

Company Registration No. 1876779

Charity Registration No. 293027



ESCP Europe Business School

Annual Report and Financial Statements

31 December 2018

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ESCP Europe Business School

Contents

| | |
|---|-----------|
| Introduction | 1 |
| Structure, governance and management | 2 |
| Trustees' report (including the Directors' report) | 3 |
| Trustees' responsibilities statement | 13 |
| Independent auditor's report | 14 |
| Consolidated statement of financial activities | 17 |
| Balance sheets | 18 |
| Consolidated cash flow statement | 19 |
| Notes to the financial statements | 20 |

ESCP Europe Business School

Introduction

This report and financial statements reflect the activities of ESCP Europe Business School, the London campus of ESCP Europe.

The London Campus (the "School" and/or the "Charity") is a part of ESCP Europe, which is both a leading school of international management and a major European institution. ESCP Europe was founded in Paris in 1819 and since then has educated generations of leaders, contributing to the fine reputation it enjoys today. With six campuses across Europe – located in Paris, London, Berlin, Madrid, Warsaw and Turin – and over 100 academic alliances worldwide, ESCP Europe Business School prides itself on providing an international education with its heart in Europe.

ESCP Europe is one of the few institutions in the world that receives international accreditation from EQUIS, AACSB and AMBA.

Each year approximately 4,500 students representing 90 nationalities participate in ESCP Europe programmes across all six campuses. To support this large number of students, there are currently 125 full-time Faculty members and 50 affiliate Faculty members contributing their academic expertise across campuses. In addition, over 700 other working practitioners and visiting lecturers contribute to ESCP Europe's programmes.

The portfolio includes the following programmes:

- Master in Management (MIM)
- Specialised Masters (20 full-time programmes)
- MBA in International Management
- EMBA Programme (European Executive MBA)
- Executive Specialised Masters (8 part-time programmes)
- Ph.D. Programme (Paris, Berlin, Torino)
- Bachelor in Management (BIM)

ESCP Europe is also committed to providing executive education alongside degree options. 35 custom and 30 open enrolment programmes are offered annually.

The quality of ESCP Europe's higher education offer is recognised annually in the Financial Times Business Education Rankings. The School's flagship Master in Management Programme is consistently ranked in the top ten in the world and ESCP Europe is ranked in the top five business schools in five of its six campus countries; the United Kingdom, France, Germany, Spain, and Italy.

Research is a major priority at ESCP Europe. The team of international Faculty members are constantly striving for the creation of new knowledge. The aim is to bring new insights to the global academic community as well as providing innovative content for teaching and business practice.

Until 31 December 2017, ESCP Europe was part of the Chambre of Commerce and Industrie of Paris Region Ile-de-France, (the CCIR). From January 2018, the ultimate parent company and sole member of the Charity is the EESC ESCP Europe.

ESCP Europe (located at 2, rue Armand Moisant - 75015 - Paris - France), is a high school with a specific legal status and form named EESC (Etablissement d'Enseignement Supérieur Consulaire) since the 1st of January, 2018. EESC ESCP Europe is a French autonomous non profit legal person, subsidiary of the CCIR which is its shareholder at 99.99% and which controls the majority of the voting rights at EESC ESCP Europe's Board. The CCIR is a French administrative public body.

ESCP Europe Business School

Report and financial statements 2018

Structure, governance and management

Trustees

The Trustees who have served in office during the year, and up to the date of this report unless otherwise stated, are:

Lord Gold (Chairman) (*) (appointed 19 June 2018)
Ernest Raymond Anthony Travis (Chairman) (*) (stepped down 26 June 2018)
Jerome Bedier (appointed 19 June 2018)
Franck Bournois
Gilles Cambournac (appointed 11 October 2018)
Etienne Desmet (appointed 19 June 2018, resigned 10 December 2018)
Rodney Eastwood
Laurent Fenjou
Valerie Henriot
Didier Kling (resigned 19 June 2018)
Joelle Lellouche
Patrick Martinez (resigned 19 June 2018)
Laurence Milsted (*)
Yves Portelli
Ernest Raymond Anthony Travis (Chairman) (*) (stepped down 19 June 2018)
Jean-Paul Vermès (resigned 19 June 2018)

(*) Member of the Audit & Risk Committee

The *Etablissement d'Enseignement Supérieur Consulaire ESCP Europe* (« EESC ESCP Europe ») is the sole member of the Charity. Membership is explained in note 14 to the accounts.

Registered office: 527 Finchley Road, Hampstead, London NW3 7BG

Website: www.cscpeurope.eu

Principal professional advisers

Bankers

Barclays Bank Plc, Oxford City Office, PO Box 333, Oxford OX1 3HS

Solicitors

Beachcroft LLP, 100 Fetter Lane, London EC4A 1BN

Insurer

Zurich Municipal, Zurich House, 2 Gladiator Way, Farnborough, Hampshire GU14 6GB

Auditor

Deloitte LLP, Statutory Auditor, 2 New Street Square, London EC4A 3BZ

ESCP Europe Business School

Trustees' report (incorporating the Directors' Report)

The Trustees present their annual report, incorporating a Directors' report, for the year ended 31 December 2018 together with the audited accounts for the year. This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption, including the exemption from preparing a strategic report.

Reference and administrative information

The Charity, a company limited by guarantee, was founded in 1985 and is registered with the Charity Commission in England and Wales under Charity number 293027. The Trustees and address of the Charity are as listed on page 2. Particulars of the Charity's professional advisers are also given on page 2.

The Charity was established in the UK with the support of the CCIR in pursuit of its mission of providing education and training in Business Management. It is the London campus of a six campus school with the other centres being Berlin, Madrid, Paris, Turin and Warsaw. The EESC ESCP Europe provides financial support to the annual running costs of the Charity in the form of a donation agreed annually, together with the provision of rent-free facilities. Since 2 January 2018, the immediate parent company and sole member of the Charity is the EESC ESCP Europe, owned by the Charity's ultimate parent company, the Chambre de Commerce et d'Industrie Paris Region Ile-de-France (the "CCIR").

Structure, governance and management

Governing Document

The Charity is governed by its Memorandum and Articles of Association.

Governing Body

The Charity is governed by its Trustees.

Recruitment of Trustees

The Charity's Trustees are appointed when appropriate on the basis of nominations received from Trustees. Trustees are selected on the basis of their knowledge in a specific field and the Trustee skill register is reviewed each year. Trustees are inducted by the Chairman with the support of the UK Campus Dean in London and the Dean of the School in Paris.

Organisational Management

The Trustees of the Charity are legally responsible for the overall management and control of the Charity, and meet three times a year, including the annual meeting to approve the budget and audited accounts. The Audit and Risk Committee meets at least twice per year to review the annual financial statements and report, the accounting systems, the internal controls and audit thereof and other significant issues.

The School is subject to the national (UK) framework for higher education provision. Prior to 2019, regulatory control has been exercised by a national quality assurance agency: the QAA. The School has satisfied all QAA requirements as an alternative/private provider including a formal institutional review ("Higher Education Review"), which took place in 2016. As part of a new regime for higher education management and regulation in the UK, the School is in the process of registering as an HE provider with the newly formed Office for Students (OFS).

The School's Senior Management Team (lead by the Campus Dean) provides the local strategic and operational control of the School and Campus. Local governance mechanisms mean that there is a local subsidiary committee for specific ESCP Europe Committees. As such: ADG ("Academic Directors' Group") is a local subsidiary committee to the ETLC ("European Teaching and Learning Committee"); and FLG ("Faculty Leaders' Group") is a local subsidiary committee to EFAC ("European Faculty Advisory Committee"). Completing the set of London Campus Committees is a Health & Safety Committee. With respect to supervisory control and governance, the London board of Trustees (with strong EESC representation) operates with the addendum of a Corporate Services Board and an Audit & Risk Committee.

