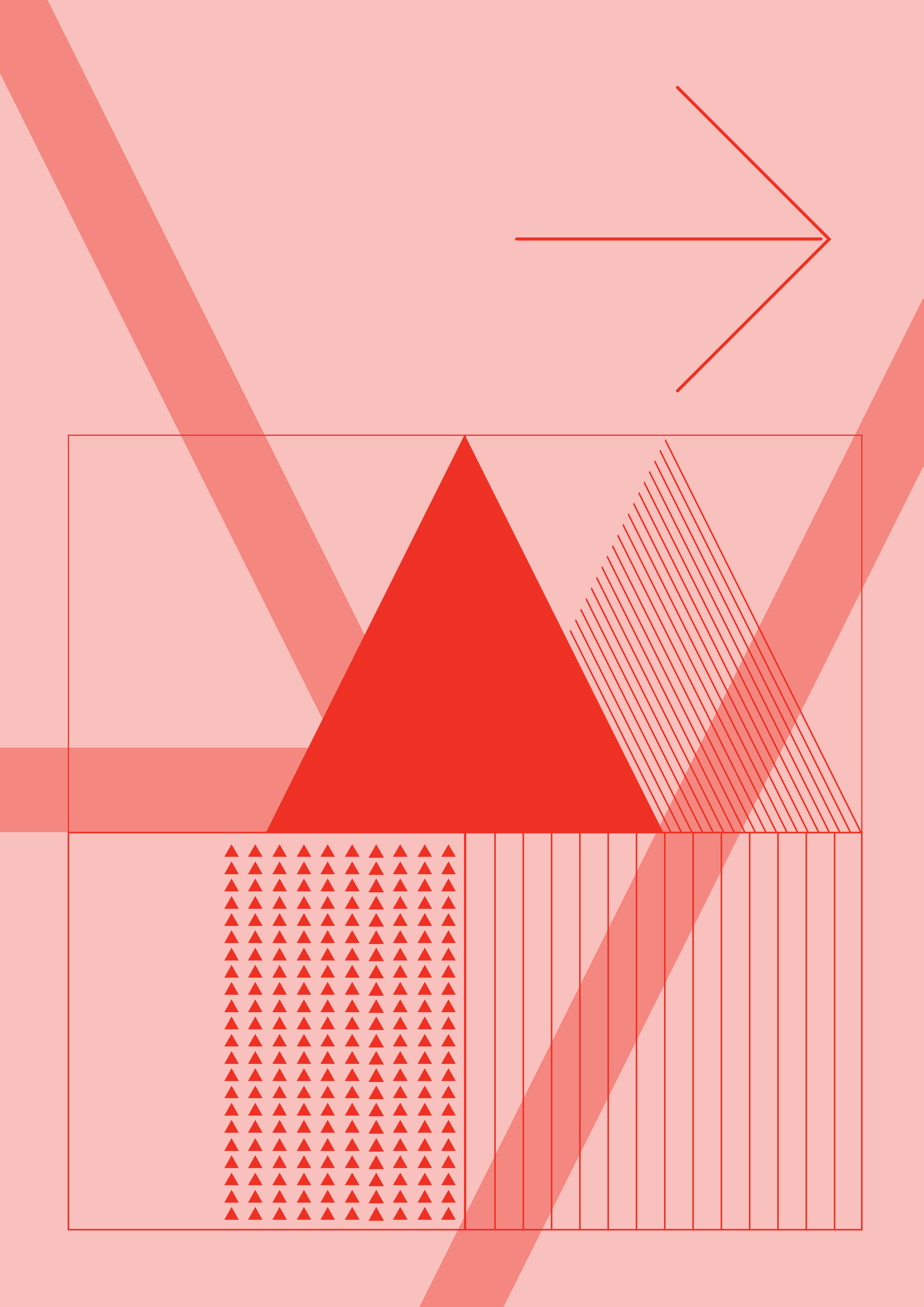
The City and Guilds of London Institute

Trustees' Annual Report

& Consolidated Financial Statements for the year ended 31 August 2022



Contents

Trustees' Annual Report

Chair's Statement

Dame Ann Limb DBE CBE DL FCGI

Stepping into the role of Chair in 2021 meant taking on the position while the world was in the midst of the Covid-19 pandemic. During this time, City & Guilds focused on adapting to an uncertain education landscape while ensuring we maintained our mission and values during a very challenging period.

Over the last 12 months we have seen the world returning to normal, but this doesn't mean a return to the pre-covid status quo. Instead, we are presented with new challenges and opportunities in a world that has fundamentally changed – one which City & Guilds is prepared to embrace and continue with our mission to deliver skills to support individuals, organisations and economies.

Cost of living and cost of learning

Rising inflation and the increasing cost of living drove many people who had taken early retirement in the "Great Resignation" to seek to rejoin the workforce, with higher paying roles particularly sought after. For some other workers midway through their careers, changing industries also became necessary, as sectors such as tourism, hospitality and retail continued to struggle

All this whilst existing talent shortages in vital sectors persisted. These challenges have placed a new emphasis on how to help people gain the skills needed to help them take the next step in their career, potentially transitioning into new sectors and industries.

Delivering on these goals will mean adapting the way we do business and how we support our learners and customers. Our evolving strategy reflects this. In our last annual report, I wrote about how we were already taking steps to develop digital learning and bitesize courses to make learning more accessible to people at all stages of their career and from all backgrounds.

This is an agenda we have continued to pursue throughout 2021 and 2022. It has never been more important, both to help individuals achieve their ambitions and to support businesses and the wider economy. At the same time we need to continue helping to develop inclusive curricula, embed diversity and equity and promote inclusion throughout everything we offer. I am hugely proud to see the steps that have already been taken on this path.

Part of our responsibility is also to shape policy and raise public awareness of the wide range of education and career paths available, not only in the UK but across our entire global footprint. We also have a role to play in calling for stability in the UK skills system that has been in constant flux over the past few decades. In the face of a challenging economy and significant social and political change, it is more important than ever that we actively engage with government, businesses and the public, sharing our knowledge and expertise to make sure access to valuable and relevant skills training is available to all, and to help people make the right decisions for their future.

Change is coming

It is clear that change will be needed in the coming years to develop a highly skilled workforce and achieve sustainable growth whilst adapting the way we live and work to care for our planet. However, these changes must be supported by long term funding and policy commitments so that learners and employers can plan for their futures.

As Chair of City & Guilds, I am excited about the future and our role in helping to build a skills system that can deliver real impact for more people, both in the UK and overseas, to provide them with a brighter future.

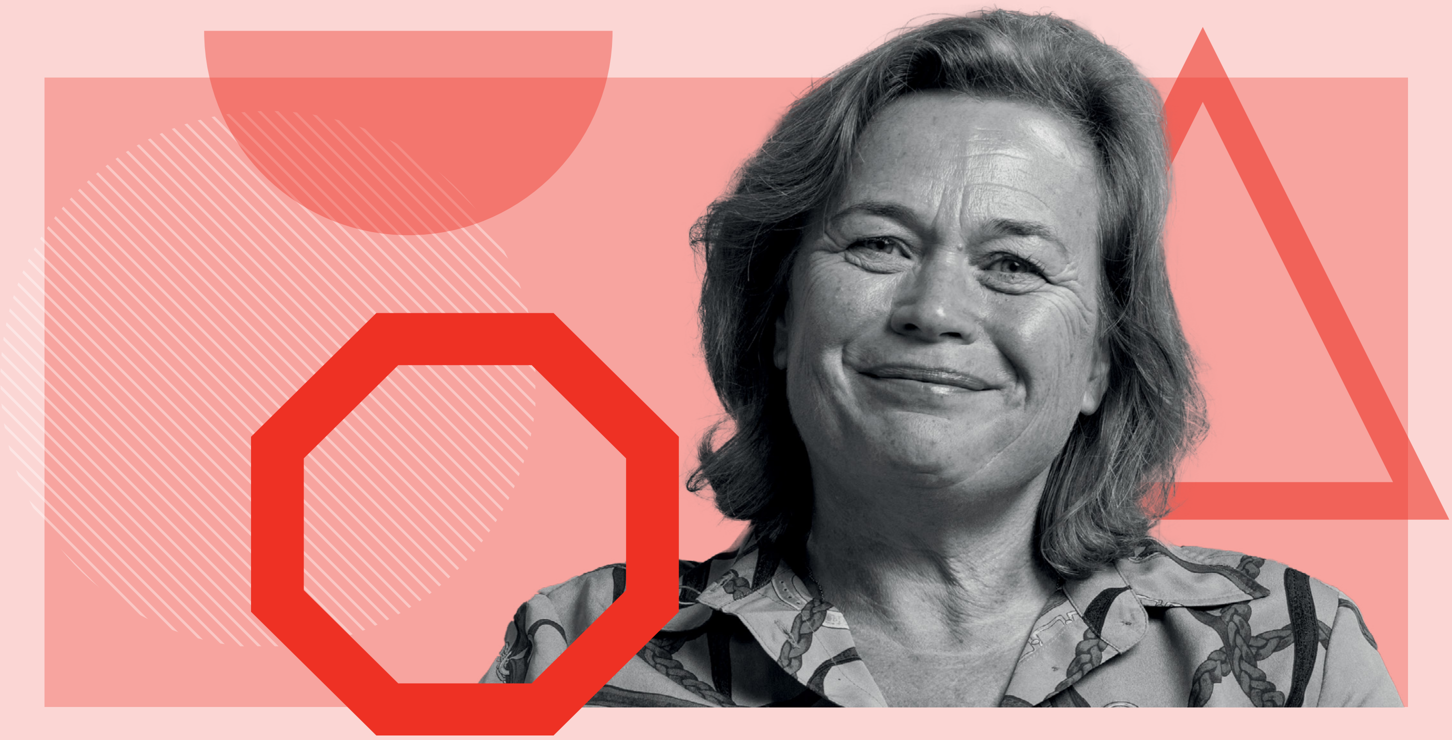
Ann Limb

Dame Ann Limb DBE CBE DL FCGI
Chair

2021/22

We took steps... to develop digital learning and bitesize courses to make learning more accessible to people at all stages of their career and from all backgrounds.

it is more important than ever that we actively engage with government, businesses and the public



CEO Statement

Kirstie Donnelly MBE
CEO

As our financial year ended in August 2022, we had seen something of a return to normality after two years of a world turned upside down by Covid-19. Borders had reopened, our social lives had started up once again, and offices and conferences were edging back towards in person conversations rather than video calls.

However, many critical industries continue to struggle with severe skills shortages, with the pandemic having served to throw these issues into stark relief. And as an employer in our own right the acquisition and retention of a diverse talent pool continues to be a challenge we have to address, while also helping our customers skill and upskill. For City & Guilds, this has served to highlight the importance of what we do – equipping people with the skills they need to achieve their potential as well as ensuring that organisations have access to skilled workforces to help them grow and adapt. We achieve this goal through delivering best in class training across a wide range of vocational fields and supporting colleges, learning centres and employers through skills credentialing and certification. As a charity, the surplus we make from our commercial activities is invested into expanding and enhancing the solutions we offer across our brands. Through the City & Guilds Foundation, we also focus on high impact social investment to remove barriers to assist people into finding a job, celebrating best practice on the job and advocacy for jobs in the future. This is our mission not only in the

UK but globally as well.

We make money so that we can make a difference to the communities we serve, and the past year has seen us celebrating major successes around the world. In the UK we have become the leading training provider of skills bootcamps in both Electric Vehicle charging and the rail sector, as well as the lead T Levels awarding organisation. In Abu Dhabi, we are working with the government to develop a "Graduate Competency Framework" to equip a quarter of a million young people with future-proof skills, and in Bahrain, we are working to support 5,500 Bahrain nationals into work via Employability Skills. In South Africa, we won our first employer customer for Assured programmes, while in China, we secured our first win for ILM. These are some examples of our impact on those starting out their careers as well as people looking to retrain and reskill throughout their lives.

A new year with new opportunities and a new City & Guilds

While our role remains as vital as ever, we know that we need to evolve to keep up with the pace of change and to remain relevant for the customers we serve. In 2022 we embarked on a journey which will see us becoming one City & Guilds, united under a single brand with a new set of values that reflect this unified identity, while still retaining the unique specialisations and expertise of the businesses that contribute to our success. This transformation is a critical part of our strategy to become the preferred route and brand for skills, jobs and credentials in our target sectors and industries. These are the industries that have the most potential for growth and where we can have the most impact on creating sustained employment.

The tangible goals of this strategy are outlined in greater detail in the strategy section, but include a target of over £200m in income by 2027 and tripling our impact on employment outcomes for the people who benefit from our

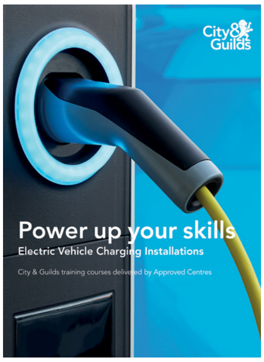
A consistent thread that runs through our strategy is our commitment to diversity, equity and inclusion – both within our own organisation and for the communities that we serve

£200m

Target income
by 2027

x3

increase our impact on employment outcomes for the people who benefit from our qualifications, training and assessment.



The coming year doesn't represent a return to business as usual but rather an opportunity for City & Guilds to step up and take on a greater leading role across the whole skills sector

qualifications, training and assessment.

A consistent thread that runs through our strategy is our commitment to diversity, equity and inclusion – both within our own organisation and for the communities that we serve. During 2021-22 we took steps to further embed these principles into City & Guilds, striving to be an organisation that is actively anti racist, and taking action to support this.

We are also placing diversity, equity and inclusion front and centre when we look at working with suppliers, partners or customers, aligning with organisations that share our values and partnering with leaders in this space to develop inclusive training and development that is designed to support a diverse range of people.

