'000
Trade creditors	<b>3,598</b>	5,943	<b>2,121</b>	4,173
Amounts owed to subsidiary undertakings	–	–	<b>641</b>	271
Taxation and social security	<b>2,007</b>	12,676	<b>1,314</b>	12,139
Other creditors	<b>2,248</b>	2,891	<b>2,212</b>	2,642
Accruals	<b>11,850</b>	12,709	<b>9,160</b>	9,540
Amounts payable to former directors of subsidiary undertaking	–	1,500	–	–
Deferred consideration	<b>1,865</b>	500	<b>1,865</b>	500
Deferred income – see below	<b>12,537</b>	12,109	<b>8,688</b>	8,953
	<b>34,105</b>	48,328	<b>26,001</b>	38,218

### Deferred income:

	Group 31 August 2016 £'000	31 August 2015 £'000	Institute 31 August 2016 £'000	31 August 2015 £'000
At 1 September	<b>12,109</b>	12,341	<b>8,953</b>	8,079
Deferred in the year	<b>12,537</b>	12,109	<b>8,688</b>	8,953
Released in the year	<b>(12,109)</b>	(12,341)	<b>(8,953)</b>	(8,079)
At 31 August	<b>12,537</b>	12,109	<b>8,688</b>	8,953

## Notes to the Financial Statements for the Year Ended 31 August 2016

### 11. Creditors: Amounts falling due after one year

	Group 31 August 2016 £'000	31 August 2015 £'000	Institute 31 August 2016 £'000	31 August 2015 £'000
Other creditors	2,572	–	2,572	–
Deferred consideration	1,310	599	1,310	542
	<b>3,882</b>	599	<b>3,882</b>	542

### 12. Provisions for liabilities and charges

	Group 31 August 2016 £'000	31 August 2015 £'000	Institute 31 August 2016 £'000	31 August 2015 £'000
At 1 September	1,760	1,303	1,628	1,303
Provided in the year	155	712	82	580
Utilised in the year	(1,000)	(255)	(1,000)	(255)
At 31 August	<b>915</b>	1,760	<b>710</b>	1,628

The above totals for both Group and Institute contain an amount of £nil relating to a Long Term Incentive Plan (2015: £1,000,000). The Long Term Incentive Plan liability which is payable in the year ended 31 August 2017, has been recalculated and reclassified to accruals under Creditors: amounts payable within one year in the year.

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 £'000	Unrestricted £'000	At 31 August 2016 £'000	Restricted £'000	Unrestricted £'000	At 31 August 2015 £'000
Fixed Assets	69	63,533	<b>63,602</b>	394	66,268	66,662
Investments	1,345	18,244	<b>19,589</b>	7,366	14,998	22,364
Net current assets	2,375	57,186	<b>59,561</b>	8,885	49,739	58,624
Provisions	–	(915)	<b>(915)</b>	–	(1,760)	(1,760)
Creditors: amounts falling due after one year	–	(3,882)	<b>(3,882)</b>	–	(599)	(599)
Defined benefit pension scheme liability	–	(62,700)	<b>(62,700)</b>	–	(27,000)	(27,000)
Net assets at 31 August	<b>3,789</b>	<b>71,466</b>	<b>75,255</b>	16,645	101,646	118,291

### 13. Funds (continued)

Analysis of movement in the funds of the charity:

	At 1 September 2015 £'000	Income £'000	Expenditure £'000	Other Movements £'000	At 31 August 2016 £'000
<b>Group:</b>					
<b>Unrestricted</b>					
General	115,521	133,959	(129,907)	2,108	<b>121,681</b>
Revaluation reserve	8,125	–	–	(392)	<b>7,733</b>
Skills Development Fund	5,000	–	(248)	–	<b>4,752</b>
Defined benefit pension scheme liability	(27,000)	–	(1,633)	(34,067)	<b>(62,700)</b>
Total unrestricted funds	101,646	133,959	(131,788)	(32,351)	<b>71,466</b>
<b>Restricted</b>					
NPTC	3,670	58	(80)	141	<b>3,789</b>
ILM	12,975	3,354	(3,180)	(13,149)	<b>–</b>
Total restricted funds	16,645	3,412	(3,260)	(13,008)	<b>3,789</b>
<b>Total</b>	<b>118,291</b>	<b>137,371</b>	<b>(135,048)</b>	<b>(45,359)</b>	<b>75,255</b>
<b>Institute:</b>					
<b>Unrestricted</b>					
General	117,229	95,130	(92,362)	4,867	<b>124,864</b>
Revaluation reserve	8,125	–	–	(392)	<b>7,733</b>
Skills Development Fund	5,000	–	(248)	–	<b>4,752</b>
Defined benefit pension scheme liability	(27,000)	–	(1,633)	(34,067)	<b>(62,700)</b>
Total unrestricted funds	103,354	95,130	(94,243)	(29,592)	<b>74,649</b>
<b>Restricted</b>					
NPTC	3,670	58	(80)	141	<b>3,789</b>
ILM	–	3,014	–	(3,014)	<b>–</b>
Total restricted funds	3,670	3,072	(80)	(2,873)	<b>3,789</b>
<b>Total</b>	<b>107,024</b>	<b>98,202</b>	<b>(94,323)</b>	<b>(32,465)</b>	<b>78,438</b>

## Notes to the Financial Statements for the Year Ended 31 August 2016

### 13. Funds (continued)

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

	At 1 September 2014 £'000	Income £'000	Expenditure £'000	Other Movements £'000	Transfers £'000	At 31 August 2015 £'000
<b>Group:</b>						
<b>Unrestricted</b>						
General	76,551	130,634	(129,652)	42,987	(5,000)	115,520
Revaluation reserve	8,220	–	(94)	–	–	8,126
Skills Development Fund	–	–	–	–	5,000	5,000
Defined benefit pension scheme liability	(33,800)	–	4,750	2,050	–	(27,000)
Total unrestricted funds	50,971	130,634	(124,996)	45,037	–	101,646
<b>Restricted</b>						
NPTC	3,622	58	(26)	16	–	3,670
ILM	12,411	10,359	(9,312)	(483)	–	12,975
Total restricted funds	16,033	10,417	(9,338)	(467)	–	16,645
<b>Total</b>	<b>67,004</b>	<b>141,051</b>	<b>(134,334)</b>	<b>44,570</b>		<b>118,291</b>
<b>Institute:</b>						
<b>Unrestricted</b>						
General	77,962	101,767	(100,794)	43,293	(5,000)	117,228
Revaluation reserve	8,220	–	(94)	–	–	8,126
Skills Development Fund	–	–	–	–	5,000	5,000
Defined benefit pension scheme liability	(33,800)	–	4,750	2,050	–	(27,000)
Total unrestricted funds	52,382	101,767	(96,138)	45,343	–	103,354
<b>Restricted</b>						
NPTC	3,622	58	(26)	16	–	3,670
ILM	–	–	–	–	–	–
Total restricted funds	3,622	58	(26)	16	–	3,670
<b>Total</b>	<b>56,004</b>	<b>101,825</b>	<b>(96,164)</b>	<b>45,359</b>	–	<b>107,024</b>

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### 13. Funds (continued)

#### **Unrestricted**

##### *Institute*

Within the Institute's unrestricted funds are prize and trust funds of £16,896 (2015: £16,266).

##### *Subsidiary charities*

The unrestricted funds of each subsidiary are given in Note 7a.

##### *Designated*

The Skills Development Fund was created by the Institute in July 2015. 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.

##### *ILM*

Until 7 January 2016 The Institute of Leadership and Management (TILM) was a member of the Group. Its charitable objects ('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') are narrower than those of the Institute and TILM is therefore treated as a restricted fund in the Financial Statements.

Following the transfer to the Institute of part of TILM's business and assets on 7 January 2016, the Institute holds a fund (the ILM 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.