ESCP Europe Business School

Trustees' report (incorporating the Directors' Report)

Risk Management

The Trustees of the Charity are responsible for the management of the risks faced by the Charity. Detailed considerations of risk are delegated to the Audit and Risk Management Committee, who are assisted by the senior management. Risks are identified and assessed, and controls are reviewed throughout the year. A formal review of the Charity's risks and their mitigation is undertaken on a termly basis at the Trustee meetings and in a more detailed manner, twice a year, at the Audit and Risk Committee meetings. Through the risk management processes established for the Charity, the Trustees are satisfied that the major risks identified have been adequately mitigated where necessary. It is recognised that systems can only provide reasonable but not absolute assurance that major risks have been adequately managed.

Amongst the major risks and uncertainties which the Trustees seek to mitigate at all times, the Trustees' try to ensure that:

- the student recruitment levels do not fall below target;
- the School continues to recruit and retain high quality academics to maintain its reputation amongst students for the quality of its programmes;
- the School has the capacity and facilities to cope with the number of enrolled students; and
- being a subsidiary of an EU-based shareholder (the EESC), the School seeks to mitigate the risk extending from the current EU/UK relationship in a context of Brexit, result of which is not yet known.

Mitigation of these risks is through regular senior management meetings and termly Trustees' meetings when students' response to the quality of teaching together with updates on recruitment numbers and financial objectives are reviewed. Regular discussions are held with the freholder to allow the School to communicate and address the needs of the student population.

The Trustees are aware that there may be risks to the School in the areas of staff recruitment and students participation as a result of the current negotiations in regard to the UK exit from the European Union. Should such risks emerge in the future, the Trustees will consider what steps should be taken in mitigation.

Charitable Objects

The Charity's Objects, as set out in its Memorandum and Articles of Association, are the advancement of education in the science and practice of professional management in a European context. The Charity seeks to provide education and research in professional management and related subjects and to publish the useful results of such activity for public benefit. The Charity wholly owns ESCP Europe Corporate Services Ltd, the objects of which are to carry on business as providers of executive education and training. The performance of the subsidiary for 2018 is given in note 9 to the accounts.

Strategy

The aims of the School (in London) are set against the Strategic/Business Plan of ESCP Europe for the period 2018-2022. In accordance with this, the objectives of the School in London have been organised in ten priority areas. These are split between the two central goals of "brand and size" and reflect all four strategic pillars: Autonomisation (AUT); Internationalisation (INT); Integration (ING); and Digitalisation (DIG).

SIZE

1. **Growth and diversification of revenue streams** in order to reduce the level of the overall operating subsidy.
2. A progressive increase in the **number of students** on campus with strict adherence to the School's selective approach to entry and admission.
3. An increase in the **range and choice of programmes** available for study, supporting ESCP Europe's commitments to **portfolio diversity and inter-campus mobility**.
4. The advancement of our **relationships with the corporate world** and growth in executive education provision.
5. Progressive expansion and modernisation of our facilities, including a programme of investment in the School's physical learning environments.

ESCP Europe Business School

Trustees' report (incorporating the Directors' Report)

BRAND

6. The **enhancement of teaching and research excellence** through investment in faculty and their continued professional development.
7. The improvement of **employment prospects and career advancement** through focus on future leadership literacies and the competencies inherent in the ESCP Europe mission.
8. The enhancement of **brand awareness**, by improving the overall visibility of the School in the UK and English-speaking world.
9. The enhancement of the School's **community interaction**, by further strengthening the interaction between the School's community members (alumni, staff and students) and the communities in which the School operates.
10. Continuous improvements in **academic standards and quality assurance**, with full UK quality code compliance and adherence to our international accreditation standards.

Development objectives

In line with these strategic priorities, the School will continue to develop and execute its academic plan. Significant development objectives for 2019 include:

- The introduction of specialisations and pathways on the existing full-time Masters in Marketing (MMK) and Energy Management (MEM).
- The development of a new specialist Master in Digital Transformation Management & Leadership (MIDITAL).
- The digitalisation of student learning and experience with focus on curricula, pedagogy, and student experience of Campus services.
- Advancement of preparations for teaching degree awarding powers subsequent to OFS registration as a UKHE provider.
- The expansion of executive education and corporate activity beyond the £1million per annum threshold (by revenue).

Specialisations, esteem factors and milestones

Specialisations

Within the context of the ESCP Europe Academic Plan, the London Campus will continue to offer specialisations in:

- Creativity & Innovation
- Marketing
- Entrepreneurship
- Digital Transformation

Concentrations and expertise also applies in:

- Banking & Finance
- Energy
- Automotive Industries
- Creative Industries

ESCP Europe Business School

Trustees' report (incorporating the Directors' Report)

Esteem Factors and Milestones

The ranking position of ESCP Europe programmes translated into UK market positioning is impressive. For the EMBA; AMIF and MiM, the School's ranking position according to the Financial Times makes it a UK market leader. Each ranking places ESCP Europe within the top 3 in the UK. The Masters in Marketing and Creativity is also ranked by QS as No.5 worldwide for Masters in Marketing. The School has also been shortlisted in three of the last six years as UK Business School of the Year by the Times Higher Education (THE) and won the THE UK Business School of the Year award in December 2018.

Principal activities of the year

Degree Education

The School in London delivers part of 16 different ESCP Europe degree awards. These include the four large multi-campus/rotational programmes administered by federal programme teams: BiM; MiM; MBA; EMBA. London delivers the entirety of the first year of the Bachelor and semesters of study on the other full-time programmes. Three Specialist Masters have their origins on the London Campus: MMK (Marketing & Creativity); MEM (Energy Management); & MIDITAL (Digital Transformation Management). Typically two of three terms are delivered on the London Campus with each visiting Paris for one term of study. Seven other Specialist Masters complete a period of study on the London Campus ranging from one term to a full semester. The primary case is the Advanced Master in Finance (AMIF), which delivers a full semester here. Finally two successful EMS awards operate from the London Campus: Energy Management (EMEM) and Automation Management & Digital Transformation (EMMA).

In total, approaching 1,500 ESCP Europe students complete a significant period of study on the London Campus each year. Since 2015 London has grown rapidly with a 50% increase in its student numbers and revenues. This has been driven by the growing number of bachelor students - London hosts the largest first-year track - and by the launch and hosting of growing Specialist Master programmes.

Executive Education

Executive Education represents a second key area of activity. The full revenue contribution to the School's Executive Education budget exceeds £2 million per annum. This subdivides between income generated by EMS awards (60%) and that generated through bespoke executive education and other commercial activity (40%). Large-scale non-degree executive education interventions apply for European entities (e.g. LVMH and Savencia) as well as for international entities from such countries as Brazil and India (e.g. Sephora and HPLC). The School operates with a Trading Subsidiary to ensure full investment in its corporate activity.

External Activity

The London School operates within several key fora in the UK. Within sector, it is an active member of the UK Association of Business Schools (CABS). More broadly, it is an active member of the UK Parliament-Industry Trust (IPT), and the French Chamber of Commerce in Great Britain (CCFGB).

Scholarship and Research

London is also home to two ESCP Europe Centres/Institutes: the Centre for Marketing Creativity (CMC) and the Centre for Energy Management (CEM). The l'Oreal Professorship is linked to the CMC.