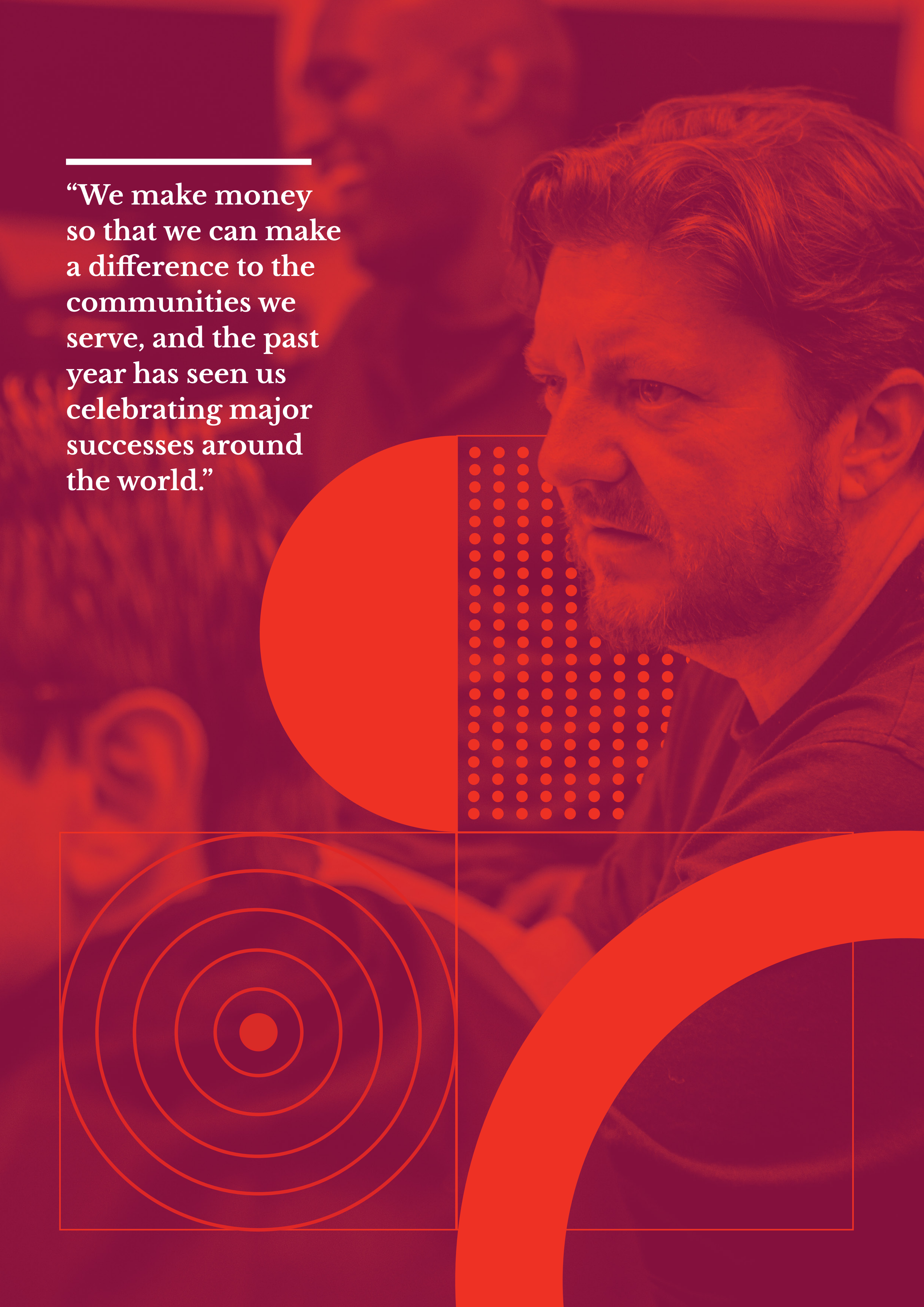
Our focus on the future

We know that to achieve our ambitions we need to improve our technology so that we can continue to develop blended learning and assessment that works for today's employers and learners and are making significant investments across our technology estate.

These achievements have only been possible because of the hard work and dedication of our staff at City & Guilds. I'm hugely proud to have the opportunity to lead an organisation with so many people committed to our purpose and values.

The coming year doesn't represent a return to business as usual but rather an opportunity for City & Guilds to step up and take on a greater leading role across the whole skills sector. We are primed to emerge from a challenging period stronger than ever and prepared to help create the skilled, resilient and productive workforces we need.

Kirstie Donnelly MBE
CEO



“We make money so that we can make a difference to the communities we serve, and the past year has seen us celebrating major successes around the world.”

Our Strategy

Looking to the future, we have set out bold and ambitious plans for the growth of City & Guilds as an organisation, both in terms of our commercial goals as well as our commitment to delivering on our social purpose. In everything we do, we will be asking ourselves whether our activities are helping more people to get a job, develop on the job and progress into the next job.

Our strategy puts the customer first and creates a unified City & Guilds across our organisation, combining our expertise to deliver innovative and sustainable solutions for our customers. We have identified two main customer groups – Employers and Channel Partners (colleges, training partners and other intermediaries who deliver our qualifications and assessments) – and we are focusing on a smaller number of industry sectors (including engineering, infrastructure and leadership training) where we believe we can have the most impact and where there is greatest need for skills and jobs.

To enable this, we have successfully established a new structure for City & Guilds, splitting the organisation into two units – one focusing on channel partners offering qualifications, assessments and credentials, and the

Our strategy puts the customer first and creates a unified City & Guilds across our organisation

other on supporting employers with direct training delivery. We are also building our Licence to Practice offer, delivered both through channel partners and directly to employers, to help people and employers validate the skills needed to work in new and existing industries. Our goal is to become the preferred route and brand for skills, jobs and credentials in our target sectors.

Focusing on a smaller number of industries has meant we have already made important progress in these areas, winning new bootcamps in both Electric Vehicle Charging and the rail sector, reinforcing our reputation as the training provider of choice in these key sectors as well as helping to deliver on our social purpose. Our work in the rail sector included expanding rail training operations at HMP Highpoint and delivering a 7-week rail programme to a pilot cohort of 6 learners from HMP Hatfield. Of the 5 learners that have since been released, all are in sustainable employment.

An electric future

Our research into the EV Charging sector helped to highlight the importance of training and upskilling for those working in this growing field, while Gen2 celebrated being awarded a contract by the Department for Education to develop and deliver three Skills Bootcamp courses including both Domestic and Superfast EV Charging Installation. Given the vital role this sector will play in helping the UK adapt to a zero-carbon economy, we are proud to be fulfilling our purpose as a charity to help build stronger communities by being part of this work. In addition, we secured a raft of new T Levels qualifications across Agriculture, Land Management and Animal Care, in addition to our existing qualifications in construction and engineering. In the year 2021-2022, our Construction and Building services T Level had almost 500 learners studying at 29 centres across England. T Levels comprise a vital part of the government's strategy to encourage more young people to engage with technical and vocational education and our own mission as a charity to help ensure that people have the skills they need to achieve sustainable, rewarding careers.

The measures of success

We are setting clear, ambitious goals to measure the effectiveness of our strategy. This will mean remaining adaptable, regularly reviewing our progress and changing our focus where necessary, taking advantage of the most up to date data and market insights. Over the next five years, we are aiming to build on the successes of 2021-22 to triple our impact on employment outcomes, increase our quantifiable social impact, and build on our status as a trusted commercial choice for industry and government. Our Impact Report, published annually in April, is the

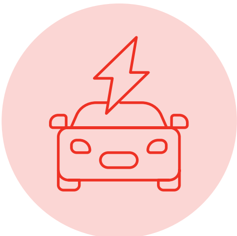
7-week

Rail programme was delivered to a pilot cohort of 6 learners from HMP Hatfield

500

Learners studying at 29 centres across Britain doing a T Level in Construction and Building services 29 centres across England

We are continuing to create flexible training options to support individuals transferring into these and other essential industries,



Green skills

Our electric vehicle charging qualification went live in summer 2022.

Our core qualifications, assessment and credentials business is driven by the same customer-centric model as our employer skills solutions

primary means by which we will share this progress and measure our effectiveness in these areas. We are targeting annual income of £200m by 2027, driven by growing sales to both customer groups and by developing new ways of working with our channel partners.

Connecting with employers to deliver impact-driven training

Taking a customer-centric approach means working closely with employers to identify the skills they require to help their businesses evolve and grow sustainably, tailoring our offer to equip learners with the skills they need to remain employable and adaptable as economic demand changes.

Gaining market share in our industries of focus will mean expanding our physical footprint, opening new training centres and recruiting qualified instructors to deliver training to more learners as well as continuing to develop blended learning and assessment. Achieving this will mean a shift in the way our business is weighted and we will be increasing the number of staff delivering training as we evolve. Alongside this we are also looking at how we can work closer with leading training providers in target sectors, as well as expand our offer in areas where we already have industry leader status.

Green skills portfolio

Hand in hand with our increased focus on sectors such as engineering and transport has been the development of our green skills portfolio, spearheaded by the introduction of our Electric Vehicle Charging qualifications which went live in summer 2022. Partnering with key industry employers to develop these qualifications, we have placed ourselves in a leading role in an industry that is set to see exponential growth in the coming years.

Building on this, we are continuing to create flexible training options to support individuals transferring into these and other essential industries, with initiatives like our highly successful Bootcamps offering intensive, bitesize training to help people transition quickly into new careers.

An agile and adaptable channel partner business

Our core qualifications, assessment and credentials business is driven by the same customer-centric model as our employer skills solutions, prioritising impact for our customers by focusing on their current and future needs and developing skills that lead to jobs.

The Three Pillars of our Channel Partner Strategy

01 **Maintaining our key market positions and seeking growth where possible in key regulated qualifications in England and Wales**

02 **Continuing to grow our presence in the End Point Assessment markets**

03 **Developing regulated and non-regulated learning and assessment services to meet Non-Regulated and Licence to Practise market opportunities**

Adaptability here is critical as the political landscape shifts, fundamentally changing the face of the education sector.

This requires innovative thinking to leverage the potential for growth of the end point assessment market, while also capitalising on new government funded qualifications, such as T Levels.

While the government funded side of our business will remain key, it will be equally important for City & Guilds to explore new opportunities to provide End Point Assessment for qualifications funded by employers and individuals, not only within the UK but across the international market as well.

At City & Guilds we work with people to …

Inspire

Improve

Achieve

Trust

Relaunching our values

As part of implementing this strategy and to support us as we unite under one organisation, we undertook a brand refresh in Financial Year 2021/22 (FY22) and re-launched the City & Guilds brand with updated values that better reflect our customer and employee promise:

Inspire

We work with employers, training providers, colleges, learners/trainees and each other, to help raise and achieve aspirations

Improve

We help improve the organizational performance of our customers and the performance of individuals and each other

Achieve

We celebrate and make visible achievement, where it matters most. By ensuring achievement is valued and recognised we empower our customers, learners/trainees and each other to grow

Trust

We hold ourselves accountable, we act with integrity in everything we do from making honest assessments of skills competencies through to training people in the skills that will make a difference to their life chances

Planning for progress

We recognise that in order to develop and grow as one City & Guilds, there are things we need to fix and improve about the way we currently operate. Our focus over the next five years is on looking at the areas of our organisation that could work more effectively as we change to meet our evolving customers' needs.

A fundamental part of this process was reorienting our organisation to focus on our two main customer types – Channel Partners and Employers – to support us in scaling our value propositions and focusing on the unique needs of our customers in these areas.

As we continue to evolve and broaden our blended learning and assessment offers to suit today's learners, we need to make sure that we have the right technology and processes in place to support this. A comprehensive review of the technologies we use to support our staff and customers is currently underway, with the goal of creating a consistent, aligned tech portfolio across the organisation.

This will mean that all colleagues have access to the tools and resources they need to do their jobs effectively and importantly that our customers experience an easier time when they do business with us.

One City & Guilds

Creating a more unified City & Guilds extends beyond the technology we use, to creating equitable terms and conditions across City & Guilds for all colleagues, regardless of where they work within the organisation. To achieve this we are focused on a more consistent approach to reward across City & Guilds so that we attract and retain the best talent in our industry. We have already taken steps and seen progress towards our goal of creating an inclusive place to work where everyone feels valued and able to be themselves at work. You can see find out more about this on the City & Guilds website.

Employee Engagement

Our Employee Engagement Survey (EES) acts as a clear marker of progress and we were pleased that 78% of our colleagues responded to our most recent EES in July 2022. We saw an increase in 22 out of the 26 metrics measured and we were particularly pleased to see a 4% increase in how staff believe we are performing as an organisation that champions equality, diversity and inclusion, as well as people feeling able to speak their minds openly.

We will be reporting on our progress against this strategy annually.

78%

of our colleagues responded to our most recent Employee Engagement Survey (EES), a clear marker of progress

22/26

An increase in 22 out of the 26 metrics measured in our Employee Engagement Survey

4%

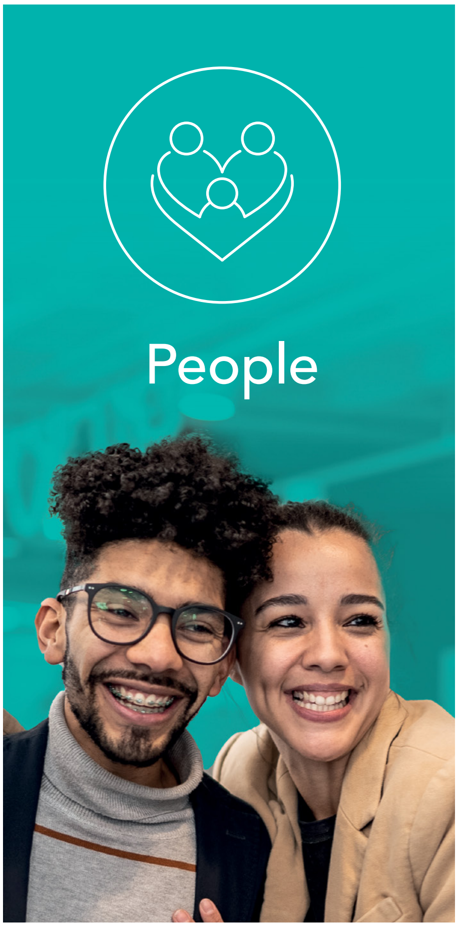
increase in how staff believe we are performing as an organisation that champions equality

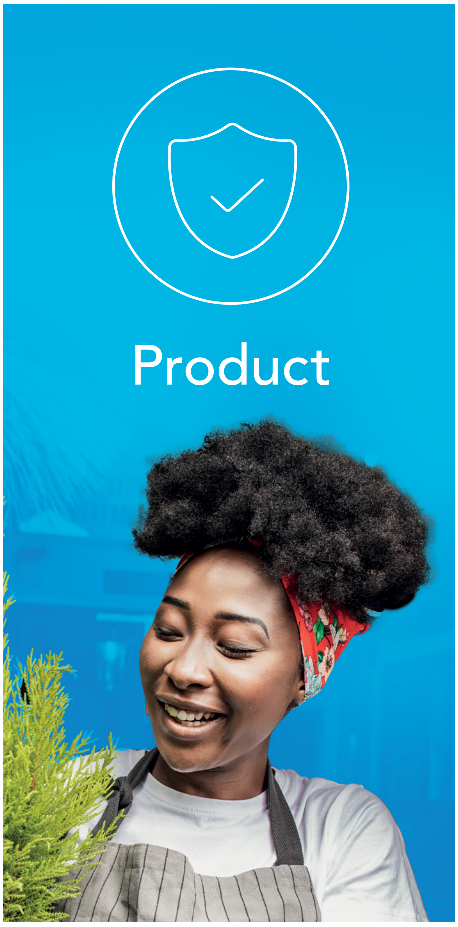

"We are focused on a more consistent approach to reward across City & Guilds so that we attract and retain the best talent in our industry"

Responsible Business

A Responsible Business is a healthy business. It means putting healthy communities and a healthy environment at the centre of strategy to achieve long-term, sustainable value.

