

**Company Registration No. 1876779**

**Charity Registration No. 293027**



**ESCP Europe Business School**

**Annual Report and Financial Statements**

**31 December 2020**

# **ESCP Europe Business School**

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# ESCP Europe Business School

## Introduction

This report and financial statements reflect the activities of ESCP Europe Business School, the London campus of ESCP Europe. ESCP Europe Business School legally refers to the company registered at Companies House under company number 1876779 and name “ESCP Europe-Business School”. The commercial name of the entity is ESCP Business School since late 2019.

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.

The School is internationally accredited by the EFMD for its MBA and EMBA and has long held both AACSB and EQUIS accreditation.

In 2019, the School became successfully registered as a Higher Education provider with the newly formed Office for Students (OfS), as part of the new regime for higher education management and regulation in the UK. The School has been following the OfS Accounts Direction since then.

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 (multiple full-time programmes)
- MBA in International Management
- EMBA Programme (Executive MBA)
- Executive Specialised Masters (8 part-time programmes)
- Ph.D. Programme (Paris, Berlin, Torino)
- Bachelor (BSc.) in Management

ESCP Europe is also committed to providing executive education alongside degree options. Custom and open enrolment programmes are offered annually across ESCP campuses.

The quality of ESCP Business School’s higher education 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: United Kingdom, France, Germany, Spain and Italy.

ESCP is also highly ranked by The Economist, with the Master in Management programme placed 4th worldwide (1st for employability amongst diverse recruiters, variety of languages on offer and access to overseas exchange programmes).

ESCP’s QS worldwide rankings are 4th for the MSc in Big Data and Business Analytics, 5th for the MSc in Marketing and Creativity and 7<sup>th</sup> for the Master in Management.

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.

# ESCP Europe Business School

## Introduction (continued)

Until 31 December 2017, ESCP Europe was part of the Chambre of Commerce and d' 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 an institution 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.

## *Coronavirus update*

Since the first outbreak of Coronavirus (COVID-19) in March 2020 and until the date of this report, the School has been monitoring all developments in close collaboration with the U.K. Government Department for Education (DfE), the Department for Health and Social Care (DHSC), and other national agencies including Public Health England (PHE). Both in effecting temporary campus closure in March 2020 and in introducing stringent Health and Safety protocols for a return to Campus in September 2020, the School has followed all Provider guidelines to the letter. In suspending live teaching at the start of 2021, the School has again followed the request and guidance of the U.K. government.

The safety and wellbeing of its students and staff have been the School's overriding priority throughout. During the periods of time the Campus has been operating on an open basis, infection and transmission rates have been low and well below the reporting thresholds detailed by the DfE and Office for Students (OfS). The second phase of the pandemic (from September 2020 until early December 2020) saw the introduction of blended learning and restrictions on the amount of time spent on Campus by both staff and students. All campus activity was socially distanced and subject to other sanitary measures. In periods of closure (March-June 2020 and January 2021-present), the School has migrated all of its teaching activities and student services online. Its academic and professional staff have been able to operate remotely.

All sets of measures implemented since the initial lockdown and described here above allowed the School to continue to deliver its classes to the highest standards and to good rates of student satisfaction. Business continuity has been ensured and student enrolment has continued to reach new heights. More information about the performance of the School in 2020 is provided in the following sections of this report.

At time of writing the School is awaiting Government decision on the potential recommencement of live teaching on University campuses. ESCP has a provisional plan to restart live in-person teaching in the Spring and subsequent to the end of U.K. lockdown restrictions. This is entirely contingent upon the recommendation of the Universities Minister and approval of the ESCP federal board, where account will be taken of the wider ESCP situation.

# ESCP Europe Business School

## Report and financial statements 2020

### Company information

#### 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) (\*)

Jerome **Bedier**

Franck **Bournois**

Gilles **Cambournac**

Rodney **Eastwood**

Laurent **Feniou**

Valerie **Henriot** (\*)

Joelle **Lellouche**

Laurence **Milsted** (\*)

Jean-Luc **Neyraut** (appointed 27 April 2020 – resigned 1 March 2021)

(\*) 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.escp.eu](http://www.escp.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

##### Independent auditors

PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH

# 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 2020 together with the audited financial statements 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 3. Particulars of the Charity's professional advisers are also given on page 3.

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

This section of the Trustees' report, along with the responsibility statement on page 14 incorporates the requirements of the statements of corporate governance and internal controls required by the OfS Accounts Direction. This covers the period covered by the financial statements and the period up to the date of approval of the audited financial statements.

### 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 annual report and financial statements.

The Audit and Risk Committee meets at least twice per year to review the annual report and financial statements, the accounting systems, the internal controls and audit thereof and other significant issues.

The Reward and Remuneration Committee meets once a year to review the framework for the remuneration and terms and conditions of employment of the key management personnel of the School. It ensures that the reward policy of the School is appropriate to attract and motivate those individuals to achieve the long-term targets of the School.

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 satisfied all QAA requirements as an alternative/private provider prior to 2019 and successfully registered as an HE provider with the newly formed Office for Students (OFS) in 2019, as part of the new regime for higher education management and regulation in the UK.