ESCP Europe Business School

Trustees' report (incorporating the Directors' Report)

Local resource support

The operations of the London Campus are concentrated on a full-owned site in NW London providing ~4,500 sq.m. The School has been at this location since 2004. The current site has had two previous extensions and a third extension is at the design and planning stage.

There has been progressive expansion in the human resource base at the School to reflect and support its growth. At the end of 2018, full-time faculty numbers are at 20 with the supplement of 6 x 0.5 affiliates. As such, the equivalent of 23 faculty are providing the core of academic support to students supplemented by over 50 visiting faculty and professionals. This does not include the numerous instances of faculty contribution in London by faculty colleagues from sister campuses.

40 full-time equivalent professional services staff provide resource support and leadership in such areas as: finance, HR, marketing, data planning, IT, student services, communications and events.

With respect to its financial resources, the School in London now operates with an annual revenue of c. £10 million. Its annual operating subsidy from Paris has been falling from over £1.5m per annum to under £0.2m in 2018.

Public benefit statement

The Trustees have considered the guidance on public benefit published by the Charity Commission. The Trustees believe that increasing the skills, knowledge and understanding of good business management practices provides public benefit since the subject itself is of educational merit and its dissemination through the student body will then enhance society as a whole.

The Trustees have given consideration to ensuring that ongoing public benefit is a part of the work of the School and recognise that scholarship awards are important in helping to ensure that students who would otherwise not be able to afford the fees can access the education offered by the School. Student applications for scholarship awards are available to all those who meet the general entry requirements of the School and are made on the basis of means. The availability of scholarships is advertised on the School website. The great majority of scholarships are offered to the students at Group level. Those in the School's accounts as a scholarship expenditure are for those scholarships granted by the London entity (2018: £100k / 2017: £130k).

Part of the Charity's funding comes from a donation from the EESC. This funding, together with the provision of rent-free facilities to the Charity by the EESC, allows the School to provide education at a lower cost than would otherwise be possible. This has been shown as a donation and detailed in note 3.

The School welcomes students from all backgrounds. Entrance interviews are undertaken to ensure that students can cope with the pace of learning and benefit from the education provided. An individual's gender, ethnicity, race, religion or disability do not form part of the recruitment processes. The School acts as an equal opportunity organisation and is committed to a working environment that is free from any form of discrimination on the grounds of colour, race, ethnicity, religion, sex, sexual orientation or disability.

The School will make reasonable adjustments to meet the needs of staff or students who are or become disabled. The School is committed to safeguarding and promoting the welfare of its students and expects all staff to share this commitment.

ESCP Europe Business School

Trustees' report (incorporating the Directors' Report)

Public Events

ESCP Europe has organised a range of events in 2018, opened to the School's students, alumni community and externals. These include:

- "Rethinking Europe" events series including topical roundtables on the potential impact of Brexit on the higher education landscape.
- Social events such as the Annual Student Gala and the Alumni and Friends Garden Party providing a networking platform to the students and the alumni community.
- "C-suite Leaders Lecture series", a series of lectures with industry leaders and influential thinkers in the world of business. These lectures are opened to the public.
- Events organised by the CEM (Centre in Energy Management) and the CMC (Creativity Marketing Centre).

Cooperation with external organisations

The School has also partnered with a number of recognised universities or bodies such as:

- City University
- The Industry and Parliament Trust
- The Chartered Association of Business Schools
- The French Chamber of Commerce in Great Britain
- The French Institute
- The Franco-British Council
- The Italian Chamber of Commerce

Related Parties

Related parties include the trading entity, ESCP Europe Corporate Services Ltd, the EESC ESCP Europe, and the other ESCP Europe campuses. From the 2 January 2018, the EESC-ESCP Europe replaced the CCIR as the parent company of the Charity.

In addition to the related parties mentioned above, there are two further related parties:

ESCP Europe Foundation

The ESCP Europe Foundation was created by ESCP Alumni in 2005 and is a French registered charity. The Foundation supports ESCP Europe in sustaining its academic excellence and leadership, in particular in the key strategic areas such as promotion of social diversity, development of projects aiming at increasing competitiveness and innovation in France and abroad and implementation of innovative teaching methods.

To achieve its ambitions and financial targets, the Foundation seeks to raise contributions from corporate sources and Alumni via several fundraising campaigns. In 2018, the Foundation raised £152k through the Charity on behalf of other campuses. All sums not specifically attributed to the London campus were payable to the Foundation at 31 December 2018.

The ESCP Europe Alumni Organisation

The ESCP Europe Alumni Organisation is a separate legal entity from the Business School itself. It is independent of the School and therefore is not consolidated into these financial statements. From a global population of c. 50,000 alumni worldwide, there are some 2,400 alumni in the UK. The School engages with them regularly through receptions, conferences, invitations to talk to students and to support students in finding internships and company projects.

ESCP Europe Business School

Trustees' report (incorporating the Directors' Report)

Performance of the Charity

The ESCP Europe brand continues to rank in the top league tables at European level, standing at number 11 overall in the FT European Business Schools ranking. It has performed particularly well in the Master in Management programme ranking where it is number 5 worldwide and the EMBA ranking where it ranks number 11 worldwide.

2018 was a year of strengthening of the Charity's academic activities. Executive revenues for Executive masters were higher than the previous year due to the positive impact of the newly launched EMMA programme as well as of the trading activity improved revenues.

The Charity's trading subsidiary, ESCP Europe Corporate Services Ltd, grew revenues and reduced costs producing an operating surplus for the year of £223k before a gift aided donation of the same amount to the Charity at year end (2017: £195k).

The third cohort of the new three-year European wide Bachelor in Management was taught at the School from the beginning of the new academic year with more than three times the number of the students spending their first year in London than was the case in 2015 (2015: 47 students. 2016: 115 students. 2017: 164 students. 2018: 204 students).

The existing programmes continue to attract a satisfactory number of students and the focus for 2018 was to consolidate the new cohorts of the Bachelor and of the Executive Education programmes whilst capitalising on the multi-site strength of ESCP Europe to develop shared masters with sister campuses.

The Trustees are satisfied with the results of the Charity in 2018 in the context of continuing financial support from the CCIR covering a period of 12 months from the date of signing of the 2018 accounts.

Future developments

In line with its charitable and strategic objectives (above), the School will continue to develop and execute its academic plan, the principal objectives of which are:

- to strengthen recruitment in the UK and worldwide for the School's existing and emerging programme suite.
- to further develop the full-time Masters in Marketing (MMK) and Energy Management (MEM) and to introduce a new specialist Masters in Digital Transformation & Leadership (DTL).
- to advance co-operation with sister campuses with regard to Specialised Masters, and to increase the number of awards completing terms or semesters of study on the London Campus.
- to further develop the Bachelor in Management (BiM) and to oversee its further growth on the London Campus.
- to promote the School's set of Executive Masters and to expand the portfolio offer.
- to continue to build up a first class Faculty and affiliate.Faculty.
- to further develop a pipeline of publications, including PRJAs, case studies and books written by Faculty.
- to consolidate the School's areas of research expertise, developing granted research centres as "poles of excellence" and encouraging new areas of enquiry.
- To promote and advance teaching excellence in alignment with the learning goals and mission of ESCP Europe.
- To invest in the School's physical and virtual learning environments with account made of increased student numbers.
- To advance the School's mission and objectives vis-à-vis technology-enabled learning, digital intelligence, and pedagogic innovation.
- To achieve continuous improvements in academic standards, quality assurance and enhancement, with full compliance with the UK quality code and international accreditation standards.
- To advance preparations for teaching degree awarding powers and to secure those powers as soon as is practicable.