At City & Guilds we are committed to reducing our negative impacts on the environment and growing our positive social impact by developing the skills needed to create a more sustainable world. It is critical that we transform the way we operate and live out our purpose by developing the skills needed to enable climate recovery and sustainable growth. Our approach to Responsible Business focuses on three areas where we can have a significant impact – People, Product and Planet.





People

Our goal:

Empowering people to thrive in a sustainable economy and society

We are committed to the wellbeing of our people. We are actively identifying, implementing and reviewing working practices that enable a diverse and inclusive business strategy and working environment. We know that this will result in highly engaged colleagues, improved service for our customers and greater impact of our purpose. Looking outward, with our social impact framework, we assess and evaluate the progress of learners who develop their skills, resilience and wellbeing with us.

Through the City & Guilds Foundation, the part of the Institute that has a specific focus on high impact social investment, recognition and advocacy programmes, we have helped people furthest away from the labour market to develop their skills to get them into the job, help them develop on the job, and move onto the next job. Through 2021-22 we have made £0.6m of grants and bursaries, where some of our funded programmes and impact have included:

£183k for busaries

to individuals help remove barriers to work and £98k match funded – supporting over 150 people in total. Over the last three years the economic benefits of City & Guilds bursaries have led to returns of £4.94 of social value for every £1 invested.

£118k to HMP

Hull & HMP Humber as part of the In-prison Land based Simulator Project, part of our work with prisons that has seen 428 prisoners and ex-offenders supported into work over the past three years.

£50k

to Breaking Barriers to support its employability programme for refugees.

£64k

to the Positive Youth Foundation to support their effort to create a thriving national youth work sector.

Product

Our goal:

Providing and widening access to skills and credentials for a future-ready workforce

We will continue to design and deliver the skills necessary for sustainable growth across societies. That includes responding to the demand for green skills and developing an inclusive curriculum.

Over 2021-22 we achieved a number of key successes in our product development such as:

Winning

new T Levels contracts in Agriculture and Land Based Services to become one of the most influential T Level providers in the UK.

£16m

Being appointed by Sellafield to continue with the £16 million project to train engineering apprentices.

101,245

Issuing 101,245 digital credentials worldwide, helping people to make their achievements visi-ble to prospective employers.

Planet

Our goal:

Achieving low carbon operations and influencing climate action

We are developing our net zero strategy to reduce our carbon footprint to zero by 2040 or sooner. We will shift our mindset to embed environmental sustainability in everything that we do.

Operating as a responsible business also means ensuring that we live up to our values in the way we treat our colleagues, customers and suppliers: inspiring each other to help raise and achieve aspiration; always seeking ways to improve our performance as an organisation as well as those of our customers and people; celebrating achievement where it matters most to recognise and empower our customers, colleagues, and learners to grow; and building trust by holding ourselves accountable and acting with integrity in everything we do.

Our policies page on the City & Guilds website provides detailed information on the ways in which we put these values and our commitment to doing business ethically into practice. We are committed to meeting our statutory responsibilities in these areas and going further to ensure that the way we operate delivers on our commitment to support people, organisations and economies to develop their skills for growth.

Part of this commitment to individuals and communities includes assessing and managing our environmental impact, with our carbon reduction plan providing a means to measure and track our carbon emissions as an organisation and steps we can take to minimise this impact.

Our Impact

As a purpose-led organisation, we ensure that we deliver public benefit in everything we do, whether that's through our social investments or our commercial activities. Some of the key achievements from the 2021-2022 year can be found in the Responsible Business section of this report.

Our dedicated Impact Report which is published annually, enables us to assess, monitor and measure the impact of our activities

We showcase this impact through our dedicated Impact Report which is published annually in April. Based on a framework developed in partnership with The Giving Department and Cranfield University, this report enables us to assess, monitor and measure the impact of our activities. We can then make sure that we are delivering on our goals of creating secure and sustainable employment, helping to build successful organisations and a highly skilled and productive workforce.

“As a purpose-led organisation, we ensure we deliver public benefit in everything we do”

CFO Statement

Jim Conybeare-Cross

During the 2022 financial year the long term economic effects of Covid-19 were still being felt, along with political and macro-economic disruption in the UK and overseas. However, the recovery from the pandemic that we began to see at the end of the previous financial year continued with increasing demand for upskilling and new skills. As a result we were able to grow income by almost 10% compared to the previous year.

Net movement in funds for the year is £15.4m compared to a £7.9m reduction last year.

We also focussed on investing in order to pursue our new strategy as we transform to one City & Guilds. Investments encompass new skills and capabilities, enhanced technology solutions and improvements to our office and training infrastructure, as well as developing new products and services to meet the needs of the changing environment.

We were pleased to see further successes in new business wins across the organisation, both in the UK with T Levels and Skills Bootcamps, and internationally, setting us in good stead to show further income growth in the 2023 financial year.

Key highlights from Financial Year 2021/22 (FY22)

Income and expenditure

Income of £142.5m increased 9.7% compared to last year, as a result of continued economic recovery from the pandemic and increasing demand for skills across the world. Given the difficult financial circumstances over the prior two years, we controlled our charitable activities carefully and ended the year with expenditure on charitable activities, being expenditure in respect of education services and related support costs, of £97.9m, up 4.4% compared to 2021.

We secured a net income of £0.2m, a £3.3m improvement compared to net expenditure of £3.1m last year. A gain on disposal of two of our seed investments resulted in a one-off gain of £7.5m. This was partially offset by a loss on our investment portfolio of £1.7m, compared to gain of £4.4m last year, as a result of the global market conditions, and an impairment of another seed investment of £1.2m.

Early in the financial year we made a one-off contribution of £10.0m to the pension deficit as a result of an agreement we made at the last triennial pension scheme valuation. On top of this, one benefit of the turmoil in financial markets has been the impact of increasing bond yields on our pension deficit. As a result of both of these factors, the pension deficit under FRS102 has reduced from £35.7m to £10.3m resulting in a £15.0m gain during the year, as opposed to a £3.9m loss last year.

The net impact of all this means that our net movement in funds for the year is £15.4m compared to a £7.9m reduction last year.

Cash flow

Cash outflow from operating activities over the course of the year was -£6.2m compared to -£2.5m last year. Despite an improved net income position there were two key adjustments to cash from operating activities, one being the £10.0m one-off pension contribution, and the other being the £7.5m non-operating gain on disposal of investments. Cash from investing activities reflected a similar level of capital expenditure to last year, but was impacted positively from the £9.7m proceeds from the sales of seed investments. The net movement in cash was -£2.0m leaving £44.6m of cash and cash equivalents at 31 August 2022

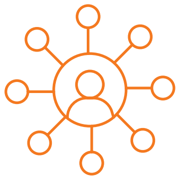
Investments

Our investment portfolio was impacted by the global market disruption and declined by 4.1% compared to last year to £39.7m. As a result of holding a diverse portfolio we were protected from further downside risk.

Going concern

Our financial planning process uses forecasts on a 5-year horizon and includes stress test scenarios, financial projections and cashflow projections to cover the period up to at least 12 months from the date of this report. This takes into consideration a range of macroeconomic scenarios, including the possibility of a recession or changes in government and their potential impact on the various sources of income and planned expenditure.

These plans and projections have been developed on the basis of a range of scenarios, ensuring City & Guilds is prepared for different levels of potential impact and identified mitigating actions that can be considered. The scenarios used range from optimistic through to pessimistic case scenarios in which there is disruption to activities caused by events such as a cyber security attack. We have carefully considered the point at which cash reserves would fall below the minimum level necessary to maintain operations and this is considered to be an extremely remote possibility. In all projected scenarios, City & Guilds has sufficient cash, cash investments and reserves to maintain operations and consequently the Trustees have not identified any material uncertainties relating to going concern. As such, the Trustees are of the opinion that it is appropriate for the financial statements to be prepared on a going concern basis.



Our investment portfolio was impacted by the global market disruption and declined by 4.1% compared to last year to £39.7m. As a result of holding a diverse portfolio we were protected from further downside risk.

Remuneration Report

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, being free from conflicts of interest in financial arrangements with the parent charity and its subsidiaries. The members of the Committee during the financial year were Ann Brown (Chair), Ann Limb (until 30 October 2021 – see below), Andy Marchant, Jane Gibbon, Peter McKee (until 30 October 2021) and Ian Ailles (from 1 November 2021). The Chair of the Institute Trustees, Sir John Armitt until end of October 2021 and Ann Limb thereafter, 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 Group Management Team, including the Chief Executive Officer (CEO) and to confirm their salaries, individual incentive opportunity and pay-outs under the annual bonus plan and long-term incentive plan. During FY22, the Terms of Reference for the Remuneration Committee were reviewed and updated.

The Committee meets at least 4 times during the year, discussing a range of topics which for FY22 included:

- Market practice developments and regulatory changes
- Business performance and employee updates
- Organisation wide reward framework overview
- Group Management Team benchmarking and salary review
- Group Management Team Bonus measures, targets and Awards
- Receive and approve the work of the Pensions sub-committee
- Review of incentive arrangements – monitoring current progress and considering future design options
- Approval of the Remuneration Report
- Gender Pay Gap Review
- Committee Terms of Reference

During the year the Committee took external advice from FIT Remuneration Consultants LLP ("FIT") on matters of remuneration policy implementation and pay market information. FIT is a member of the Remuneration Consultants' Group and complies with its Code of Conduct which sets out guidelines to ensure that its advice is independent and free of undue influence. FIT carries out no other work for the Institute or any of its subsidiaries.

The Committee also receives support from the Chief People Officer and the Reward Director. The CEO attends meetings by invitation to provide input on the discussions regarding strategy and performance. No member of management is present when their own remuneration arrangements are discussed.

Remuneration Policy

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

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

Performance outcomes for FY22

The annual bonus for FY22 remained focused through the use of Operating Surplus ("OS") (60% weighting), and individual strategic measures (40% weighting). OS is a measure used within our management accounts defined as net income before non-operating items. The individual measures were tailored to each role but were based around five core areas being strategic transformation, financial, operational, customer, and people and leadership.

The Operating Surplus target range was set taking into account the

Committee meets to discuss a wide range of topics ...

Awards

Performance

Pensions

Salary Review

8

Group Management Team members at the year-end (including the CEO)

volatility in the market and the ongoing recovery journey from the impact of the pandemic. It was a tough year with deep pockets of turbulence offset by some exceptional turnaround wins. Overall on target operating surplus was achieved though set against a down grade of revenue overall. The Executive Leadership Team continued to provide strong leadership and developed an excellent marketing position that resulted in some strong contract wins. However, in the face of tough macro-economic factors it was not possible to exceed targets this year.

The progress made in developing One C&G and delivering our strategic transformation goals was achieved and will be reflected in bonus awards at the Achieved level.

The bonus outcomes are aligned with the wider Corporate Bonus which will pay out at On Target level to circa 850 employees. To recognise the cost-of-living challenges faced by all colleagues the Corporate Bonus was paid early in September 2022 rather than December 2022 though it is hoped that a further payment may be possible in December subject to audit. The Executive Leadership Team bonus will be paid in December 2022 as normal.

Decisions for FY23

As a result of the continued businessrecovery requirement, the Committee has decided that there will be no normal annual pay increases for the members of the Group Management Team for FY22. The position will be reviewed mid-FY23 and any award will be dependent on business performance and affordability.

For FY23 the annual bonus plan will continue to be based on a combination of both business and individual performance measures:

- Financial Objectives: Operating Surplus & Revenues - 60% weighting
- Non-Financial Objective: Corporate Measure of Impact 10% weighting
- Individual objectives – 30% weighting

The structure set out above will apply to all members of the senior management annual bonus, albeit the individual objectives will be tailored to each role and business unit reflecting four core areas – financial, customer, people, and systems and processes.

At this stage, no other changes are proposed to the operation of the remuneration policy as it is working effectively and supports the aims and purpose of the Institute. However, the Committee is mindful of the need to retain and incentivise key talent during this critical period in the Institute's development, particularly in supporting our drive for growth over the next three years. As such the Committee will take time during FY23 to consider further if the existing incentives are sufficient to support the high-performance culture which is being developed in the business. Any changes will be considered in the context of the wider stakeholder experience.

Chief Executive Officer Emoluments

The following table shows the salary, benefits and bonus of the CEO.

CEO, Kirstie Donnelly	Financial year 2022	Financial year 2021
Salary 1	**£296,000**	**£296,000**
Taxable benefits 2	**£57,900**	**£59,986**
Cash bonus 3	**£133,200**	**£192,400**
Total	**£487,100**	**£548,386**

Notes

Reported amounts relate to the period of employment.

1. Includes pension cash in lieu, car allowance and private medical insurance.
2. The FY22 bonus performance criteria for the CEO, is set out below:

    a. Group Operating Surplus – 100% of max (on target 27% of salary, maximum 39% of salary)
    b. Individual performance – 100% of max (on target 18% of salary, maximum 26% of salary)
    c. Individual performance was focused on areas including strategic transformation, financial, operational, customer, and people and leadership and was assessed by the Committee taking into account a broad view of performance. As part of the review the Committee considered feedback from the Chair of the Institute Trustees and the Audit and Risk Committee.

Group Management Team Emoluments

The total value of emoluments (salaries, pensions, bonuses, and taxable benefits-in-kind and severance) paid to the Group Management Team (including the CEO) in year ending August 2022 was £2,457,849 (FY21: £2,486,253). The main reason for the decrease relates to bonus awards made for FY22 targets being achieved (FY21 were exceeded under exceptional circumstances). In addition to these emoluments, members of the Group Management Team participate in the Institute's pension schemes on the same terms as other staff members, except that they may elect to take earned contributions in excess of £10,000 as cash.

The number of Group Management Team members at the year-end was 8 (including the CEO).

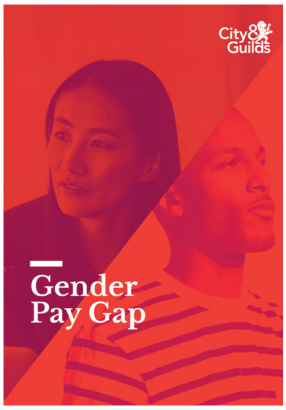
Trustees

The Institute Trustees are not remunerated providing their services as trustees pro bono and do not receive any other benefits. Expenses claimed can be found in the Financial Statements.

Gender Pay

The Institute published its 2021/22 Gender Pay Gap in October 2022. The Committee continues to monitor gender pay as an annual agenda item.

For FY23 the annual bonus plan will continue to be based on a combination of both business and individual performance measures.