On 7 January 2016, TILM amended its constitution and this resulted in the Institute no longer controlling TILM. As a result, the financial statements reflect the disposal of this subsidiary at this date. As per the terms of the transfer agreement also signed on this date, various assets and liabilities were transferred to the Institute and were accounted for in the above 'Institute' current year table at their book value of 3.0m. Also contained in the transfer agreement was an obligation for the institute to pay TILM £0.5m per year for the next ten years. The net present value of this obligation of £3.6m has been accounted for in the current financial year and £3.0m of this obligation is accounted for in the ILM Fund, bringing the value of the fund to zero at the year end.

The opening value of the ILM Fund was £13.0m and between 1 September 2015 and 7 January 2016, TILM made a surplus of £0.2m. The total value assets leaving the group as a result of the separation was £13.8m. £0.6m of this was allocated to general reserves (see previous paragraph) and so £13.1m was charged to the ILM Fund.

## Notes to the Financial Statements for the Year Ended 31 August 2016

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

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000
Net (expenditure) / income	(10,045)	49,542
Adjust for non-cash items:		
Net outgoing resources of associate	63	198
Investment income	(863)	(1,117)
Depreciation	6,154	7,539
Amortisation	2,600	2,054
Deferred consideration charge	–	819
Taxation	185	392
Employee benefits adjustment	–	17
(Loss)/Gain on investment assets	(1,484)	1,666
Gain on disposal of fixed assets	(568)	(44,468)
Impairment in investment	234	–
Deconsolidation of subsidiary charity	13,789	–
Decrease in stock	150	176
Decrease / (Increase) in debtors	350	(4,973)
Increase in creditors	(11,084)	(2,992)
(Decrease) / Increase in provisions	(845)	458
Pension deficit movement	1,633	(4,750)
<b>Cash flows from operating activities</b>	<b>269</b>	<b>4,561</b>

### 15. Group staff costs

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000
Wages and salaries	56,525	53,870
Social security	5,040	4,961
Severance payments	2,577	632
Pension	9,111	9,345
	<b>73,253</b>	<b>68,808</b>

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

	Year ended 31 August 2016	Year ended 31 August 2015
Average number of staff:		
Educational services	1,255	1,184
Governance	2	2
	<b>1,257</b>	<b>1,186</b>

## 15. Group staff costs (continued)

	Year ended 31 August 2016	Year ended 31 August 2015
Number of staff whose emoluments fell within the following bands:		
£60,001 – £70,000	70	63
£70,001 – £80,000	52	48
£80,001 – £90,000	19	15
£90,001 – £100,000	17	14
£100,001 – £110,000	11	10
£110,001 – £120,000	7	7
£120,001 – £130,000	6	5
£130,001 – £140,000	6	4
£140,001 – £150,000	2	4
£160,001 – £170,000	1	1
£170,001 – £180,000	1	1
£180,001 – £190,000	–	3
£190,001 – £200,000	1	–
£210,001 – £220,000	–	1
£220,001 – £230,000	1	1
£250,001 – £260,000	–	2
£260,001 – £270,000	–	1
£290,001 – £300,000	1	–
£310,001 – £320,000	1	–
£320,001 – £330,000	1	1
£340,001 – £350,000	1	–
£380,001 – £390,000	1	–
£420,001 – £430,000	–	1
£440,001 – £450,000	1	–
£470,001 – £480,000	1	–
£620,001 – £630,000	–	1
£670,001 – £680,000	1	–
£690,001 – £700,000	2	–

Emoluments in the above bands comprise salaries, bonus, benefits in kind, severance payments of £2,577,000 (2015: £628,000), contingent consideration relating to acquisitions of £1,209,000 (2015: £748,000) and provisions for long term incentive plans of £1,350,000 (2015: £nil).

116 of these staff (2015: 134) are accruing retirement benefits under the defined benefit section of the City and Guilds (1966) Pension Scheme and 25 (2015: 40) under defined contribution arrangements. Contributions to the defined contribution scheme in respect of these 25 were £126,000 (2015: £222,000).

The total compensation paid to key management personnel for services provided to the group was £3,273,000 (2015: £1,947,000).