ESCP Europe Business School

Trustees' report (incorporating the Directors' Report)

Research and publications

As an educational charity and an academic institution the London campus endeavours to publish books, articles and case studies that receive attention from academics, practitioners and the general public. Highlights for 2018 include:

Publications in listed Peer-Reviewed-Journals:

- 19 in ALPHA level and Category 1-3 PRJ journals;
- several articles in lesser ranked and other non-ranked academic journals; and
- several articles in professional magazines (INFO, SURVEY, Harvard Business Review France etc.).

Around 60 conference presentations took place in 2018 including the Academy of Management, the Academy of Marketing Science, European Marketing Academy, Association for Consumer Research, AMA Conference, and EGOS.

Other outputs include:

- Contribution to books and books chapters;
- Editorials and positions in editorial boards;
- Reviews and service to scientific communities; and
- Nomination of one of the permanent professors of the Charity as (Co-) Editor-in-Chief of the School's flagship European Management Journal (Category 1) for duration of 5 years (2017-2022).

Reserves policy

Total unrestricted funds at the end of the current year were £190,748 (2017: £190,748). The amount required in order to balance income and expenditure is agreed on an annual basis prior to the start of the year and received as a donation from the EESC. As a consequence, the School does not aim to retain a general reserve to cover costs involved in further developing its structure and any shortfall would be covered by the EESC ESCP Europe in the form of an operating donation.

Since January 2018 letters of financial support were received from the EESC ESCP Europe, which confirmed that the EESC ESCP Europe would give the School further financial support in the case of a temporary cash requirement. With regards to the 2018 accounts, the letters of financial support have been prepared by the new parent company EESC ESCP Europe.

Restricted Funds

Since the end of 2015, the School does not hold any restricted funds in its accounts.

Key management personnel and remuneration policy

Key management of the School comprises of the School's director together with senior staff at director, department head and senior manager levels as well as faculty members with programme directorship responsibilities. The number of people included within key management in 2018 was 20 (2017: 19).

Key management remuneration policy includes a number of criteria which are used for setting the pay such as, but not limited to, the nature of the role and responsibilities of each individual, average salaries for comparable positions across the sector and the trend in pay in recent years. Annual performance reviews may result in the award of performance-based bonuses, salary increments or grade modifications.

ESCP Europe Business School

Trustees' report (incorporating the Directors' Report)

Financial review and results for the year

On a consolidated basis, the total revenues of the School in 2018 have increased from £9,047k in 2017 to £10,108k in 2018. This was primarily due to:

- higher numbers of students in the BIM programme,
- the strengthening of the cohorts of the Executive Master in Automation (EMMA); and
- the gift aided donation of ESCP Europe Corporate Services Ltd at the end of the year.

Other revenues also included additional income from programmes shared with Paris on a short-term basis (AMIF in particular).

The level of donation from the EESC, excluding rent, amounted to £95k in 2018 (2017: £647k). Additionally the provision of rent-free premises from the CCIR is recognised as a gift in kind of £500k (2017: £500k). EESC's financial commitment to support the School's liability for deficit funding of the multi-employer pension scheme was reduced in 2018 by £30k, from £730k to £700k to reflect the variations of the ten year gilt rate in 2018 underlying the value of the pension deficit of the School.

Those subsidies are shown as donations from the EESC in the Statement of Financial Activities and in note 3 to the accounts.

The expenditure for the year totalled £10,108k for 2018 (2017: £8,987k) with the variance primarily due to the higher variable direct costs incurred in relation to the higher numbers of students taught onsite in 2018.

The net consolidated result for the year is a net surplus of £nil (2017: £59k) after transfer of the gift-aided donation to the Charity.

In 2015, the requirements of Financial Reporting Standard 102 (FRS102) were implemented resulting in the recognition of a liability for deficit funding of the multi-employer pension scheme, and a matching asset in relation to the CCIR's commitment to fund that deficit for £551k. The accounting entries had therefore no net impact on the financial position of the charity. The asset against the CCIR in the Charity's accounts was transferred against the EESC ESCP Europe on 1 January 2018.

In 2018, matching entries corresponding to a partial release of the provision and a partial release of the EESC debtor balance (£44k) were accounted for, with no net impact on the financial performance of the Charity. A complementary provision of £14k was made in 2018 to reflect the variations of the ten year gilt rate underlying the value of the pension deficit of the School with a matching asset in relation to the EESC's commitment to fund the pension deficit. At 31 December 2018, the value of the deficit in the statutory accounts is £700k.

Going concern

The Charity's financial position and performance has been outlined in the financial review above.

In a letter dated 21 June 2019 addressed to the Trustees of the School, the EESC ESCP Europe as the sole member of the Charity, has committed to provide, from 1 January 2018, financial support to the Charity for the normal activities of operating the School until 30 September 2020 as well as the funding of the pension deficit of the School. This support includes the provision of a donation, a rent-free facility to the School and assistance in the recruitment of students for its MIM, MBA and BIM programmes and a commitment to fund the remaining £700k pension deficit recognised in the School's accounts, until 2031.

Taking this into account, the Trustees have assessed future income, expenditure and cash flows over a period of at least twelve months from the date of this report and have concluded that there is a reasonable expectation that the Charity and its subsidiary have adequate resources to continue their activities for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

ESCP Europe Business School

Trustees' report (incorporating the Directors' Report)

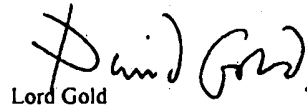
Auditor

Each of the persons who is a trustee at the date of approval of this report confirm that:

- so far as the trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustee has taken all the steps that he/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Trustees on *2 June* 2019
and signed on behalf of the Board



Lord Gold
Chairman of Trustees

ESCP Europe Business School

Trustees' responsibilities statement

The Trustees (who are also directors of ESCP Europe Business School for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of ESCP Europe Business School

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of ESCP Europe Business School (the "charitable company") and its subsidiaries (the "group"):

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2018 and of the group's incoming resources and application of resources, including the group's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of financial activities (including consolidated income and expenditure account);
- the balance sheets;
- the consolidated cash flow statement; and
- the related notes 1 to 19.

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 are independent of the group and of the parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the trustees' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of ESCP Europe Business School (continued)

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of ESCP Europe Business School (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report, which includes the directors' report prepared for the purposes of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report included within the trustees' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the trustees' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

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



Reza Motazedi (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

21/6/2019

ESCP Europe Business School

Consolidated statement of financial activities (including consolidated income and expenditure account) Year ended 31 December 2018

| | Note | Unrestricted funds £ | Total funds 2018 £ | Total funds 2017 £ |
|--|------|-------------------------|--------------------------|--------------------------|
| Income | | | | |
| Donations | 3 | 594,935 | 594,935 | 1,194,072 |
| Charitable activities | | | | |
| Student fees | 4 | 6,742,420 | 6,742,420 | 5,498,971 |
| Other educational income | 5 | 2,316,756 | 2,316,756 | 2,215,237 |
| Investment income (bank interests received) | | 39,944 | 39,944 | 64,857 |
| Other income (including reimbursement of Freeholder's costs) | | 414,408 | 414,408 | 73,448 |
| Total income | | <u>10,108,463</u> | <u>10,108,463</u> | <u>9,046,585</u> |
| Expenditure | | | | |
| Charitable activities – provision of education | 6 | <u>(10,108,463)</u> | <u>(10,108,463)</u> | <u>(8,987,271)</u> |
| Total expenditure | | <u>(10,108,463)</u> | <u>(10,108,463)</u> | <u>(8,987,271)</u> |
| Net income for the year | | <u>-</u> | <u>-</u> | <u>59,314</u> |
| Net movement in funds | | <u>-</u> | <u>-</u> | <u>59,314</u> |
| Reconciliation of funds | | | | |
| Total funds brought forward | | 190,748 | 190,748 | 131,434 |
| Net movement in funds for the year | | - | - | 59,314 |
| Total funds carried forward | 16 | <u>190,748</u> | <u>190,748</u> | <u>190,748</u> |

There were no other recognised gains or losses other than those listed above and the net income for the year. All income and expenditure derives from continuing activities.