Structure, governance and management

Our constitution and charitable status

The Institute's purposes and administration are regulated by its Royal Charter (RC000117) granted on 26 October 1900, and the associated Supplemental Charters, Statutes, Ordinances and Standing Orders. The Institute is registered as a charity in England and Wales (312832) and 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 about the Institute's activities in Scotland. They are the same as in the rest of the United Kingdom, but the Institute is supported by an Industry Skills Board made up of representatives from each of the four nations. At its meetings in the year ending 31 August 2022, the Board discussed the ongoing evaluation of National Occupational Standards across Scotland, the Scottish Employer Skills Survey and the impending reform of SQA and Education Scotland. The Institute also continued to engage with membership organisations – such as the Scottish Training Federation and Colleges Scotland – to ensure that it remains aligned with the demands of Scottish college and training providers.

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 at the Yearly Meeting) and the Honorary Secretary (who is appointed by Council).

Members

The Institute has over 1,500 Members, to whom the board of Trustees ('Trustee Board') is accountable. There are five

categories of Member: Ex-officio (the Lord Mayor of London for example), Honorary (including Fellows), Founder (the City of London Corporation and 109 livery companies), Ordinary, and Non-Corporate (holders of the MCGI award)

Council

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

Trustees

The Trustees have control of, and responsibility for, the affairs of the Institute. The Trustee Board consists of the Chair and Vice-Chair of Council, the Treasurer, the Honorary Secretary, 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 at least six times a year, its meetings presided over by the Chair or Vice-Chair of Council. Trustees undergo an induction process and receive updates and briefings on specific topics during their terms of office.

The Trustee Board undertook a Board Effectiveness Review in the year ending 31 August 2021 and, in the year ending 31 August 2022, has reviewed all actions taken. The Trustee Board concluded at its meeting in July 2022 that, except in relation to two areas where actions were ongoing, all actions had been completed.

Under the constitution, the Trustees may be remunerated for professional services, and the Chair of Council may

1,500 members

make up the Institute, to whom the board of Trustees ('Trustee Board') is accountable.

There are four Trustee Board Committees:

- The Audit and Risk Committee
- The Foundation Committee
- The Investment Committee
- The Nominations and Remuneration Committee.

also be remunerated for acting as Chair. Details of trustee expenses and any other benefits and remuneration can 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 is accountable to the Trustee Board and Council.

Committees

Prior to the Council meeting on 4 October 2022 there were five Trustee Board Committees. On that date the Nominations Committee and Remuneration Committee were merged and as a result there are now four Committees: the Audit and Risk Committee, the Foundation Committee, the Investment Committee, and the Nominations and Remuneration Committee.

Each Committee meets between two and four times a year, and the Chair of each Committee is a Trustee who reports to the Trustee Board on its activities.

Quality and Standards Committee

The Quality and Standards Committee (QSC) is independent of the Trustees and Council. Its principal role is to assist the Institute in respect of all its activities to maintain and enhance the confidence of learners and centres in the currency and credibility of the Institute's assessment and qualifications

work. It provides assurance to the Trustee Board of City & Guilds' ongoing compliance with the requirements of the awarding regulators and the Institute for Apprenticeships and Technical Education. To achieve this, the Committee will exercise oversight of activity aligned with external regulatory reporting requirements and report its findings to the Audit & Risk Committee. This would include findings that are relevant from regulator or independent audits. The QSC role includes the oversight of the City & Guilds appeal processes and the role as the final arbiter in appeals against decisions relating to qualifications and assessments awarded. The QSC 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 Chief Executive Officer, who reports to the Trustees and Council. The Chief Executive Officer has all the powers not expressly reserved to the Trustees or Council or delegated by them to Committees: these powers may be exercised on her behalf by such members of staff as she determines. She works with and through an Executive Leadership Team, which deals with major strategic and operational issues and receives reports from representatives of the Institute's divisions and subsidiaries. The affairs of the other subsidiaries are overseen by a managing director (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 subsidiaries 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.

Reference and administrative details

The City and Guilds of London Institute is a Royal Charter body (RC117) and registered as a charity in England & Wales (Reg No: 312832) and Scotland (Reg No: SC039576). On page 40 of this Report are set out the address of its principal office, and the names of the Trustees as at the date on which this Report was approved, any other Trustees serving during the year ended 31 August 2022, the Secretary, the Chief Executive and other key management personnel as well as the principal bankers, investment managers, solicitors and auditors.

Each Committee meets between two and four times a year, and the Chair of each Committee is a Trustee who reports to the Trustee Board on its activities.

The executive management of the Institute is delegated to the Chief Executive Officer, who reports to the Trustees and Council.

Financial review

Income and assets

The Group

The Group's income for the year was £142.5m (2020-21: £129.9m). Of this 65% (2020-21: 65%) is classed as educational in the Financial Statements. The Group's expenditure was £146.9m (2020-21: £137.4m). Of this 67% (2020-21: 68%) is classed as educational in the Financial Statements. The educational components include income and expenditure from the Institute and City and Guilds International Limited. The Institute and City and Guilds International Limited are registered charities specialising in the education sector.

Funds increased by £15.4m (2020-21: decrease of £7.9m). This movement included an actuarial gain in relation to the defined benefit pension scheme of £15.0m (2020-21: loss of £3.9m) and gains on revaluation of foreign currency net investments of £0.2m (2020-21: losses of £0.9m). There is more information about pensions on page 73 in this Report. The increase in funds is also stated after a gain on disposal of investments of £7.5m in respect of the sale of two seed investments during the year offset by a decrease in the value of listed investments and an impairment of a seed investment.

The balance sheet value of the Group's net assets at 31 August 2022 was £103.4m (31 August 2021: £88.0m). Cash at the end of the year was £44.6m in comparison with £46.6m last year. Cash outflows from operations of £6.3m and purchases of tangible fixed assets of £5.3m were offset by proceeds from the sale of investments of £9.7m.

The Institute

The Institute's income was £91.7m (2020-21: £83.8m). Of this 100% (2020-21: 100%) is classed as educational in the Financial Statements. The Institute's expenditure was £86.1m (2020-21: £84.0m). Of this 100% (2020-21: 100%) is classed as educational in the Financial Statements. The Institute's net gain on investment assets and disposal of investments was £4.6m (2020-21: gain £4.4m). The Institute's net income was £10.2m (2020-21: £3.7m).

Additions to net income comprised mostly an actuarial gain in relation to the defined benefit pension scheme of £15.0m (2020-21: loss of £3.9m) to arrive at the net movement in funds, which increased by £25.3m (2020-21: decreased by £0.2m). There is more information about pensions on page 73 in this Report. The balance sheet value of the Institute's net assets at 31 August 2022 was £123.3m (31 August 2021: £98.0m).

£91.7m

The Institute's income was £91.7m, of this 100% (2020-21: 100%) is classed as educational in the Financial Statements

Other principal active members of the Group

The results of the other principal active members of the Group can be found in note 7 of the Financial Statements. If the Institute's direct subsidiaries make profits and this is permitted by their constitutions, they normally pay them (either by dividend or qualifying charitable donation) to the Institute.

Capital expenditure and depreciation

The Group's capital expenditure of £5.3m (2020-21: £4.6m) was largely spent on IT and development assets. Depreciation was £4.2m (2020-21: £4.9m). The Institute's capital expenditure of £2.9m (2020-21: £2.6m) was largely on IT and development assets. Depreciation was £2.8m (2020-21: £2.6m).

Fund-raising statement

Fund-raising is defined as "soliciting or otherwise procuring money or other property for charitable purposes". Income of this nature received in the year to 31 August 2022 amounted to £nil (2020-21: £nil). We do not undertake fund-raising from the public. We are not subject to any undertaking to be bound by any voluntary scheme for regulating fund-raising or any voluntary fund-raising standard. All solicitations are managed internally, without the involvement of commercial participators, professional fund-raisers or third parties. The day-to-day management of all income generation is delegated to the executive team and, since we do not

£5.3m

Group Capital expenditure was largely spent on IT and development assets.

The Institute's capital expenditure of £2.9m (2020-21: £2.6m) was largely on IT and development assets.

Understanding the risks we face and managing them appropriately is important to us to enhance the Group's ability to make better decisions

solicit funds from the public and expect our staff to act appropriately at all times, we do not consider it necessary to put in place specific internal procedures to monitor fund-raising activities. We have received no complaints in relation to fund-raising activities.

Risk management

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

How we manage risk

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

The Trustees, supported by the Audit and Risk Committee, keep under regular review the risks to which City & Guilds is exposed, the risk appetite, and ways in which risk management processes can be used to enhance performance. Trustees formally approve the Strategic Risk Register and the risk appetite matrix annually. The Strategic Risk Register and Operational Risk Registers are managed by the Executive Team. 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 Group that have been identified by the Trustees and the plans to manage those risks are summarised below:

- We do not make the right business decisions to deliver our strategy to meet our customer needs in order to achieve our impact, growth and surplus ambition. The Trustees plans include fully operationalising revised operating models including customers and market insights and value propositions, a common product lifecycle governance model and technology governance model to ensure customer-facing technology roadmap is aligned to customer / business needs.

- We do not evolve our operating model to execute our strategy. The Trustees plans include engaging external expertise/ benchmarking to review our ability of our Target Operating Model (TOM) to delivery Direct to Job alongside our traditional business and undertake a transformation programme of our Awarding Organisation.
- We do not generate sufficient business cashflow or identify and secure other funding options to protect our existing business, to grow our strategic reserves in order to invest in our future growth and to fund the 1966 Defined Benefit pension scheme deficit. The Trustees' plans include using our five year forecasting process as a key point in our reserves review, linking to the wider strategic planning activities and undertaking an external review of future funding options.
- We have gaps in talent, capabilities and need more performance focus which may prevent us from executing our strategy. The Trustees plans include reviewing and designing an organisation structure to support business strategy, completing the full transition of the global business services model and implementing a single platform to capture people data, developing our Employee Value Proposition, and developing our Leadership programmes.
- We do not have the operational model to evolve our legacy architecture to provide secure, resilient, agile scalable technology to support our future strategy, compliance obligations and reduce the cost to serve. The Trustees plans include developing and implementing strategy and technical roadmaps, establishing new governance groups across the organisation, including prioritisation across programmes, and review capacity and capability within Group Technology.

- The Trustees have identified the following key operational risks and uncertainties facing the Institute and its subsidiary undertakings:
- We fail to comply with contractual, regulatory or general compliance obligations e.g. Ofqual, IfATE, Ofsted, ESFA, Charity Commission, HSE and financial compliance and other stakeholders e.g. professional bodies and membership institutes.
- We do not effectively influence, respond to and implement changes in skills policy.
- We do not effectively control information security threats, implement compliance standards and address weaknesses in our existing estate and new digital services which may expose us to unacceptable risk and hamper our ability to compete in key commercial markets.
- There are significant governance failures (internal control failings) for key business, People & financial processes.
- We do not effectively plan for, respond and manage a major business continuity incident or crisis event through capabilities which are aligned with business.

Designated Funds

The Skills Development Fund was created by the Institute and made its first grants in the year ended 31 August 2016. Its aim is to invest in new

The Trustees, supported by the Audit and Risk Committee, keep under regular review the risks to which City & Guilds is exposed

£3.4m

Value of the Institute's fund for land based activities

£58.3m

Free reserves available in August 2022

The Trustees, supported by the Audit and Risk Committee, keep under regular review the risks to which City & Guilds is exposed

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 2022 was £2.8m (2021: £3.0m).

Restricted Funds

City & Guilds Land Based Services (NPTC)

Since 30 June 2010, the Institute has held a fund which supports its land-based activities. The timing of the expenditure depends on the strategies adopted for the Fund's use, and the nature, size and number of opportunities which present themselves. The value of the Fund at 31 August 2022 was £3.4m (2021: £3.7m), invested in bank deposit accounts to limit risk exposure. During the year, £0.3m (2021: £nil) was spent.

Other Funds

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 and potential cash outflows not included in the budget process (such as acquisitions). The Trustees review the policy on an annual basis to ensure it continues to comply with current Charity Commission guidance. The remit of the Audit & Risk Committee includes evaluation of the target for reserve levels and consideration of the use to which reserves should be put.

The level of free reserves deemed appropriate for the Group at 31 August 2022 was £56.0m (2021: £54.3m). The value of the actual free reserves at 31 August 2022 was £58.3m (2021: £59.3m), calculated by adding the net current assets (£27.5m) to the fund investments (£39.7m) and then deducting the value of the Restricted Funds (£3.4m), Designated Fund (£2.8m), long term creditors (£1.7m) and provisions for liabilities and charges (£1.0m). The aggregate free reserves of the Institute's subsidiaries at 31 August 2022 was £7.2m (2021: £17.1m).

Investments

The Institute's investments in cash, securities (including equities and gilts) and property are directed and monitored by the Investment Committee.

Subsidiaries

Investments include 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 'mixed-motive investments', made with a view both to directly furthering the Institute's purposes and to achieving a financial return. The Trustees' policy is to set up new subsidiaries where it is prudent or desirable for activities to be carried out by a separate legal entity, and to acquire existing companies where this is preferable to creating a product or service in-house.

Other investments in companies

Other investments in companies 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. Information about the values of these investments can be found in Note 7(c) to the Financial Statements.

Cash and equities

The Group's investments primarily are in place to act as a source of funds for acquisitions and business development. The target risk is a 10% loss in value being a once in 20 years event; the target growth is the prevailing interest rate plus 4%.

In aggregate £39.7m was invested in the following three funds as at 31 August 2022:

- Insight Broad Opportunities Fund (IBOF)
- Vanguard LifeStrategy 60% Equity Fund (VLEF)
- Trojan Fund

At 31 August 2022, the Group's cash amounted to £44.6m (2021: £46.6m) and the Group's listed investments were valued at £39.7m (2021: £41.4m). £13.5m (2021: £14.4m) was invested in the IBOF, £12.9m (2021: £13.8m) in the VLEF and £13.3m (2021: £13.2m) in the Trojan Fund. Our investment portfolio has returned -4.1% (2021: +14.7%) in the year. Since the inception of the Group's investment funds in December 2019, the portfolio has returned an equivalent of 3.9% p.a. This compares to an average Diversified Growth Fund performance of 4.3% p.a. and the Group's target of 4.2% p.a. (being cash return + 4%).

£44.6m

Cash at 31 August 2022

£39.7m

Value of listed investments at 31 August 2022

£25.4m

Pension improvement

Pension Fund

At 31 August 2022, the funding of the defined benefit section of the City and Guilds (1966) Pension Scheme was in deficit by £10.3m (2021: £35.7m). The improvement in the pension deficit was the result of the £88.4m decrease in the value of the liabilities (from £288.7m to £200.3m) and the £63.0m decrease in the value of the scheme assets (from £253.0m to £190.0m), including the one-off contribution of £10.0m made to the scheme in September 2021. The net of these variances gives the improvement in position of £25.4m.