## Notes to the Financial Statements for the Year Ended 31 August 2016

### 16. Expenses reimbursed to Trustees

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000
Travel and subsistence expenses reimbursed	9	8

	Year ended 31 August 2016	Year ended 31 August 2015
Number of Trustees in receipt of expense reimbursements	9	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:

	Group 31 August 2016 £'000	31 August 2015 £'000	Institute 31 August 2016 £'000	31 August 2015 £'000
Operating leases that expire:				
Land and buildings:				
Within one year	1,339	1,434	1,078	1,129
In two to five years	1,428	2,213	1,360	1,992
Over five years	19,338	19,499	19,338	19,499
Other:				
Within one year	300	290	281	277
In two to five years	83	302	64	297

### 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 £1,900,000 (2015: £1,500,000). 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 2016.

A triennial actuarial valuation of The City and Guilds (1966) Pension scheme was carried out by independent qualified actuaries, Towers Watson Limited, at 30 September 2014. The valuation disclosed a funding deficit amounting to £19.1m million. The deficit recovery plan required that the annual contributions of £3.1m would continue until 31 August 2015, thereafter annual contributions of £1.6m will be paid until 30 September 2024. In addition, a one-off payment of £5.0m was paid in August 2015. Effective from 1 October 2014, normal contributions increased from 17.0% to 23.2% for the Full CARE section and from 11.0% to 16.1% for the Hybrid CARE section.

## 19. Pensions (continued)

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 FRS102.

### a) Amounts recognised in the Balance Sheets

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000
Fair value of Scheme assets	183,500	156,800
Present value of funded obligations	(246,200)	(183,800)
Net liability	(62,700)	(27,000)

### b) Amounts recognised in the Statement of Financial Activities

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000
Current service cost	(5,933)	(6,150)
Net interest charge	(900)	(1,300)
Total included in net income	(6,833)	(7,450)
Actuarial loss	(54,567)	(50)
Return on assets greater than discount rate	20,500	2,100
Total charge in Statement of Financial Activities	(40,900)	(5,400)

Actual return on Scheme assets was £26.7m (2015: £7.8m).

### c) Changes in the present value of the Scheme obligations

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000
At 1 September	183,800	176,200
Service cost	5,933	6,150
Interest charge on Scheme liabilities	6,900	7,000
Loss on change in assumptions	54,367	5,250
Experience loss / (gain)	200	(5,500)
Benefit payments	(5,400)	(5,500)
Expenses payments	(700)	(900)
Member contributions	1,100	1,100
<b>At 31 August</b>	<b>246,200</b>	<b>183,800</b>

## Notes to the Financial Statements for the Year Ended 31 August 2016

### 19. Pensions (continued)

#### d) Changes in fair value of Scheme assets

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000
At 1 September	156,800	142,400
Interest on assets	6,000	5,700
Return on assets	20,500	2,100
Institute contributions	5,200	12,200
Member contributions	1,100	1,100
Actuarial adjustments	–	(300)
Benefit payments	(5,400)	(5,500)
Expenses payments	(700)	(900)
At 31 August	183,500	156,800

The Group expects to make normal contributions of £3.7m (2015: £3.7m) and deficit payments of £1.6m (2015: £1.5m) during the next financial year.

#### e) Major categories of assets as % of total assets

	Year ended 31 August 2016 %	Year ended 31 August 2015 %
Equities	23.7	32.4
Bonds	36.7	27.7
Property	6.4	7.1
Diversified Growth Funds	32.5	27.9

#### f) Principal actuarial assumptions at the Balance Sheet date

	Year ended 31 August 2016 %	Year ended 31 August 2015 %
Rate of increase in salaries above inflation rate	0.75	0.75
Rate of increase in pensions in payment	2.55	3.00
Discount rate	2.10	3.80
Inflation rate assumption (RPI)	2.75	3.20
Inflation rate assumption (CPI)	1.75	2.20

The post-retirement mortality assumptions adopted at 31 August 2016 are in line with the standard SAPS S2 All Pensioners tables with future improvements based on the CMI 2015 projections with a long term trend of 1.25% pa.