ESCP Europe Business School

Balance sheets 31 December 2018

| | | Group 2018 | 2017 | Company 2018 | 2017 |
|---|------|------------------|------------------|-----------------|------------------|
| | Note | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 8 | 471,880 | 317,104 | 471,880 | 317,104 |
| Investments | 9 | - | - | 1 | 1 |
| | | <u>471,880</u> | <u>317,104</u> | <u>471,881</u> | <u>317,105</u> |
| Current assets | | | | | |
| Debtors | 10 | 2,121,606 | 1,761,393 | 2,417,831 | 1,576,453 |
| Cash at bank and in hand | | <u>1,135,637</u> | <u>1,577,877</u> | <u>767,265</u> | <u>1,359,280</u> |
| | | 3,257,243 | 3,339,270 | 3,185,096 | 2,935,733 |
| Creditors: amounts falling due within one year | 11 | (2,838,021) | (2,735,499) | (2,765,876) | (2,331,964) |
| Net current assets | | <u>419,222</u> | <u>603,771</u> | <u>419,220</u> | <u>603,769</u> |
| Total assets less current liabilities | | <u>891,102</u> | <u>920,875</u> | <u>891,101</u> | <u>920,874</u> |
| Provision for pension scheme liability | 12 | (700,354) | (730,127) | (700,354) | (730,127) |
| Net assets | | <u>190,748</u> | <u>190,748</u> | <u>190,747</u> | <u>190,747</u> |
| Funds | | | | | |
| Unrestricted funds: | | | | | |
| - General fund | | <u>190,748</u> | <u>190,748</u> | <u>190,747</u> | <u>190,747</u> |
| Total funds | 16 | <u>190,748</u> | <u>190,748</u> | <u>190,747</u> | <u>190,747</u> |

The net result of the parent Charity for the year for Companies Act purposes is £nil in 2018 (2017: £nil). As permitted by section 408 of the Companies Act 2006, no separate Statement of Financial Activities is presented in respect of the parent Charity.

The accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the Financial Reporting Standard 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

The notes on pages 20 to 34 form an integral part of these financial statements.

The financial statements of ESCP Europe Business School, registered number 1876779, were approved and authorised for issue by the Directors on 21 June 2019.

Signed on behalf of the Board of Trustees

Director
David Gold

David Gold

Director
Franz Bourmois

Franz Bourmois

ESCP Europe Business School

Consolidated cash flow statement Year ended 31 December 2018

| | Note | Total funds 2018 £ | Total funds 2017 £ |
|--|------|-----------------------------|-----------------------------|
| Net cash flows from operating activities | 18 | (151,496) | 471,672 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (290,744) | (189,011) |
| Net (decrease) / increase in cash and cash equivalents | | (442,240) | 282,661 |
| Cash and cash equivalents at beginning of the year | | 1,577,877 | 1,295,216 |
| Cash and cash equivalents at the end of the year | | 1,135,637 | 1,577,877 |

Cash and cash equivalents comprise of cash at bank, cash in hand and revaluation adjustment of the Euros denominated accounts at year end.

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2018

1. Accounting policies

Basis of accounts preparation

The financial statements have been prepared under the historical cost convention in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities (SORP 2015)" applicable to charities preparing their accounts in accordance with Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS 102), the SORP bulletin 1, FRS102 including Section 1A; and the Companies Act 2006.

The Charity is a public benefit entity as defined by FRS102.

The functional currency of ESCP is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The presentation currency is pounds sterling.

ESCP Europe Business School meets the definition of a qualifying entity under FRS102 and has therefore taken advantage since 2015 of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements.

The group financial statements consolidate the financial statements of the Charity and its subsidiary undertaking, ESCP Europe Corporate Services Ltd drawn up to 31 December every year. Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used in line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

After making enquiries, the trustees have a reasonable expectation that the Charity has adequate resources to continue its activity for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements. More information on the going concern assumption is given on page 11 in the Trustees' report.

These accounts include the results of the subsidiary ESCP Europe Corporate Services Ltd. The results of this subsidiary are consolidated on a line-by-line basis. A separate statement of financial activities has not been presented for the charity alone. For 2018, the income for the Charity was £9,834k (2017: £8,727k) and result for the year was £nil (2017: £nil).

Donations

The donation from the EESC ESCP Europe has been provided to cover the expected net excess of expenditure over income during the year. This donation is calculated on the basis of the budget for a given year and recognised on a termly basis in the SOFA. At the end of the year, should the Charity be in a deficit, EESC ESCP Europe adjusts the level of the donation to offset the deficit.

Also included in the EESC donation is donated facilities of rent-free provision of the premises, which is recognised at the trustees' best estimate of the value of the donated facilities. In 2018, this was £500k (2017: £500k).

Fees and similar income

Fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided. Income is deferred when it is received in advance for services to be provided in following periods.

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2018

1. Accounting policies (continued)

Expenditure

Expenditure is accounted for on an accruals basis. Support costs, which are overhead and other costs not directly attributable to particular functional activity categories, are apportioned over the relevant categories on the basis of management estimates of the amount attributable to that activity in the year, either by reference to staff time or space occupied, as appropriate. The irrecoverable element of VAT is included with the item of expense to which it relates.

Governance costs comprise the costs associated with constitutional and statutory requirements and include external audit fees and any legal advice for the Trustees. Such costs are now reported as part of the support costs, in accordance with the FRS 102 SORP guidelines.

Foreign currency transactions

Foreign currency exchange conversion is made at the rate ruling at the time of the transaction, or for balance sheet items at the average rate of the previous month using HMRC's website.

Fund accounting

General funds – these are funds available to be used in accordance with the School's charitable objects at the discretion of the trustees, in particular to cover any cost involved in further developing the School's structure.

Restricted funds – since end of 2015, the School does not hold any restricted funds in its accounts.

Tangible fixed assets

The freehold of the premises occupied by the Charity is owned by CCIR. From 2 January 2018, the freehold of the premises was transferred to the EESC-ESCP Europe.

Tangible fixed assets are stated at cost less depreciation. The rates of depreciation of capital assets are as follows:

| | | |
|--------------------------------|---|--|
| Office furniture and equipment | - | straight-line between three to five years |
| IT equipment | - | straight-line over three years |
| Freehold improvements | - | straight-line over five years for general upgrade and ten years for structural upgrade |

Pension schemes

The School participates in Universities Superannuation Scheme (USS). With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The School is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS102 "Employee benefits", the School therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the SOFA represents the contributions payable to the scheme. Since the School has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the School recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The latest available full actuarial valuation of the scheme was at 31 March 2014 (the valuation date), which was carried out using the projected unit method. It is expected that USS would carry out a new valuation of the scheme's funding position at 31 March 2018, under FRS102 rules. This is further to the consultation which took place in 2017 where a proposed changes to the cost-sharing arrangements were suspended until a new consultation with the UUK be finalised.