The change in the value of the scheme liabilities was due to a change in the financial assumptions (mainly the discount rate and inflation expectations) used to calculate the liability. The Trustees are aware of the volatile nature of pension surpluses/deficits calculated according to FRS102, which may vary in response to market factors and the actuarial assumptions made. The Trustees have considered the impact of this liability on future cash flow and reserves and believe that it will be funded from normal activities.

Relationships between the Institute and related parties

The Institute provides a range of services to its subsidiaries, for which payment 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. A summary of these transactions is shown in Note 20 to the financial statements.

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 Institute 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:

a. select suitable accounting policies and apply them consistently;
b. make judgments and accounting estimates that are reasonable and prudent;
c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
d. 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 Institute 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 Institute 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:

a. there is no relevant audit information of which the Institute's auditor is unaware; and
b. 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 4 May 2022, 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 2022 and signed on their behalf by

Ann Limb

Dame Ann Limb DBE CBE DL FCGI
Chair

Administrative information

Trustees

Secretary to the Institute

- **Chris Astles**

Chief Executive Officer

- **Kirstie Donnelly MBE**

Principal Office

- **City & Guilds**
  Giltspur House
  5-6 Giltspur Street
  London
  EC1A 9DE

External Auditors

- **BDO LLP**
  2 City Place
  Beehive Ring Road
  Gatwick
  West Sussex
  RH6 0PA

Investment Managers

- **Insight Investment Management Limited**
  160 Queen Victoria Street
  London
  EC4V 4LA
- **Troy Asset Management Limited**
  33 Davies Street
  London
  W1K 4BP
- **Vanguard Asset Management Ltd**
  4th Floor
  The Walbrook Building
  25 Walbrook
  London
  EC4N 8AF

Principal Bankers

- **The Royal Bank of Scotland**
  London Corporate Centre
  PO Box 412
  62-63 Threadneedle Street
  London
  EC2R 8LA

Actuaries

- **Willis Towers Watson**
  51 Lime Street
  London EC3M 7DQ

Principal Legal Advisers

- **Charles Russell LLP**
  5 Fleet Place
  London EC4M 7RD
- **Bird & Bird LLP**
  12 New Fetter Lane
  London EC4A 1JP

Other Key Management Personnel

(at the date of approval of the Trustee Annual Report and Financial Statements)

- **Jim Conybeare-Cross ACA**
  Chief Financial Officer
- **Philip Ellaway**
  Strategy Director
- **Cecilia Harvey**
  Chief Information Officer
- **Faiza Khan MBE**
  Director of Corporate Affairs
- **Andy Moss**
  Managing Director, Employers
- **Nicky Pattimore**
  Chief People and Customer Officer
- **David Phillips**
  Managing Director, Channel Partners

Other Names

The City and Guilds of London Institute has working names of City & Guilds and City & Guilds International. The City & Guilds Foundation is the part of the Institute that has a specific focus on high impact social investment, recognition and advocacy programmes.

Independent Auditor's Report to the Members and Trustees of The City and Guilds of London Institute

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charity's affairs as at 31 August 2022 and of the Group's incoming resources and application of resources and the Parent Charity'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.

We have audited the financial statements of The City and Guilds of London Institute ("the Parent Charity") and its subsidiaries ("the Group") for the year ended 31 August 2022 which comprise the consolidated statement of financial activities, the consolidated and charity balance sheets, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Charity in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions related to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of Trustees

As explained more fully in the 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, and for such internal control as the Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Group's and the Parent Charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or the Parent Charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory framework applicable to City & Guilds of London institute. We focused on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of City & Guilds of London institute. The laws and regulations we considered in this context were United Kingdom Accounting Standards (Financial Reporting Standard 102), the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities (FRS 102), and the Charities Act 2011.
- We understood how City & Guilds of London institute is complying with those legal and regulatory frameworks, by making enquiries to management, and the Board, of known or suspected instances of non-compliance with laws and regulations. We corroborated our enquiries through our review of key committee board minutes.
- We reviewed the financial statement disclosures to assess compliance with the relevant laws and regulations discussed above. We remained alert to any indications of non-compliance throughout the audit.
- We assessed the susceptibility of the City and Guilds of London Institute's financial statements to material misstatement, including how fraud might occur, by discussing

with management and the Board to understand where it is considered there was a susceptibility of fraud.
- We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements, and determined that the principal risks were related to the override of controls by management including posting of inappropriate journal entries, management bias in key mate-rial accounting estimates, and the timing of income recognition.
- Audit procedures performed in response to the assessment above included: Enquiries of management and the Board; reviewing accounting estimates for bias and challenging assumptions made by management in their significant accounting estimates including, but not limited to, valua-tion of investments in subsidiaries, measurement of the defined benefit pension scheme liability, assessing the future viability of courses where third party content development costs have been deferred; Sample testing the recognition of income (including reviewing the assumptions that underpin income recognition), Sample testing the appropriateness of journal entries.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Fiona Condron
(Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor, London, UK

21 December 2022

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 2022

(Incorporating an Income and Expenditure Account)

				Year ended 31 August 2022			Year ended 31 August 2021
	Note	£m	£m	£m	£m	£m	£m
		Unrestricted funds	Restricted funds	Total	Unrestricted funds	Restricted funds	Total
Income and endowments from:							
Donations and legacies		0.3	–	0.3	–	–	–
Charitable activities Educational services		92.5	–	92.5	84.8	–	84.8
Other trading activities	2	49.5	-	49.5	45.0	-	45.0
Investments	3	0.2	-	0.2	0.1	-	0.1
Total income		142.5	-	142.5	129.9	-	129.9
Expenditure on:							
Charitable activities Educational services		97.6	0.3	97.9	93.8	-	93.8
Raising funds Trading costs		48.9	-	48.9	43.4	-	43.4
Other Tax on overseas activities		0.1	-	0.1	0.2	-	0.2
Total expenditure	4	146.6	0.3	146.9	137.4	-	137.4
Net expenditure before investments gain and losses, disposal of fixed assets and associates		(4.1)	(0.3)	(4.4)	(7.5)	-	(7.5)
Net (loss) / gain on investment assets	7	(2.9)	-	(2.9)	4.4	-	4.4
Gain on disposal of unlisted investments	7	7.5	-	7.5	-	-	-
Net income / (expenditure)		0.5	(0.3)	0.2	(3.1)	-	(3.1)
Other recognised gains and losses							
Gain / (loss) on revaluation of foreign currency net investments		0.2	-	0.2	(0.9)	-	(0.9)
Actuarial gain / (loss) on defined benefit pension scheme	18	15.0	-	15.0	(3.9)	-	(3.9)
Net movement in funds		15.7	(0.3)	15.4	(7.9)	-	(7.9)
Accumulated funds brought forward		84.3	3.7	88.0	92.2	3.7	95.9
Accumulated funds carried forward	12	100.0	3.4	103.4	84.3	3.7	88.0

The above results are derived entirely from continuing activities.
The notes on pages 49 to 77 form part of these Financial Statements.

Balance sheets

For the year ended 31 August 2022

	Note	Group 31 August 2022 £m	Group 31 August 2021 £m	Institute 31 August 2022 £m	Institute 31 August 2021 £m
Intangible fixed assets	5	**14.5**	19.1	**-**	0.2
Tangible fixed assets	6	**34.1**	34.6	**26.0**	27.5
Investments					
Financial investments	7	**40.3**	45.3	**40.3**	45.3
Investment in subsidiaries	7	**-**	-	**49.7**	50.2
Investment in associate		**-**	0.1	**-**	-
Total investments		**40.3**	45.4	**90.0**	95.5
Total fixed assets		**88.9**	99.1	**116.0**	123.2
Current assets					
Debtors due within one year	8	**22.0**	20.5	**20.7**	19.4
Cash at bank and in hand		**44.6**	46.6	**29.2**	26.1
Total current assets		**66.6**	67.1	**49.9**	45.5
Current liabilities					
Creditors: amounts falling due within one year	9	**(39.1)**	(40.3)	**(30.7)**	(33.1)
Net current assets		**27.5**	26.8	**19.2**	12.4
Total assets less current liabilities		**116.4**	**125.9**	**135.2**	**135.6**
Creditors: amounts falling due after one year	10	**(1.7)**	(1.2)	**(0.9)**	(1.2)
Provisions for liabilities and charges	11	**(1.0)**	(1.0)	**(0.7)**	(0.7)
Net assets excluding pension liability		**113.7**	123.7	**133.6**	133.7
Defined benefit pension scheme liability	18	**(10.3)**	(35.7)	**(10.3)**	(35.7)
Net assets		**103.4**	88.0	**123.3**	98.0
The funds of the charity					
Unrestricted funds					
Unrestricted funds excluding pension reserve	12	**109.7**	119.6	**129.8**	129.6
Revaluation reserve	12	**0.4**	0.4	**0.4**	0.4
Defined benefit pension scheme reserve	18	**(10.3)**	(35.7)	**(10.3)**	(35.7)
Total unrestricted funds		**99.8**	**84.3**	**119.9**	**94.3**
Restricted funds	12	**3.4**	3.7	**3.4**	3.7
Total funds of the Group and Institute		**103.2**	88.0	**123.3**	98.0
Non-controlling interest		**0.2**	-	**-**	-
Total funds		**103.4**	88.0	**123.3**	98.0

The notes on pages 49 to 77 form part of these Financial Statements. The Financial Statements on page 46 to 77 were approved by the board of Trustees and authorised for issue on 8 December 2022 and signed on its behalf by:

Ann Limb

Ann Limb,Chair

Ian Ailles

Ian Ailles, Treasurer

K Donnelly MBE GCE

Consolidated statement of cash flows

For the year ended 31 August 2022

	Note		Year ended 31 August 2022		Year ended 31 August 2021
	Note	£m	£m	£m	£m
Cash flows used in operating activities	13		**(6.2)**		(2.5)
Taxation paid		**(0.1)**		(0.2)	
Net cash used in operating activities			**(6.3)**		(2.7)
Cash flows from / (used in) investing activities					
Investment income	3	**0.2**		0.1	
Proceeds from sale of fixed assets	5, 6	**-**		0.9	
Purchases of tangible fixed assets	6	**(5.3)**		(4.6)	
Purchases of listed investments	7	**-**		(14.0)	
Proceeds from sale of listed investments	7	**-**		0.9	
Proceeds from sale of other investment	7	**9.7**		-	
Investment in subsidiary undertakings	7	**(0.4)**		-	
Cash acquired with subsidiaries		**0.1**		-	
Net cash from / (used in) investing activities			**4.3**		(16.7)
Net decrease in cash and cash equivalents			**(2.0)**		**(19.4)**
Cash and cash equivalents at beginning of year			**46.6**		66.0
Cash and cash equivalents at end of the year			**44.6**		46.6
Cash and cash equivalents comprise:					
Cash at bank and in hand			**44.6**		46.6
Total			**44.6**		46.6

The notes on pages 49 to 77 form part of these Financial Statements.

Notes to the financial statements

For the year ended 31 August 2022

1. Accounting policies

The City and Guilds of London Institute is a Royal Charter company and charity domiciled in England and Wales, registration number RC000117. The registered office is 5-6 Giltspur Street, London, EC1A 9DE.

The following accounting policies have been applied consistently in dealing with items that are considered material to the Group's or Institute'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) (as revised in 2019) - (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.

Going concern is a fundamental accounting concept that underlies the preparation of these accounts. Under the going concern concept it is assumed that the Group and Institute will continue in operation for the foreseeable future, and that there is neither the intention nor the need to either liquidate or cease operations.

Assessment of going concern

- Review of financial performance: Management reviews the financial performance of the organisation on a monthly basis, including a review of monthly management accounts and evaluation of actual results compared to budgets and forecasts. The management accounts are shared with the Board of Trustees and the Audit & Risk Committee for their reviews. Management also reviews both financial and non-financial key performance indicators on a monthly basis, including non-financial indicators to ensure early identification of issues.
- Budgeting and forecasting: Management undertakes a formal schedule of financial budgeting and forecasting of revenues, expenses, cash flows and liquidity regularly in each financial year which are taken to the Board of Trustees for their approval. Budgets and forecasts, along with any revisions to them, are reviewed by the Board and the Audit & Risk Committee and are then approved by the Board. To enable strategic planning and alignment with longer term resource allocation, management extended the planning period to 5 years. Stress testing of the Group and Institute's cash position is undertaken to cover the period up to at least 12 months from the date of this report.
- Timing of cash flows: Management evaluates cash resources and availability of facilities in the funding of operating activities, and develops adequate plans to enable the organisation to take effective action to alter the amounts and timings of its cash flows so that it can respond to unexpected needs or opportunities. Management also includes an assessment of whether the Institute can meet the agreed schedule of contributions into the City and Guilds (1966) Pension Scheme, and whether there is any risk that, within the period under review for going concern, a section 75 debt requiring immediate payment would be triggered.
- Products, services and markets: Management considers emerging economic, socioeconomic and political trends within the markets in which it operates, and considers how the organisation might adapt its product offerings accordingly, and it assesses whether there are any other factors which may impact the organisation's ability to deliver its charitable mission.

In making their assessment of going concern, management stress tested the budget and various scenario models, incorporating a number of assumptions including reductions to revenue and the risk and impact should a major event occur and the mitigating actions that could be reasonably taken. The Audit & Risk Committee further reviewed the financial assessment, stress testing and associated analysis and recommends to trustees that the basis for accounting is appropriate.

Management has determined that there are no material uncertainties that may cast significant doubt

1. Accounting policies - continued

about the Group and Institute's ability to continue as going concerns and hence these financial statements have been drawn up on a going concern basis.

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

Parent entity disclosure exemptions

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

- No statement of cash flows has been presented; and
- No disclosure has been given for the aggregate remuneration of the key management per-sonnel 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.

Despite there being a uniting direction in place between the Institute and City and Guilds International Limited, the Institute figures presented in these accounts solely reflect the assets, liabilities and activities of the Institute. City and Guilds International Limited has been treated as a subsidiary and included within the Group figures.

1.3 Reserves and fund structure

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

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

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

1.4 Tangible fixed assets and depreciation

The Institute's long leasehold office at 5-6 Giltspur Street is included at deemed cost established on the transition to FRS 102 and derived from an open market valuation, carried out by Daniel Watney, Chartered Surveyor, as at 1 September 2014. Subsequent additions are capitalised at cost.

Freehold property is depreciated on a straight-line basis over 50 years. Freehold land is not depreciated. 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	50 years
Computer software and equipment	3-5 years
Furniture and fixtures	4 years
Motor vehicles	3-4 years
Plant	4-20 years

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 on a straight-line basis over its estimated useful economic life, which is up to a maximum of 10 years where such a period cannot be measured reliably. For the current subsidiaries of the Group, associated goodwill has been deemed to have an estimated useful life of 10 years. This is based upon an assessment of a given investment at the time of acquisition, taking in to account relevant strategic plans and forecasts.