## 19. Pensions (continued)

### g) History of deficit and experience gains and losses

	31 August 2016	31 August 2015	31 August 2014	31 August 2013	30 September 2012	30 September 2011
	£'000	£'000	£'000	£'000	£'000	£'000
Scheme assets	183,500	156,800	142,400	123,700	115,000	100,100
Scheme obligations	(246,200)	(183,800)	(176,200)	(158,000)	(146,800)	(134,100)
Deficit	(62,700)	(27,000)	(33,800)	(34,300)	(31,800)	(34,000)
Experience adjustments on assets	–	(300)	9,800	6,500	6,500	(5,300)
Experience adjustments on liabilities	(200)	5,500	900	(600)	4,900	(100)
Gain / (loss) on change in assumptions	(54,367)	(5,250)	(10,300)	(9,600)	(9,800)	4,400
Actuarial gain / (loss)	(54,567)	(50)	400	(3,700)	1,600	(1,000)

## 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 £98,201,000 (2015: £101,824,000) and the deficit for the year to 31 August 2016 is £28,586,000 (2015: surplus of £51,020,000).

## Notes to the Financial Statements for the Year Ended 31 August 2016

### 21. Related party transactions

Transactions with related parties are set out below.

Note	As at 31 August 2016		Year ended 31 August 2016		As at 31 August 2015		Year ended 31 August 2015	
	Amounts due from £'000	Amounts due to £'000	Sales to £'000	Purchases from £'000	Amounts due from £'000	Amounts due to £'000	Sales to £'000	Purchases from £'000
<b>Institute:</b>								
<b>Subsidiary undertakings</b>								
City and Guilds International Limited	7,270	–	10,373	316	6,565	–	14,451	–
Screenhold Limited	–	–	–	–	664	–	–	2,012
City and Guilds Enterprises	–	13	–	–	–	45	–	–
Guildco Limited	–	500	–	–	–	205	1	–
City and Guilds for Business Limited	5	–	–	–	–	721	–	–
Learning Assistant Limited	–	20	–	–	–	26	–	209
City and Guilds Kineo Limited	3,325	–	51	161	5,890	–	–	134
Flexible Learning Network Limited	–	–	–	–	–	–	–	–
The Oxford Group	842	–	–	6	–	–	–	–
Nine Lanterns Pty Limited	–	–	–	–	–	–	–	–
ILM	–	–	1,582	167	519	–	1,466	–
Digitalme Limited	175	–	–	–	–	–	–	–
Radiowaves Schools Limited	200	–	–	–	–	–	–	–
<b>Total</b>	<b>11,817</b>	<b>533</b>	<b>12,006</b>	<b>650</b>	<b>13,638</b>	<b>997</b>	<b>15,918</b>	<b>2,355</b>

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 £168,000 (2015: £275,000) to Manipal City & Guilds Pte Limited in the period for services provided. £nil (2015: £nil) was outstanding at the period end.

City and Guilds Kineo Limited paid £430,000 (2015: £80,000) to Totara Learning Solutions Limited for services provided. £5,000 was due to Totara Learning Solutions Limited (2015: £35,000) at the year end.

During the year the Institute spent £nil (2015: £84,000) with Learning Pool Limited, a company incorporated in Northern Ireland. Donald Clark and his business partners (the other two directors of the company) own 100% of the shares in Learning Pool Limited.

### 22. Post Balance Sheet Events

On 8 November 2016, the Institute acquired 100% of the share capital of Interact Learning Pty Ltd, a company registered in Australia.