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2018

1. Accounting policies (continued)

Pension schemes (continued)

The School's pension deficit liability at the end of 2018 refers to the present value of deficit funding contributions that are committed to under the current schedule of contributions. At 31 December 2018, the value of the deficit as shown in the accounts is £700k (2017: £730k) (see note 12). The current schedule of contributions lasts until 2031 therefore the amount provided will be payable through normal pension contributions over that period.

At 31 December 2018 the School had 54 active members participating in the scheme (2017: 58). The contribution rate payable by the institution was 18% of pensionable salaries since April 2016.

During 2018, the total USS contributions paid by the School amounted to £435,361 (2017: £447,593) with a balance sheet liability of £nil at year end (2017: £56,257).

Operating leases

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities on a straight-line basis. See note 17.

Tax

As a registered charity, the School is exempt from corporation tax under the Corporation Tax Act 2010 or Section 256 of the Taxation for Chargeable Gains Act 1992, to the extent surpluses are applied to its charitable purposes. No corporation tax charge has arisen in the School's subsidiary due to its ability to off-set its liability against previous year losses (2017: £nil).

Financial instruments

Financial assets and financial liabilities are recognised when the School becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs). The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Trade and other debtors are recognised at the settlement amount due after any discount offered and net of the bad debt provision. Prepayments are valued at the amount prepaid net of any trade discounts due. Creditors and provisions are recognised where the company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 1, the Trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods of the revision affects both current and future periods.

Critical accounting judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations, the Trustees have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2018

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Revenue recognition

The trustees acknowledge that the School derives the great majority of its income from student fees for courses and from the donation from the EESC. In doing so, the main risk surrounding income recognition is relating to the cut-off date, specifically for students whose programmes span across two calendar years. In making this judgement, management use the student course timetable to allocate revenues to the appropriate accounting period. A further critical accounting judgement relates to the recognition of the EESC donation to cover the pension deficit funding commitment in line with the expenditure of the funding commitment, which was treated as a prior period adjustment on implementation of FRS102.

Going concern

Until 31 December 2017, letters of financial support were received each year from the CCIR in its capacity of sole member of the Charity. From 31 December 2018, letters of financial support are received from the EESC ESCP Europe to evidence financial support for the continuity of the operations of both the School and its trading subsidiary. The financial statements are based on the receipt of such letters prior to the completion of the statutory accounts.

The School is supported by the EESC which has reiterated its continual support of the Charity and its Trading subsidiary via the annual donation and letters of financial support. As such, the Trustees have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Accounting estimates

Key management judgement is applied in the processing of accounting journals, preparation of the accounting estimates and accounting for significant or unusual transactions. Management ensures that there is a limited risk of override of controls through the implementation and careful monitoring of internal financial controls, clear segregation of duties and qualitative explanations provided to support the business rationale where significant transactions are of an unusual nature.

Provisions and accruals

Since 2012, a PAYE and a VAT accrual have been made in relation to tax liabilities which remain in place in the current year since HMRC have not yet finalised their position on the disclosure made by the School. In 2018, a new accrual was calculated in relation to a potential tax exposure.

The calculation of the provision for pension deficit funding is based on the pension fund modellers provided to the School by USS, using assumptions taken by USS Trustees. The School's estimates applied to such calculations of its share in the USS deficit relate salary increases, the percentage of staff changes in the scheme from 2015 to 2031 and the discount rate used in the calculation of the net present value of the deficit since 2013. In 2018, the School has revised the assumptions related to the salary increases and discount rate, thus adjusting the overall value of the pension deficit in the statutory accounts by increasing the pension deficit provision by £14k.

Allocation of overheads from ESCP Europe Business School to ESCP Europe Corporate Services Ltd

The Charity and its Trading subsidiary operate from the same premises and use joint facilities such as use of the building and support staff. In such circumstances, the Charity is required by HMRC to recharge a fair and reasonable amount of costs to its subsidiary. In 2018, further to the overall increase of the activities of ESCP Europe Corporate Services Ltd, the School used the same model as in 2017 for the allocation of overheads. This consists of an apportionment of facility services (regrouping typically utilities and facilities management charges) and intellectual services (general marketing, research centres, student association services) using respectively number of hours taught on campus and students' full-time equivalent as reallocation keys.

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2018

3. Donations

| | 2018 £ | 2017 £ |
|--|----------------|------------------|
| EESC operating donation for the year | 124,708 | 493,168 |
| Rent-free donation for the year | 500,000 | 500,000 |
| EESC net funding of the pension fund movement for the year | (29,773) | 200,904 |
| | <u>594,935</u> | <u>1,194,072</u> |

4. Student fees

| | 2018 £ | 2017 £ |
|------------------------------|------------------|------------------|
| Masters' qualifications | 5,198,490 | 4,448,502 |
| Bachelor in Management (BIM) | 1,496,500 | 1,006,601 |
| Application fees | 47,430 | 43,868 |
| | <u>6,742,420</u> | <u>5,498,971</u> |

5. Other educational income

| | 2018 £ | 2017 £ |
|-----------------------------|------------------|------------------|
| Income from funded research | 209,780 | - |
| Executive education income | 1,654,445 | 1,789,437 |
| Seminars and conferences | 101,581 | 87,026 |
| Other educational income | 350,950 | 338,774 |
| | <u>2,316,756</u> | <u>2,215,237</u> |

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2018

6. Analysis of total expenditure

Charitable expenditure

| | Staff costs £ | Depreciation £ | Other costs £ | Support costs £ | Total £ |
|-----------------------|------------------|-------------------|------------------|-----------------------|------------|
| 2018 | | | | | |
| Charitable activities | 5,584,621 | 135,968 | 4,128,602 | 259,272 | 10,108,463 |
| 2017 | | | | | |
| Charitable activities | 5,201,779 | 106,865 | 3,455,156 | 223,471 | 8,987,271 |

Other costs

Other costs consist of:

| | 2018 £ | 2017 £ |
|------------------------------|------------------|------------------|
| Personnel recharged | 1,272,797 | 1,331,403 |
| Premises | 940,469 | 849,850 |
| Administration of the School | 537,763 | 131,315 |
| Marketing and recruiting | 974,515 | 778,366 |
| Other | 403,058 | 364,222 |
| | <u>4,128,602</u> | <u>3,455,156</u> |

Support costs

Support costs consist of:

| | 2018 £ | 2017 £ |
|--|----------------|----------------|
| Finance – foreign exchange loss / (gain) | 2,011 | (18,737) |
| Information technology | 165,154 | 154,129 |
| Governance costs | 92,107 | 88,079 |
| | <u>259,272</u> | <u>223,471</u> |

ESCP Europe Business School

Notes to the financial statements **Year ended 31 December 2018**

6. Analysis of total expenditure (continued)

Governance costs includes:

| | 2018 | 2017 |
|------------------------------------|---------------|---------------|
| | £ | £ |
| Legal and professional fees | 68,642 | 43,930 |
| Statutory fees (UCAS, QAA and CLA) | 23,465 | 44,149 |
| | <u>92,107</u> | <u>88,079</u> |

Included in expenditure are the following:

| | 2018 | 2017 |
|---|---------------|---------------|
| | £ | £ |
| Fees payable to the company's auditor for the audit of the company's accounts | 27,521 | 30,217 |
| Fees payable to the company's auditor for other services: | | |
| - audit of the accounts of subsidiary | 2,183 | 3,443 |
| Depreciation | 135,968 | 106,865 |
| Operating lease rentals: plant & equipment | <u>71,438</u> | <u>61,763</u> |