1. Accounting policies - continued

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

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

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

1.6 Taxation

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

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

1.7 Income

Fee income relating to registrations is deferred and recognised over the estimated time taken to complete the relevant qualification as performance obligations are met during the course delivery period. A proportion of registration fee income is recognised immediately to reflect an estimate for learners who do not complete the course, in reference to the performance obligations of the Institute to the colleges, and the nature of the contract. Where assessment and certification income exceeds registration fee income for any qualification, the registration income is not deferred and is recognised when the service is provided. Assessment income is recognised when the assessment is marked, certification income is recognised when the certificate is issued.

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 other services or solutions, including e-learning is recognised on the basis of percentage of contract completed by reference to costs, with credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty.

In accordance with Section 24 of FRS 102, government grant is recognised in income in the period in which it becomes receivable if there are no performance obligations.

1.8 Expenditure

Expenditure is recognised on an accrual basis as a liability is incurred. Irrecoverable VAT is included within expenditure or capitalised with the appropriate asset.

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

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

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

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

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. Accounting policies - continued

1.9 Foreign currency translation

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

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

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

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

1.10 Pensions

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

The defined benefit section is accounted for in accordance with the requirements of FRS 102 and details are shown in note 18. The difference between the fair value of the assets held in the Group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Group's balance sheet as a pension asset or liability as appropriate. Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contributions by the Group are charged to expenditure or other gains and losses within the Statement of Financial Activities in accordance with FRS 102.

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

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

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

1.11 Holiday pay accruals

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

1.12 Operating leases and leased assets

Rentals applicable to operating leases are charged to the Consolidated Statement of Financial Activities on a straight line basis over the term of the lease.

1.13 Investments

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

Investments in group companies are a combination of programme related investments and mixed motive investments. Programme related investments are held primarily for their contribution to the charitable objectives of the parent. Mixed motive investments are held partly for a financial return and partly for their contribution to the charitable objectives of the parent. The programme related investments are held at the lower of cost and recoverable amount. Each year end consideration is given to whether there are any indicators or impairment, based on the charitable benefit expected to be provided by these entities going forwards. The mixed motive investments are also held at the lower of cost and recoverable amount. Each year end consideration is given to whether there are any indicators of impairment, based on a combination of the charitable benefit expected to be provided by these entities going forwards as well as the expected financial contribution to the group going forwards.

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

Unlisted financial investments are held at cost less impairment.

1. Accounting policies - continued

1.14 Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial assets, other than financial investments, are initially measured at transaction price and subsequently held at amortised cost, less any impairment. Financial liabilities, excluding the defined benefit pension liability, are initially measured at transaction price and subsequently held at amortised cost.

1.15 Judgements in applying accounting policies

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

Indicators of impairment and impairment of assets

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

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use, both of which require the use of estimation in their calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a combination of expected future social returns and a discounted cash flow model. The social returns are derived from the business plans for the next 5 years and the number of learners that are expected to be reached. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows for extrapolation purposes.

Actuarial assumptions in respect of defined benefit pension schemes

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

The assumptions underlying the pension scheme valuation

The principal actuarial assumptions are shown in Note 18. The effect of reasonably possible movements in these assumptions on scheme liabilities are as follows:

- 0.1% pa increase in discount rate leads to a decrease of £3.0m in scheme liabilities.
- 0.1% pa decrease in inflation rate leads to a decrease of £3.0m in scheme liabilities.
- 0.25% pa decrease in rate of salary increases leads to a decrease of £0.1m in scheme liabilities.
- 0.1% pa increase in rate of increase in pensions in payment leads to an increase of £2.0m in scheme liabilities.
- 0.25% to 1.75% pa increase long-term rates of improvement leads to an increase of £3.0m in scheme liabilities.

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 risk. The Group mitigates this risk through the use of analytical and tracking tools like regular market research. As at the balance sheet date, management considers the risk of courses with deferred expenditure not being viable in the future to be remote. The Group also has a policy of immediately expensing deferred third party content development costs when the future viability of the underlying courses is in question.

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 recognised income by £0.9m (2021: £0.7m) at the existing level of income.

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% would result in an increase in recognised income by £0.3m (2021: £0.3m) at the existing level of income.

The assumptions underlying the valuation of intangible assets:
The acquired intangible assets that meet the recognition criteria under the revised FRS 102 guidelines are professionally valued using methods such as multi-period excess earnings. Key inputs into the valuations are:

- Customer retention rate.
- Growth rates.
- Weighted Average Cost of Capital specific to the acquisition on the transaction date.

Determining whether an investment in subsidiary is impaired:
This requires an estimation of the recoverable amount of the investment at the end of the financial year. Refer to 1.15 for indicators of impairment and impairment of assets for factors taken into account when determining the recoverable amount of an investment.

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 as explained in Note 1.13.

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. (a) Income from charitable activities – educational services

	Year ended 31 August 2022	Year ended 31 August 2021
	£m	£m
Fee income	92.5	84.7
Government grant received	–	0.1
	92.5	84.8

(b) Income from other trading activities

Other trading activities comprise the activities of the trading subsidiaries of the Group within the Employers business unit, whose activities support employers with direct training delivery. These operate under the brands of Gen2, Intertrain, Kineo and The Oxford Group as set out in Note 7.

3. Income from investments

	Year ended 31 August 2022	Year ended 31 August 2021
	£m	£m
Interest on deposits	0.2	0.1
	0.2	0.1

4. Expenditure

(a) Analysis of total expenditure

	Staff costs (Note 14)	Other direct costs	Support costs	Year ended 31 August 2022
	£m	£m	£m	£m
Trading costs	28.1	16.0	4.8	48.9
Educational services	47.4	30.4	20.1	97.9
Tax on overseas activities	–	0.1	–	0.1
	75.5	46.5	24.9	146.9

	Staff costs (Note 14)	Other direct costs	Support costs	Year ended 31 August 2021
	£m	£m	£m	£m
Trading costs	24.9	11.8	6.7	43.4
Educational services	52.3	22.1	19.4	93.8
Tax on overseas activities	–	0.2	–	0.2
	77.2	34.1	26.1	137.4

4. Expenditure - continued

(b) Analysis of support costs

	Trading costs	Educational services	Governance	**Year ended 31 August 2022**
	£m	£m	£m	**£m**
Premises and utilities	1.7	3.1	-	**4.8**
Communication and IT	1.3	8.4	-	**9.7**
Postage and printing	0.1	0.7	-	**0.8**
Other	0.2	0.1	-	**0.3**
Depreciation and impairment	1.4	2.9	-	**4.3**
Amortisation costs	-	4.6	-	**4.6**
Financial costs	0.1	0.3	-	**0.4**
	4.8	**20.1**	**-**	**24.9**

	Trading costs	Educational services	Governance	Year ended 31 August 2021
	£m	£m	£m	£m
Premises and utilities	1.9	2.8	-	4.7
Communication and IT	2.0	8.2	0.1	10.3
Postage and printing	0.1	0.4	-	0.5
Other	0.5	0.7	-	1.2
Depreciation and impairment	2.2	2.7	-	4.9
Amortisation costs	-	4.4	-	4.4
Financial costs	-	0.1	-	0.1
	6.7	**19.3**	**0.1**	**26.1**

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

4. Expenditure - continued

(c) Analysis of governance costs

	Year ended 31 August 2022	Year ended 31 August 2021
	£m	£m
Audit fees	0.5	0.3
Staff costs	0.2	0.2
Apportionment of support costs	-	0.1
	0.7	0.6

(d) Cost analysis

Included within total expenditure are the following individual items:

	Year ended 31 August 2022	Year ended 31 August 2021
	£m	£m
Group auditor's remuneration:		
Audit fees	0.3	0.2
Other auditors' remuneration:		
Audit fees relating to subsidiaries	0.2	0.1
Taxation and other services	0.1	0.1
Operating lease rentals:		
Land and buildings	2.0	2.3
Plant and equipment	0.6	0.4
Depreciation and impairment (Note 6)	4.3	4.9
Amortisation (Note 5)	4.6	4.4
Net loss / (gain) on foreign currency transactions	0.5	(0.1)

5. Intangible fixed assets

	Goodwill	Intellectual property rights	Customer relationships	Programme content	Trade name	Total
	£m	£m	£m	£m	£m	£m
Group: Cost or valuation						
At 1 September 2021	42.0	1.7	8.3	1.4	0.6	54.0
Additions	0.2	-	-	-	-	0.2
Disposals	(0.2)	-	-	-	-	(0.2)
At 31 August 2022	42.0	1.7	8.3	1.4	0.6	54.0
Amortisation						
At 1 September 2021	28.3	1.7	3.5	1.3	0.1	34.9
Amortisation for the year	3.7	-	0.8	0.1	-	4.6
At 31 August 2022	32.0	1.7	4.3	1.4	0.1	39.5
Net book values						
At 31 August 2021	13.7	-	4.8	0.1	0.5	19.1
At 31 August 2022	**10.0**	-	**4.0**	-	**0.5**	**14.5**
Institute: Cost or valuation						
At 1 September 2021	1.9	1.7	-	-	-	3.6
Disposals	(1.9)	(1.7)	-	-	-	(3.6)
At 31 August 2022	-	-	-	-	-	-
Amortisation						
At 1 September 2021	1.7	1.7	-	-	-	3.4
Disposals	(1.7)	(1.7)	-	-	-	(3.4)
At 31 August 2022	-	-	-	-	-	-
Net book values						
At 31 August 2021	0.2	-	-	-	-	0.2
At 31 August 2022	-	-	-	-	-	-

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. The value in use calculations are based on a combination of expected future social returns and discounted cash flow modelling. The social returns are derived from the business plans for the next 5 years and the number of learners that are expected to be reached. The discounted cash flow models use cash flow projections based on budgets approved by management. 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. The discount rate used in measuring value in use was 10.0% (2021: 12.0%).

Perpetuity growth rates
A perpetuity growth rate of nil (2021: 2.50%) was used.

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

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

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

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

No impairment was recognised in the year (2021: £Nil).

6. Tangible fixed assets

	Freehold property	Leasehold property	Computer software and equipment	Plant, fixtures and motor vehicles	Assets under construction	Total
	£m	£m	£m	£m	£m	£m
Group: Cost or valuation						
At 1 September 2021	4.3	23.1	26.9	6.8	3.1	64.2
Transfers	-	-	1.3	0.6	(3.0)	(1.1)
Additions	-	0.1	2.0	0.3	2.9	5.3
Disposals	-	(0.1)	(0.8)	(1.3)	(0.4)	(2.6)
Other movements	-	0.4	0.7	0.1	(0.1)	1.1
At 31 August 2022	4.3	23.5	30.1	6.5	2.5	66.9
Accumulated depreciation						
At 1 September 2021	-	2.5	21.9	5.2	-	29.6
Charge for the year	-	0.4	3.3	0.5	-	4.2
Impairment	-	-	0.1	-	-	0.1
Disposals	-	-	(0.6)	(1.3)	-	(1.9)
Other movements	-	0.2	0.5	0.1	-	0.8
At 31 August 2022	-	3.1	25.2	4.5	-	32.8
Net book values						
At 31 August 2021	4.3	20.6	5.0	1.6	3.1	34.6
At 31 August 2022	**4.3**	**20.4**	**4.9**	**2.0**	**2.5**	**34.1**
Institute: Cost or valuation						
At 1 September 2021	-	23.1	21.8	4.6	2.0	51.5
Transfers	-	-	1.3	0.6	(3.0)	(1.1)
Additions	-	-	0.2	-	2.7	2.9
Disposals	-	-	(0.4)	(1.2)	(0.4)	(2.0)
Other movements	-	-	(0.7)	-	0.9	0.2
At 31 August 2022	-	23.1	22.2	4.0	2.2	51.5
Accumulated depreciation						
At 1 September 2021	-	2.5	17.6	3.9	-	24.0
Charge for the year	-	0.4	2.1	0.3	-	2.8
Impairment	-	-	0.1	-	-	0.1
Disposals	-	-	(0.3)	(1.2)	-	(1.5)
Other movements	-	-	0.1	-	-	0.1
At 31 August 2022	-	2.9	19.6	3.0	-	25.5
Net book values						
At 31 August 2021	-	20.6	4.2	0.7	2.0	27.5
At 31 August 2022	**-**	**20.2**	**2.6**	**1.0**	**2.2**	**26.0**

6. Tangible fixed assets - continued

Assets under construction are transferred to the relevant asset category on becoming operational.
Other movements represent revaluations due to foreign exchange of £0.2m net book value for the Group and correction of historic differences of £0.1m net book value for the Group and Institute.
The Institute's long leasehold office at 5-6 Giltspur Street has been provided as security to the pension scheme.

7. Investments

(a) Subsidiaries:

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

The Group's net movement in funds, a surplus of £15.4m (2021: deficit of £7.9m), includes the results of the following six fully controlled charitable / wholly owned trading subsidiaries all of which are incorporated in the UK and limited by shares unless otherwise stated:

- City and Guilds International Limited, a limited company and a registered charity within the Institute's registration. Together with its overseas subsidiaries it delivers examination and award services overseas.
- City and Guilds Kineo Limited, a limited company that, together with its American subsidiaries, helps businesses improve their performance through learning and technology.
- Interact Learning Pty Limited, a limited company incorporated in Australia that provides design, development, implementation of training management and compliance solutions, operating under the Kineo brand.
- 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.
- Gen II Engineering & Technology Training Limited, a company limited by guarantee that, together with its UK subsidiary promotes apprenticeship training and offers training, educational products and services for the engineering, specialist manufacturing, energy and technology sectors.
- Intertrain UK Limited, a limited company that provides training in the construction, rail and health & safety sections.

The Group also includes the following dormant subsidiaries: NPTC, City and Guilds Enterprises Limited, City and Guilds of North America Inc, City and Guilds International (Hungary) Education and Services LLC, City and Guilds (South Asia) Pte Ltd, Oxford Group Pension Trustees Limited, Intertrain UK (Holdings) Ltd, Nine Lanterns Pty Limited (Australia), Digitalme Limited, Radiowaves Schools Limited, E3 Learning Limited and Flexible Learning Networks Limited (New Zealand).

7. Investments - continued

(a) Subsidiaries: continued

The movement in the carrying value of investments in subsidiaries is shown below:

	Institute 31 August 2022	Institute 31 August 2021
	£m	£m
At 1 September	**50.2**	49.8
Additions	**-**	0.4
Impairments	**(0.5)**	-
At 31 August	**49.7**	50.2

During the year, the investment in Radiowaves Schools Limited of £0.5m was impaired, as the subsidiary has discontinued its trade.