## 23. First time adoption of FRS 102

	Note	At 1 September 2014 £'000	Income £'000	Expenditure £'000	Other Movements £'000	Transfers £'000	At 31 August 2015 £'000
<b>Group:</b>							
<b>Unrestricted funds as previously stated</b>		42,964	130,634	(122,647)	43,437	–	94,388
Revaluation to fair value of long leasehold	a	8,220	–	(94)	–	–	8,126
Revaluation of business combination	b	–	–	(637)	–	–	(637)
Recognition of holiday pay accruals	c	(213)	–	(18)	–	–	(231)
Pension adjustments under FRS 102	d	–	–	(1,600)	1,600	–	–
<b>As stated in accordance with FRS 102</b>		<b>50,971</b>	<b>130,634</b>	<b>(124,996)</b>	<b>45,037</b>	<b>–</b>	<b>101,646</b>
<b>Restricted funds as previously stated</b>		16,033	10,417	(9,338)	(467)	–	16,645
<b>As stated in accordance with FRS 102</b>		<b>16,033</b>	<b>10,417</b>	<b>(9,338)</b>	<b>(467)</b>	<b>–</b>	<b>16,645</b>
<b>Total</b>		<b>67,004</b>	<b>141,051</b>	<b>(134,334)</b>	<b>44,570</b>	<b>–</b>	<b>118,291</b>
<b>Institute:</b>							
<b>Unrestricted funds as previously stated</b>		44,162	101,767	(93,624)	43,743	–	96,048
Revaluation to fair value of long leasehold	a	8,220	–	(94)	–	–	8,126
Revaluation of business combination	b	–	–	(820)	–	–	(820)
Pension adjustments under FRS 102	d	–	–	(1,600)	1,600	–	–
<b>As stated in accordance with FRS 102</b>		<b>52,382</b>	<b>101,767</b>	<b>(96,138)</b>	<b>45,343</b>	<b>–</b>	<b>103,354</b>
<b>Restricted funds as previously stated</b>		3,622	58	(26)	16	–	3,670
<b>As stated in accordance with FRS 102</b>		<b>3,622</b>	<b>58</b>	<b>(26)</b>	<b>16</b>	<b>–</b>	<b>3,670</b>
<b>Total</b>		<b>56,004</b>	<b>101,825</b>	<b>(96,164)</b>	<b>45,359</b>	<b>–</b>	<b>107,024</b>

Explanation of changes to previously reported net income and funds

- The group has taken the optional exemption available in FRS 102 to adopt the market value of the long leasehold properties on the transition date, 1 September 2014 as deemed cost. The effect of the change has been to increase the revaluation reserve for the year ended 31 August 2014 and subsequent depreciation charges.
- FRS 102 requires that intangible assets acquired in business combinations from the transition date to be recognised at fair value separate from the goodwill. This was not required under previous UK GAAP. Effectively, this has led to a reallocation of recognised business combination goodwill to separable intangible assets which are amortised over individually estimated useful lives. The effects incidentally have been a reduction in amortisation charges. Separately, FRS 102 also requires contingent consideration arrangement in which the payments are automatically forfeited if employment terminates to be treated as post-combination services remuneration. This has led to £819,000 of additional expenditures being recognised in the year ended 31 August 2015.
- FRS 102 requires that 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. The retrospective application of this requirement has led to additional holiday pay liability being recognised on the transition date.
- FRS 102 requires the recognition in net income of a net interest cost (or income) on defined benefit pension schemes. This is calculated by multiplying the net pension liability (or asset) by the market yields on high quality corporate bonds. The effect of this, when compared to previous UK GAAP, has been to reduce reported net income for the year ended 31 August 2015 because previous UK GAAP led to the recognition of finance income calculated by reference to the expected returns on the pension plan's specific assets be they equities, properties or bonds. The change has had no effect on reported funds as the measurement of the net defined pension scheme liability (or asset) has not changed. Instead, the decrease in reported net income is mirrored by an increase in actuarial gains which are presented within other recognised gains and losses.

**The City and Guilds of London Institute**

Incorporated by Royal Charter  
Founded 1878

1 Giltspur Street  
London EC1A 9DD

T 020 7294 2468  
F 020 7294 2400  
info@cityandguildsgroup.com  
www.cityandguildsgroup.com

**Registered Charity Number**

312832 – England And Wales  
SC039576 – Scotland

**Royal Charter Number**

RC000117

**Design**

SEA

**Photography**

Simon Ellis (pg. 2, 6, 8, 9, 12, 17, 18)  
Phil Gammon (pg. 2, 10, 11, 23, 26)  
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