7. Analysis of staff costs

| | 2018 | 2017 |
|--|------------------|------------------|
| | £ | £ |
| Wages and salaries | 3,494,177 | 3,079,539 |
| Social security costs | 429,919 | 411,055 |
| Pension costs | <u>435,361</u> | <u>648,497</u> |
| | 4,359,457 | 4,139,091 |
| Teaching fees invoiced | 494,043 | 253,912 |
| Temporary administration | 312,039 | 317,252 |
| Staff welfare costs | 96,641 | 93,860 |
| Recruitment and staff training costs | <u>102,361</u> | <u>69,242</u> |
| | 5,364,541 | 4,873,357 |
| Personnel recharged by ESCP EUROPE Paris | <u>220,080</u> | <u>328,422</u> |
| Total staff costs | <u>5,584,621</u> | <u>5,201,779</u> |

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2018

7. Analysis of staff costs (continued)

The average monthly number of employees during the year was 121 (2017: 117) made up as follows:

| | 2018 No. | 2017 No. |
|-----------------|-------------|-------------|
| Teaching | 54 | 56 |
| Administration | 39 | 34 |
| Student workers | 28 | 27 |
| | <u>121</u> | <u>117</u> |

The Trustees did not receive any remuneration during the year (2017: £nil). No Trustee (2017: nil) received any reimbursement during the year for travel costs incurred to European Boards.

The number of employees whose emoluments exceeded £60,000 was:

| | 2018 No. | 2017 No. |
|---------------------|-------------|-------------|
| £60,000 - £69,999 | 4 | 4 |
| £70,000 - £79,999 | 4 | 4 |
| £80,000 - £89,999 | 3 | 3 |
| £90,000 - £99,999 | 4 | 1 |
| £100,000 - £109,999 | 2 | 3 |
| £110,000 - £119,999 | - | 2 |
| £120,000 - £129,999 | 1 | 1 |
| £130,000 - £139,999 | 1 | 1 |
| £140,000 - £149,999 | 1 | - |
| | <u>20</u> | <u>19</u> |

Key management personnel remuneration (including pension contributions but excluding employer's NIC) in 2018 was £1,617,733 (2017: £1,513,770) in relation to 20 (2017: 19) staff members. Total employer's NIC paid in respect of key management personnel of the Charity for the year totalled £211,558 (2017: £184,581). The key management personnel are defined on page 10.

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2018

8. Tangible fixed assets

Group and Company

| | Freehold Improve- ments £ | Office furniture and equipment £ | Total £ |
|---------------------------------|------------------------------------|--|------------|
| Cost | | | |
| At 1 January 2018 | 313,321 | 244,446 | 557,767 |
| Additions | 150,349 | 140,395 | 290,744 |
| Disposals | (62,029) | (42,727) | (104,756) |
| At 31 December 2018 | 401,641 | 342,114 | 743,755 |
| Accumulated depreciation | | | |
| At 1 January 2018 | 117,399 | 123,264 | 240,663 |
| Charge for year | 56,685 | 79,283 | 135,968 |
| Disposals | (62,029) | (42,727) | (104,756) |
| At 31 December 2018 | 112,055 | 159,820 | 271,875 |
| Net book value | | | |
| At 31 December 2018 | 289,586 | 182,294 | 471,880 |
| At 31 December 2017 | 195,922 | 121,182 | 317,104 |

All assets are held for charitable purposes. The Trustees carry out impairment reviews when events or changes in circumstances indicate the need for such a review.

9. Investments

Company

| | 2018 £ | 2017 £ |
|----------------------------------|-----------|-----------|
| Investment in trading subsidiary | 1 | 1 |

The School's Trading subsidiary, ESCP Europe Corporate Services Limited, carries out executive education and funded studies. Its company number is 07468929 and it is incorporated in the United Kingdom. The Company's objects are:

- to carry on business in executive education, training and conductors and commissioners of research;
- to make donations (whether by way of gift aid or otherwise), and/or to provide other forms of support to the School; and
- to promote the interests of the School in the global corporate business environment.

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2018

9. Investments (continued)

The subsidiary had the following results in the year:

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| Turnover | 917,761 | 833,754 |
| Expenditure | (694,777) | (578,643) |
| Profit before gift aid to the parent company | 222,984 | 255,111 |
| Gift aid | (222,984) | 195,798 |
| Profit after gift aid to the parent company | - | 59,313 |
| Assets | 508,605 | 475,010 |
| Liabilities | (508,605) | (475,010) |
| Net liabilities | - | - |

In 2018, the subsidiary repaid in full with interest the nominal value of the Loan Facility Agreement ("LFA") for the amount drawn in 2015 (£54,000).

10. Debtors

| | 2018 | | 2017 | |
|---|------------------|------------------|------------------|------------------|
| | Group £ | Company £ | Group £ | Company £ |
| Trade debtors | 992,992 | 622,408 | 492,257 | 234,070 |
| Prepayments and accrued income | 324,634 | 626,880 | 425,250 | 230,053 |
| Other debtors | 103,626 | 31,459 | 113,759 | 61,606 |
| Loan due from subsidiary undertaking | - | - | - | 54,000 |
| Amounts due from subsidiary undertaking | - | 213,745 | - | 70,800 |
| Donation gift-aided by subsidiary undertaking | - | 222,985 | - | 195,797 |
| CCIR debtor (pension liability commitment) | 700,354 | 700,354 | 730,127 | 730,127 |
| | <u>2,121,606</u> | <u>2,417,831</u> | <u>1,761,393</u> | <u>1,576,453</u> |

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2018

11. Creditors: amounts falling due within one year

| | 2018 | | 2017 | |
|---|------------------|------------------|------------------|------------------|
| | Group £ | Company £ | Group £ | Company £ |
| Trade creditors | 816,497 | 442,106 | 602,218 | 213,683 |
| Taxation and social security | 150,693 | 150,693 | 134,302 | 134,302 |
| Other creditors (excl. pension liability) | 618,901 | 618,900 | 377,815 | 377,815 |
| Accruals and deferred income | 1,182,076 | 1,484,322 | 1,590,141 | 1,575,141 |
| EESC current account | 69,854 | 69,855 | 31,023 | 31,023 |
| | <u>2,838,021</u> | <u>2,765,876</u> | <u>2,735,499</u> | <u>2,331,964</u> |

| | 2018 | | 2017 | |
|--|----------------|----------------|------------------|------------------|
| | Group £ | Company £ | Group £ | Company £ |
| Reconciliation of movement in deferred income | | | | |
| Balance brought forward | 1,000,457 | 1,000,457 | 917,865 | 917,865 |
| Amount released to SOFA during the year | (1,000,457) | (1,000,457) | (917,865) | (917,865) |
| Amount deferred during the year | 936,101 | 936,101 | 1,000,457 | 1,000,457 |
| Balance carried forward | <u>936,101</u> | <u>936,101</u> | <u>1,000,457</u> | <u>1,000,457</u> |

12. Pension liability

A provision for deficit funding of the pension scheme was recognised in line with the requirements FRS102 since 2015 for a total value of £551,507. A corresponding asset was recognised in relation to funding from CCIR to cover this liability. The balance of the provision and asset at the end of 2017, further to the yearly actuarial adjustments was £730,127. In 2018, the value of the CCIR debtor at 31 December 2017 was transferred to an EESC debtor balance.