7. Investments - continued

(a) Subsidiaries: continued

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

	Company number (Charity number)		Investment	Total income	Total expenditure	Surplus / (deficit)	Assets	Liabilities	Funds
			£m	£m	£m	£m	£m	£m	£m
City and Guilds International Limited	1894671	2022	1.0	7.2	(8.1)	(0.9)	14.2	(6.7)	7.5
	(312832)	2021	1.2	7.2	(8.1)	(0.9)	14.2	(6.7)	7.5
City and Guilds Kineo Limited	07150983	2022	9.5	9.5	(10.2)	(0.7)	4.5	(3.3)	1.2
	(N/A)	2021	9.5	13.3	(14.4)	(1.1)	8.6	(4.9)	3.7
Flexible Learning Network Limited	155963250	2022	2.0	-	-	-	-	(0.1)	(0.1)
	(N/A)	2021	2.3	0.2	(0.1)	0.1	0.1	(0.3)	(0.2)
The Oxford Group	06074029	2022	6.1	6.9	(7.3)	(0.4)	2.8	(2.6)	0.2
	(N/A)	2021	6.1	7.4	(6.5)	0.9	5.3	(2.1)	3.2
Nine Lanterns Pty Limited	ACN 098 839 082	2022	1.7	-	-	-	-	-	-
	(N/A)	2021	1.8	-	-	-	-	-	-
Digitalme Limited	05303626	-	-	-	-	-	-	-	-
	(N/A)	-	-	-	-	-	-	-	-
Radiowaves Schools Limited	05774430	2022	-	-	-	-	-	-	-
	(N/A)	2021	0.5	-	-	-	-	-	-
Interact Learning Pty Limited	095674285	2022	15.0	7.5	(7.2)	0.3	3.7	(5.3)	(1.6)
	(N/A)	2021	14.6	7.8	(7.6)	0.2	5.9	(7.7)	(1.8)
Gen II Engineering & Technology Training Ltd	03804696	2022	8.8	12.3	(11.0)	1.3	9.5	(2.9)	6.6
	(N/A)	2021	8.8	10.8	(9.1)	1.7	10.2	(1.9)	8.3
Intertrain UK Limited	04696164	2022	5.6	7.4	(7.4)	-	1.3	(1.3)	-
	(N/A)	2021	5.4	5.5	(5.7)	(0.2)	2.1	(1.2)	0.9
Total		**2022**	**49.7**	**50.8**	**(51.2)**	**(0.4)**	**36.0**	**(22.2)**	**13.8**
		2021	50.2	52.2	(51.5)	0.7	46.4	(24.8)	21.6

7. Investments - continued

(b) Acquisition:

On 20 April 2022 the Group acquired an effective interest of 50.2% of Knowledge and Interactive Services Argentina SRL, registered in Argentina, and Knowledge and Interactive Services Mexico SR de CV, registered in Mexico, for consideration of £0.4m.

The parent company is Kineo Group Inc, a wholly owned subsidiary of the Group. The investments are accounted for as subsidiaries of the Group and are fully consolidated from the date of acquisition.

Subsidiaries acquired	Knowledge and Interactive Services Argentina SRL	Knowledge and Interactive Services Mexico SR de CV	Total
	£m	£m	£m
Assets / (liabilities) at book and fair value			
Fixed assets	0.1	-	**0.1**
Debtors	0.1	0.1	**0.2**
Cash	-	0.1	**0.1**
Creditors	(0.1)	-	**(0.1)**
Net assets	0.1	0.2	**0.3**
Acquired at 50.2%			**0.2**
Total cash consideration			**0.4**
Total goodwill and intangible assets acquired - note 5			**0.2**
Total non-controlling interest			**0.1**

(c) Financial investments:

	Group 31 August 2022	Group 31 August 2021	Institute 31 August 2022	Institute 31 August 2021
	£m	£m	£m	£m
At 1 September	**45.3**	27.6	**45.3**	27.6
Additions	**-**	14.0	**-**	14.0
Disposals	**(2.1)**	(0.9)	**(2.1)**	(0.9)
Net (loss) / gain - realised	**(1.7)**	4.4	**(1.7)**	4.4
Impairments	**(1.2)**	0.2	**(1.2)**	0.2
31 August	**40.3**	45.3	**40.3**	45.3

Financial investments include £39.7m (2021: £41.4m) listed investments at year end.

Holdings in the listed investments in excess of 5% (2021: 5%) of the market value of the portfolio at 31 August 2022 are as follows: 34.0% (2021: 34.7%) is invested in the Insight Broad Opportunities Fund, 32.5% (2021: 33.3%) is invested in the Vanguard LifeStrategy 60% Equity Fund and 33.5% (2021: 31.1%) is invested in the Trojan Fund.

At 31 August 2022, the historical cost of these listed fixed asset investments of the Group amounted to £41.3m (2021: £41.3m) and of the Institute amounted to £41.3m (2021: £41.3m).

Holdings in the unlisted investments comprise £0.6m (2021: £0.6m) in MyKindaFuture Ltd. The investment of £1.2m (2021: £1.2m) in Filtered Technologies Limited (formerly Excel With Business Ltd) was fully impaired during the year and the investment of £0.5m (2021: £0.5m) in GetMyFirstJob Ltd was fully impaired in 2017/18.

Investments in Credly Inc of £1.5m and EmpowerTheUser Ltd of £0.7m were sold during the year, with gains on disposal totalling £7.5m recognised within the statement of financial activities.

8. Debtors: Amounts falling due within one year

	Group 31 August 2022	Group 31 August 2021	**Institute 31 August 2022**	Institute 31 August 2021
	£m	£m	**£m**	£m
Trade debtors	**13.3**	13.0	**6.9**	7.4
Amounts owed by subsidiary undertakings	**-**	-	**9.7**	8.2
Other debtors	**3.6**	2.8	**0.7**	0.3
Prepayments	**5.1**	4.7	**3.4**	3.5
	22.0	20.5	**20.7**	19.4

All debtors fall due for payment within one year.

The impairment loss recognised in expenditure for the year in respect of bad and doubtful trade debts was £0.2m (2021: £0.5m). The impairment loss recognised in the Institute net income for the period in respect of bad and doubtful trade debts was £0.2m (2021: £0.1m).

9. Creditors: amounts falling due within one year

	Group 31 August 2022	Group 31 August 2021	**Institute 31 August 2022**	Institute 31 August 2021
	£m	£m	**£m**	£m
Trade creditors	**3.0**	4.1	**1.2**	2.5
Amounts owed to subsidiary undertakings	**-**	-	**9.1**	7.4
Taxation and social security	**2.8**	1.6	**0.9**	0.3
Other creditors	**1.1**	3.6	**1.3**	3.2
Accruals	**15.9**	15.8	**10.2**	11.6
Deferred income	**16.3**	15.2	**8.0**	8.1
	39.1	40.3	**30.7**	33.1

9. Creditors: amounts falling due within one year - continued

Deferred income:	Group 31 August 2022 £m	Group 31 August 2021 £m	Institute 31 August 2022 £m	Institute 31 August 2021 £m
At 1 September	15.2	12.5	8.1	5.5
Deferred in the year	15.6	15.2	8.0	8.1
Released in the year	(14.5)	(12.5)	(8.1)	(5.5)
At 31 August	**16.3**	15.2	**8.0**	8.1

10. Creditors: amounts falling due after one year

	Group 31 August 2022 £m	Group 31 August 2021 £m	Institute 31 August 2022 £m	Institute 31 August 2021 £m
Other creditors	1.7	1.2	0.9	1.2
	1.7	**1.2**	**0.9**	**1.2**

11. Provisions for liabilities and charges

	Group 31 August 2022 £m	Group 31 August 2021 £m	Institute 31 August 2022 £m	Institute 31 August 2021 £m
At 1 September	1.0	0.9	0.7	0.6
Provided in the year	-	0.2	-	-
Utilised in the year	-	(0.1)	-	0.1
At 31 August	**1.0**	1.0	**0.7**	0.7

The above totals contain amounts relate to provision for the dilapidation costs that will crystallise on termination of building leases (Group 2022: £1.0m, 2021: £0.9m; Institute 2022: £0.7m, 2021: £0.6m). The exact cost of these dilapidations will only be known once the leases are terminated.

12. Funds

Analysis of Group net assets between funds:

	Restricted	Unrestricted	At 31 August 2022	Restricted	Unrestricted	At 31 August 2021
	£m	£m	£m	£m	£m	£m
Fixed assets	-	48.6	48.6	-	53.7	53.7
Investments	3.4	36.9	40.3	3.7	41.7	45.4
Net current assets	-	27.5	27.5	-	26.8	26.8
Provisions	-	(1.0)	(1.0)	-	(1.0)	(1.0)
Creditors: amounts falling due after one year	-	(1.7)	(1.7)	-	(1.2)	(1.2)
Defined benefit pension scheme liability	-	(10.3)	(10.3)	-	(35.7)	(35.7)
Net assets at 31 August	**3.4**	**100.0**	**103.4**	3.7	84.3	88.0

Analysis of Institute net assets between funds:

	Restricted	Unrestricted	At 31 August 2022	Restricted	Unrestricted	At 31 August 2021
	£m	£m	£m	£m	£m	£m
Fixed assets	-	26.0	26.0	-	27.7	27.7
Investments	3.4	86.6	90.0	3.7	91.8	95.5
Net current assets	-	19.2	19.2	-	12.4	12.4
Provisions	-	(0.7)	(0.7)	-	(0.7)	(0.7)
Creditors: amounts falling due after one year	-	(0.9)	(0.9)	-	(1.2)	(1.2)
Defined benefit pension scheme liability	-	(10.3)	(10.3)	-	(35.7)	(35.7)
Net assets at 31 August	**3.4**	**119.9**	**123.3**	3.7	94.3	98.0

12. Funds - continued

Analysis of movement in the funds of the Group and Institute:

	At 1 September 2021	Income	Expenditure	Other Movements	At 31 August 2022
	£m	£m	£m	£m	£m
Group: Unrestricted					
General	116.6	142.5	(144.9)	(7.3)	**106.9**
Revaluation reserve	0.4	-	-	-	**0.4**
Skills Development Fund (Designated Fund)	3.0	-	(0.2)	-	**2.8**
Defined benefit pension scheme reserve	(35.7)	-	(1.5)	26.9	**(10.3)**
Total unrestricted funds	**84.3**	**142.5**	**(146.6)**	**19.6**	**99.8**
Restricted					
City & Guilds Land Based Services (NPTC)	3.7	-	(0.3)	-	**3.4**
Total restricted funds	**3.7**	**-**	**(0.3)**	**-**	**3.4**
Non-controlling interest	-	-	-	0.2	**0.2**
Total	**88.0**	**142.5**	**(146.9)**	**19.8**	**103.4**
Institute: Unrestricted					
General	126.3	91.7	(84.1)	(6.9)	**127.0**
Revaluation reserve	0.4	-	-	-	**0.4**
Skills Development Fund (Designated Fund)	3.3	-	(0.2)	(0.3)	**2.8**
Defined benefit pension scheme reserve	(35.7)	-	(1.5)	26.9	**(10.3)**
Total unrestricted funds	**94.3**	**91.7**	**(85.8)**	**19.7**	**119.9**
Restricted					
City & Guilds Land Based Services (NPTC)	3.7	-	(0.3)	-	**3.4**
Total restricted funds	**3.7**	**-**	**(0.3)**	**-**	**3.4**
Total	**98.0**	**91.7**	**(86.1)**	**19.7**	**123.3**

12. Funds - continued

Analysis of movement in the funds of the Group and Institute – prior year:

	At 1 September 2020	Income	Expenditure	Other Movements	At 31 August 2021
	£m	£m	£m	£m	£m
Group: Unrestricted					
General	125.7	129.9	(137.4)	(1.6)	**116.6**
Revaluation reserve	0.7	-	-	(0.3)	**0.4**
Skills Development Fund (Designated Fund)	3.3	-	-	(0.3)	**3.0**
Defined benefit pension scheme reserve	(37.5)	-	-	1.8	**(35.7)**
Total unrestricted funds	92.2	129.9	(137.4)	(0.4)	**84.3**
Restricted					
City & Guilds Land Based Services (NPTC)	3.7	-	-	-	**3.7**
Total restricted funds	3.7	-	-	-	**3.7**
Total	**95.9**	**129.9**	**(137.4)**	**(0.4)**	**88.0**
Institute: Unrestricted					
General	128.0	83.8	(84.0)	(1.5)	**126.3**
Revaluation reserve	0.7	-	-	(0.3)	**0.4**
Skills Development Fund (Designated Fund)	3.3	-	-	-	**3.3**
Defined benefit pension scheme reserve	(37.5)	-	-	1.8	**(35.7)**
Total unrestricted funds	94.5	83.8	(84.0)	-	**94.3**
Restricted					
City & Guilds Land Based Services (NPTC)	3.7	-	-	-	**3.7**
Total restricted funds	3.7	-	-	-	**3.7**
Total	**98.2**	**83.8**	**(84.0)**	**-**	**98.0**

Unrestricted

Institute
Within the Institute's unrestricted funds are prize and trust funds of £0.02m (2021: £0.02m).

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

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

12. Funds - continued

Restricted

City & Guilds Land Based Services (NPTC)

The City & Guilds Land Based Services (NPTC) Fund relates to assets transferred from City & Guilds Land Based Services (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 Institute 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.

13. Reconciliation of net income/(expenditure) to cash flows used in operating activities

	Year ended 31 August 2022	Year ended 31 August 2021
	£m	£m
Net income / (expenditure)	**0.2**	(3.1)
Adjust for non-cash items:		
Investment income	**(0.2)**	(0.1)
Depreciation and impairment	**4.3**	5.0
Amortisation	**4.6**	4.4
Taxation	**0.1**	0.2
Loss/(gain) on investment assets	**2.9**	(4.4)
Gain on disposal of investment	**(7.5)**	-
Loss on disposal of fixed assets	**0.7**	-
Foreign translation	**0.3**	-
Defined benefit net expense	**1.9**	-
Increase in debtors	**(0.4)**	(0.5)
(Decrease)/increase in creditors	**(0.7)**	2.2
Increase in provisions	**-**	0.1
Defined benefit pension contributions	**(12.4)**	(6.3)
Cash flows used in operating activities	**(6.2)**	(2.5)

14. Group staff costs

	Year ended 31 August 2022	Year ended 31 August 2021
	£m	£m
Wages and salaries	61.2	66.2
Social security	6.3	6.0
Redundancy payments	1.1	0.5
Pension	6.9	4.5
	75.5	77.2

The above staff costs include bonus and long service award costs. Severance payments totalling £0.8m (2021: £1.4m) were made during the year.

	Year ended 31 August 2022	Year ended 31 August 2021
Average number of staff:		
Educational services	1,375	1,369
Governance	2	2
	1,377	1,371

	Year ended 31 August 2022	Year ended 31 August 2021
Number of staff whose emoluments fell within the following bands:		
£60,001 - £70,000	90	88
£70,001 - £80,000	51	71
£80,001 - £90,000	32	32
£90,001 - £100,000	21	27
£100,001 - £110,000	14	16
£110,001 - £120,000	7	10
£120,001 - £130,000	9	12
£130,001 - £140,000	5	4
£140,001 - £150,000	4	4
£150,001 - £160,000	4	3
£160,001 - £170,000	1	2
£170,001 - £180,000	1	2
£180,001 - £190,000	2	2
£190,001 - £200,000	1	1
£200,001 - £210,000	-	1
£210,001 - £220,000	-	1
£220,001 - £230,000	-	2
£230,001 - £240,000	2	-
£250,001 - £260,000	-	1
£260,001 - £270,000	-	1
£270,001 - £280,000	2	-
£280,001 - £290,000	1	1
£290,001 - £300,000	1	-
£300,001 - £310,000	-	1
£310,001 - £320,000	-	2
£370,001 - £380,000	1	-
£480,001 - £490,000	1	1

Emoluments in the above bands comprise salaries, bonus and benefits in kind, and severance payments of £0.4m (2021: £0.8m).

None of these staff (2021: nil) accrued retirement benefits under the defined benefit section of the City and Guilds (1966) Pension Scheme until it was closed on 30 June 2018. 232 of these staff (2021: 126) are accruing retirement benefits under defined contribution arrangements during the year. Contributions to the defined contribution scheme in respect of these staff were £2.1m (2021: £2.0m).

15. Expenses reimbursed to Trustees

	Year ended 31 August 2022	Year ended 31 August 2021
	£m	£m
Travel and subsistence expenses reimbursed	0.01	0.001

	Year ended 31 August 2022	Year ended 31 August 2021
	£m	£m
Number of Trustees in receipt of expense reimbursements	7	8

16. Emoluments to Trustees

Indemnity insurance is paid on the Trustees' behalf. No remuneration was paid to any Trustee during the year (2021: £nil) nor did they receive any other benefits from employment with the charity or its subsidiaries during the year (2021: £nil).

17. Operating leases

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

	Group 31 August 2022	Group 31 August 2021	Institute 31 August 2022	Institute 31 August 2021
			£m	£m
Land and buildings:				
Within one year	1.0	0.7	0.6	0.7
In two to five years	1.6	0.4	1.4	0.4
Over five years	17.7	17.9	17.7	17.9
Other:				
Within one year	0.2	-	0.2	-
In two to five years	0.3	0.8	0.3	0.8
Total	20.8	19.8	20.2	19.8

18. Pensions

The Institute provides a pension scheme, the City and Guilds (1966) Pension Scheme, which comprises both defined contribution and defined benefit sections. Total contributions to the defined contribution sections for the year were £5.4m (2021: £4.7m). For the Institute and member contributions to the defined benefit sections for the year, please refer to Note 18(c) and 18(d). 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 2022 (2021: £nil).

A triennial valuation of the City & Guilds (1966) Pension scheme was carried out by independent qualified actuaries Willis Towers Watson at 30 September 2020. This valuation disclosed a funding deficit amounting to £78.7m with deficit recovery plan annual payments decreasing from £5.0m to £3.0m from 1 October 2020 to 31 March 2034 increasing annually by CPI inflation. In addition, the Institute paid a one-off lump sum payment of £10.0m in September 2021 as agreed with the scheme trustees. The final salary section of the scheme was closed to new entrants on 30 June 2018. 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

	31 August 2022	31 August 2021
	£m	£m
Fair value of Scheme assets	**190.0**	253.0
Present value of funded obligations	**(200.3)**	(288.7)
Net liability (reserve)	**(10.3)**	(35.7)

(b) Amounts recognised in the Statement of Financial Activities

	Year ended 31 August 2022	Year ended 31 August 2021
	£m	£m
Current service cost	**(1.0)**	(1.2)
Net interest charge	**(0.6)**	(0.6)
Total included in net income	**(1.6)**	**(1.8)**
Actuarial gain / (loss)	**85.8**	(23.4)
Return on assets (less) / greater than discount rate	**(71.2)**	20.1
Total credit / (debit) in Statement of Financial Activities	**13.0**	**(5.1)**

18. Pensions - continued

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

	Year ended 31 August 2022	Year ended 31 August 2021
	£m	£m
At 1 September	288.7	267.1
Service cost	1.0	1.2
Interest charge on Scheme liabilities	5.1	4.6
(Gain) / loss on change in assumptions	(85.8)	23.4
Benefit payments	(7.7)	(6.4)
Expenses payments	(1.0)	(1.2)
At 31 August	**200.3**	288.7

(d) Changes in fair value of Scheme assets

	Year ended 31 August 2022	Year ended 31 August 2021
	£m	£m
At 1 September	253.0	229.6
Interest on assets	4.5	4.0
Return on assets	(71.2)	20.1
Institute contributions	12.4	6.9
Benefit payments	(7.7)	(6.4)
Expenses payments	(1.0)	(1.2)
At 31 August	**190.0**	253.0

The Group expects to make normal contributions of £nil (2021: £nil), deficit payments of £3.4m (2022 actual: £11.4m) and have admin expenses of £1.0m (2022 actual: £1.0m) during the next financial year. The Group's tangible fixed assets are provided as further asset security to the Pension Scheme (refer to note 6 for details). The reduction in expected deficit contributions in the next financial year is due to a £10.0m lump sum payment made in September 2021 as agreed with the scheme trustees following the completion of the triennial valuation.

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

	Year ended 31 August 2022	Year ended 31 August 2021
	%	%
Equities	3.5	2.8
Bonds	40.2	55.1
Property	8.0	5.3
Diversified Growth Funds	48.1	35.7

18. Pensions - continued

(f) Principal actuarial assumptions at the Balance Sheet date

	Year ended 31 August 2022	Year ended 31 August 2021
	%	%
Rate of increase in salaries above inflation rate	**0.50**	0.50
Rate of increase in pensions in payment	**3.40**	3.05
Discount rate	**4.20**	1.75
Inflation rate assumption (RPI)	**3.60**	3.25
Inflation rate assumption (CPI)	**3.15**	2.75

The post-retirement mortality assumptions adopted at 31 August 2022 are in line with the standard SAPS S2. All Pensioners tables with a multiplier of 92% and future improvements based on the CMI 2021 core projections with a long-term trend of 1.50% pa and initial addition of 0.25%.

19. 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 £91.7m (2021: £83.8m) and the surplus for the year to 31 August 2022 is £10.2m (2021: deficit of £0.2m).

20. Related party transactions

Transactions with related parties are set out below.

	As at 31 August 2022		Year ended 31 August 2022		
	Amounts due from	Amounts due to	Sales to	Purchases from	Donations/ dividends received
	£m	£m	£m	£m	£m
Institute: Subsidiary undertakings					
City and Guilds International Limited and its subsidiaries	6.4	8.5	3.5	-	-
Guildco Ltd	-	-	-	-	-
City and Guilds Kineo Ltd	2.2	-	0.3	-	1.6
City and Guilds Enterprises Ltd	-	0.3	-	-	-
The Oxford Group	-	-	-	-	1.1
Kineo Group Inc	-	0.1	-	-	-
Interact Learning Pty Limited	-	-	-	-	-
Gen II Engineering & Technology Training Ltd	-	0.3	-	0.1	2.8
Intertrain UK Limited	1.0	-	0.1	-	-
Total	**9.6**	**9.2**	**3.9**	**0.1**	**5.5**

20. Related party transactions - continued

	As at 31 August 2021		Year ended 31 August 2021		
	Amounts due from £m	Amounts due to £m	Sales to £m	Purchases from £m	Donations/ dividends received £m
Institute: Subsidiary undertakings					
City and Guilds International Limited and its subsidiaries	5.0	5.9	3.5	-	-
Guildco Ltd	-	0.5	-	-	-
City and Guilds Kineo Ltd	-	0.1	-	-	5.0
City and Guilds Enterprises Ltd	-	0.2	-	-	-
The Oxford Group	0.1	-	-	-	-
Kineo Group Inc	-	-	-	-	-
Interact Learning Pty Limited	2.1	-	-	-	-
Gen II Engineering & Technology Training Ltd	-	0.7	0.1	-	1.2
Intertrain UK Limited	1.0	-	-	-	-
Total	**8.2**	**7.4**	**3.6**	**-**	**6.2**

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. Amounts due to City and Guilds International Limited and its subsidiaries totalled at £2.1m as at 31 August 2022 (2021: £0.9m).

The total compensation paid to key management personnel for services provided to the Group was £2.8m (2021: £2.8m) including £0.2m (2021: £0.4m) of employer's pension contributions.

21. Financial instruments

The Group's and Institute's financial instruments measured at fair value may be analysed as follows:

	Group 31 August 2022 £m	Group 31 August 2021 £m	**Institute 31 August 2022 £m**	Institute 31 August 2021 £m
Financial assets measured at fair value				
Listed financial investments	**39.7**	**41.4**	**39.7**	41.4
	39.7	**41.4**	**39.7**	**41.4**

Financial assets measured at fair value through the statement of financial activities comprise investments in a trading portfolio of listed company shares. The basis of determining fair value for these investments is by reference to open market value. For investments in funds, open market value is determined by the fund manager based on the net asset value of the underlying investments.

22. Post balance sheet events

On 1 November 2022 the Institute acquired the entire share capital of Trade Skills 4U Group Limited, one of the UK's leading training providers of electrical engineering. With this acquisition, total cash consideration was £12 million, which included a £6 million existing debt repayment to prior shareholders on completion.

Trade Skills 4U strengthens City & Guilds' offer across engineering, construction and transport, following that of rail training company Intertrain in November 2019. It also supports City & Guilds' responsible business agenda, with Trade Skills 4U already delivering a suite of green and renewable energy electrical courses to support people in living and working more sustainably.

About City & Guilds

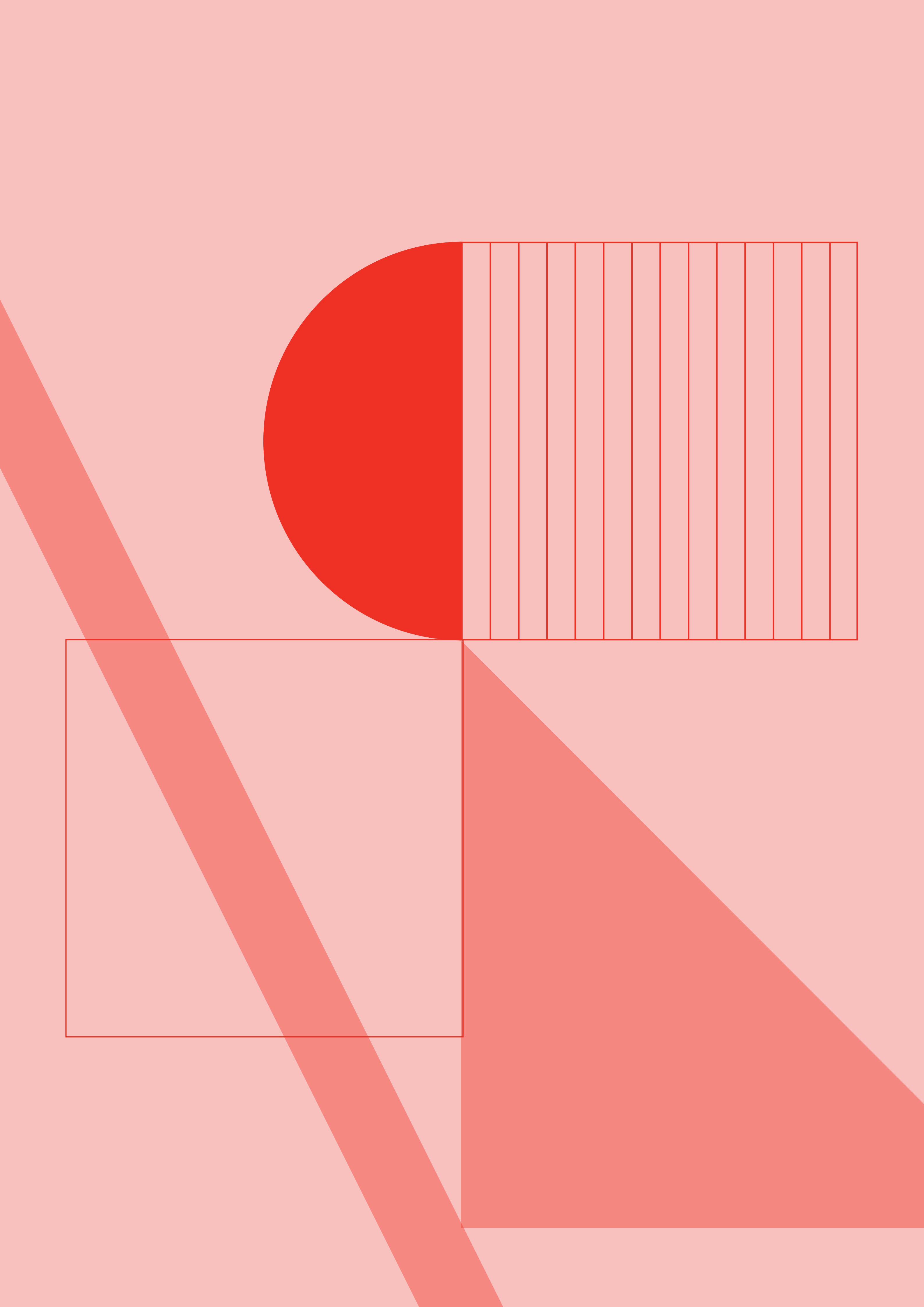
For over 140 years we have worked with people, organisations and economies to help them identify and develop the skills they need to thrive. We understand the life changing link between skills development, social mobility, prosperity and success. Everything we do is focused on developing and delivering high-quality training, qualifications, assessments and credentials that lead to jobs and meet the changing needs of industry.

We partner with our customers to deliver work-based learning programmes that build competency to support better prospects for people, organisations and wider society. We create flexible learning pathways that support lifelong employability, because we believe that people deserve the opportunity to (re)train and (re)learn again and again – gaining new skills at every stage of life, regardless of where they start.

As a Royal Chartered Institute and a registered charity, everything we do is charitable. We invest our surplus into targeted acquisitions and expanding and enhancing our solutions across all of our brands, to meet the changing needs of organisations and industries. We collaborate with industries and governments to campaign for systemic improvements across the global skills training system.

Through our City & Guilds Foundation we amplify our purpose by focusing on high impact social investment, recognition and advocacy programmes which remove barriers to getting a job, celebrate best practice on the job and advocate for jobs of the future.

The City & Guilds community of brands includes Gen2, ILM, Intertrain, Kineo, The Oxford Group and Trade Skills 4U.



City and Guilds
Giltspur House
5–6 Giltspur Street
London EC1A 9DE

cityandguilds.com