In 2018, a net release of £43,679 was made against the previous year provision and asset.

To reflect the variations of the ten year gilt rate in 2018, an additional provision and asset of £13,906 was made against the SOFA thus bringing the net liability and asset to a balance of £700,354 at year end.

| | 2018 £ | 2017 £ |
|----------------------------------|----------------|----------------|
| Group and company | | |
| At 1 January | 730,127 | 529,223 |
| (Released) / charged to the SOFA | (29,773) | 200,904 |
| At 31 December | <u>700,354</u> | <u>730,127</u> |

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2018

12. Pension liability (continued)

Reconciliation of the charge made through the SOFA

| | 2018 £ | 2017 £ |
|---|-----------------|----------------|
| Payments made during the year | (54,266) | (52,219) |
| Unwinding of discount | 10,587 | 17,464 |
| Adjustments | 13,906 | 235,659 |
| Total (credited) / charged to SOFA | (29,773) | 200,904 |

13. Net assets of the charity

| | Fixed assets £ | Net current assets £ | Provisions £ | Fund balances £ |
|--------------------|----------------------|-------------------------------|------------------|-----------------------|
| 2018 | | | | |
| Unrestricted funds | <u>471,880</u> | <u>419,221</u> | <u>(700,354)</u> | <u>190,747</u> |
| 2017 | | | | |
| Unrestricted funds | <u>317,105</u> | <u>603,769</u> | <u>(730,127)</u> | <u>190,747</u> |

14. Membership liability

In accordance with Clause (7) of the Charity's Memorandum of Association, every member of the Charity undertakes to contribute to the assets of the Charity in the event of the same being wound up while he, she or it remains a member or within 12 months afterwards, to pay one pound towards the costs of dissolution and the liabilities incurred by the Charity while he, she or it was a member.

The sole member of the Charity is the EESC ESCP Europe at 31 December 2018.

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2018

15. Related party transactions

Donation and fees were received from the EESC ESCP Europe during the year as follows:

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| Operational donation from EESC | 94,935 | 493,168 |
| Provision of rent-free premises | 500,000 | 500,000 |
| Funding of the pension deficit by the EESC | (29,773) | 200,904 |
| Undergraduate programme | 1,496,500 | 1,006,600 |
| Postgraduate programmes – Full-time Masters | 3,754,600 | 2,964,300 |

The following income and recharges of costs were also made in the year:

| | Income/recharges | | Debtor at 31 December | |
|------------------------------------|------------------|-----------|-----------------------|-----------|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| ESCP EUROPE Paris | 6,578,090 | 5,371,374 | 957,399 | 5,509 |
| ESCP EUROPE Madrid | 76,467 | 6,422 | 14,258 | 4,486 |
| ESCP EUROPE Berlin | 25,260 | 19,622 | 30,443 | 9,571 |
| ESCP EUROPE Turin | 102,571 | 10,119 | 94,917 | - |
| ESCP EUROPE Foundation | 76,873 | 93,893 | 74,056 | - |
| ESCP EUROPE Corporate Services Ltd | 643,526 | 498,477 | 436,460 | 266,597 |
| ESCP EUROPE Alumni Association | 2,595 | 10,119 | 365 | - |
| CCIR - DPI | - | 113,641 | - | - |

The following costs were also incurred during the year:

| | Costs | | Creditor at 31 December | |
|------------------------------------|-----------|-----------|-------------------------|-----------|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| ESCP EUROPE Paris | 336,188 | 372,011 | 114,735 | 240,733 |
| CCIP | - | 4,536 | - | - |
| ESCP EUROPE Berlin | 23,834 | 38,875 | 15,378 | 17,287 |
| ESCP EUROPE Madrid | 18,967 | 21,259 | 18,967 | 4,538 |
| ESCP EUROPE Torino | 7,700 | - | 7,700 | - |
| ESCP EUROPE Corporate Services Ltd | - | 15,322 | - | - |

CCIR, ESCP EUROPE Paris, ESCP EUROPE Madrid, ESCP EUROPE Berlin and ESCP EUROPE Turin are related by virtue of common directors/trustees, and CCIR is the sole member of each ESCP Europe campus.

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2018

16. Movements on funds

| | At 1 January 2018 £ | Income £ | Expenditure £ | At 31 December 2018 £ |
|---------------------------------|------------------------------|-------------------|---------------------|--------------------------------|
| Unrestricted funds | | | | |
| General fund | 190,747 | 9,160,929 | (9,160,929) | 190,747 |
| Pension funding | - | 29,773 | (29,773) | - |
| Unrestricted funds total | <u>190,747</u> | <u>9,190,702</u> | <u>(9,190,702)</u> | <u>190,747</u> |
| Total charity funds | <u>190,747</u> | <u>9,190,702</u> | <u>(9,190,702)</u> | <u>190,747</u> |
| Unrestricted funds | | | | |
| ESCP Europe CS Ltd | 1 | 917,761 | (917,761) | 1 |
| Total group funds | <u>190,748</u> | <u>10,108,463</u> | <u>(10,108,463)</u> | <u>190,748</u> |

| | At 1 January 2017 £ | Income £ | Expenditure £ | At 31 December 2017 £ |
|---------------------------------|------------------------------|------------------|--------------------|--------------------------------|
| Unrestricted funds | | | | |
| General fund | 190,746 | 8,027,250 | (8,027,249) | 190,747 |
| Pension funding | - | 200,904 | (200,904) | - |
| Unrestricted funds total | <u>190,746</u> | <u>8,228,154</u> | <u>(8,228,153)</u> | <u>190,747</u> |
| Total charity funds | <u>190,746</u> | <u>8,228,154</u> | <u>(8,228,153)</u> | <u>190,747</u> |
| Unrestricted funds | | | | |
| ESCP Europe CS Ltd | (59,312) | 833,754 | (774,441) | 1 |
| Total group funds | <u>131,434</u> | <u>9,061,908</u> | <u>(9,002,594)</u> | <u>190,748</u> |

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2018

17. Financial commitments

Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases:

| | 2018 Other £ | 2017 Other £ |
|------------------------------|--------------------|--------------------|
| Group and Charity | | |
| - within one year | 48,854 | 30,019 |
| - between one and five years | 107,645 | 67,542 |
| | <u>156,499</u> | <u>97,561</u> |

18. Cashflow statement

Reconciliation of net income to cash generated by operations:

| | 2018 £ | 2017 £ |
|--|------------------|----------------|
| Net income for the year | - | 59,313 |
| Adjustments for: | | |
| Depreciation charges | 135,968 | 106,865 |
| Operating cash flow before movement in working capital | <u>135,968</u> | <u>166,178</u> |
| Increase in debtors | (360,213) | (147,273) |
| Increase in creditors | 102,522 | 251,863 |
| (Decrease) / Increase in provisions | <u>(29,773)</u> | <u>200,904</u> |
| Cash generated by operating activities | <u>(151,496)</u> | <u>471,672</u> |

19. Ultimate parent undertaking

At 1 January 2018 the charitable company's ultimate parent undertaking entity was the CCIR which is a French semi-governmental body incorporated in France supporting French Regional Chambers of Commerce which purpose is to represent the interests and support the development of French commercial, industrial and services companies of the private sector in France.

On 2 January 2018, the EESC ESCP Europe substituted to the CCIR as the sole member of the Charity. It is the parent undertaking of the Charity from this point of view at the time of the signing of the 2018 statutory accounts.

The registered address of the EESC ESCP Europe is 3 rue Armand Moisan, Paris 75015, France.