The School has a Senior Management Board ("SMB", led by the Campus Dean) providing strategic and operational control of the business and administration side of the School and Campus within the parameters of the EESC governance model. SMB is supported by a number of subsidiary committees and local governance mechanisms, some of which are subsidiary committees to federal organs.

# ESCP Europe Business School

## Trustees' report (incorporating the Directors' Report)

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, an Audit & Risk Committee, and a Reward & Remuneration Committee (see above).

### Risk Management and internal control

The Trustees receive and consider reports from the OfS as they affect the School's business, and monitor adherence to the regulatory requirements which includes compliance with the OfS's ongoing conditions of registration.

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 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:

- all COVID-19 related risks (recruitment, student well-being and experience, and overall financial strength) are comprehensively monitored and that all Health and Safety developments are kept under constant review and communication with all relevant authorities;
- all BREXIT related risks (e.g. cross border mobility of persons) are assessed and managed to the extent possible;
- business continuity is ensured through appropriate levels of activity, recruitment, and commercial performance;
- statutory obligations are met and compliance actions undertaken; and
- financial plans and targets are suitably framed and executed upon.

The Board of Trustees is also concerned that:

- the School continues to recruit and retain high quality academics in order to achieve its research aims and teaching goals;
- manages realistically its enrolment targets;
- delivers the courses to which it is publicly committed and at an appropriate standard; and
- maintains its estate and facilities suitably, taking into account the positive implications of remote learning on spatial constraints and the requirement for modernisation of its facilities.

Mitigation of these risks is through regular management team meetings and termly Trustees' meetings typified by report on:

- student experience and student satisfaction: assessed at periodic intervals through minuted meetings with students' representatives and implementation and analysis of students' satisfaction surveys;
- student recruitment: monitored on a monthly basis by the Admissions' team feeding back reportings to the School local and federal management and allowing live updates of all financial forecasts;
- staffing requirements: fully apprehended through termly Professional Resources Committees ("PRC's") reporting to the SMB;
- progress against financial objectives: subject a monthly exhaustive reportings submitted to the federal centre assessing performance against budget and campus set targets; and
- estate emergency and maintenance plan: reviewed through regular discussions held with the Freeholder to allow the School to communicate and address the needs of the student population and the development of its estate.

The key elements of the School's system of risk identification and management include:

- the integration of planning, risk, KPIs and other performance indicators to provides an efficient reporting and control mechanism;

# ESCP Europe Business School

## Trustees' report (incorporating the Directors' Report)

- the management of risk at strategic, School and project level to ensure that a full picture of risks is available and that significant risks are escalated to the appropriate level;
- business continuity and emergency management, ensuring plans are in place which would address any disaster and emergency situation;
- ensuring that all risks have appropriate ownership so that risks can be controlled appropriately; and
- reporting at least twice a year to the Audit and Risk Committee which assures the Board on the effectiveness of arrangements of internal control and risk management.

### System of internal control and financial statements

In accordance with the Scheme of Reserved and Delegated matters, the Board is responsible for the administration and management of the School, including ensuring an effective system of internal control, and adopting audited financial statements for each financial year.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the School's financial position and enable it to ensure that the financial statements are prepared in accordance with relevant accounting standards.

The system of internal control is based on an ongoing process designed to identify the principal business, operational, compliance and financial risks; to evaluate the nature and extent of those risks; and to manage them efficiently and effectively. This process was in place for the year ended 31 December 2020 and up to the date of the approval of the financial statements, and accords with OfS guidance and there were no significant control weaknesses that should be disclosed.

The key elements of the School's system of internal control include:

- a medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of financial results involving variance reporting and updates of forecast out-turns;
- the attendance of the School's external auditors at each meeting of the Audit and Risk Committee, where through their work, they share their views on areas for improvements in internal control and value for money;
- defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to appraisal and review according to approval limits set by the Board; and
- an internal financial control manual updated every year, detailing financial controls and procedures.

Any system of internal control or risk management is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute assurance against material misstatement or loss.

Having reviewed all available evidence, the Trustees have satisfied themselves with the adequacy of internal controls for the period 1<sup>st</sup> January 2020 to the date of signing of the accounts.

### 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 2020 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".



# ESCP Europe Business School

## Trustees' report (incorporating the Directors' Report)

### *SIZE*

1. Grow and diversify revenue streams in order to ensure an operating surplus.
2. Increase the number of students on campus in alignment with the Strategic Plan.
3. Increase the number and range of degree programmes and specialisations, building on local poles of excellence.
4. Advance relationships with the corporate world through impactful consultancy projects, employer links, and executive education.
5. Expand and modernise our facilities, including a programme of investment in the School's physical and virtual learning environments.

### *BRAND*

6. Enhance teaching and research excellence through investment in faculty, pedagogic innovation and digital learning.
7. Improve the overall visibility and reputation of the School in the UK and English-speaking world.
8. Strengthen the School's community interaction and impact, by engaging with and supporting the communities in which the School operates.
9. Improve academic standards and quality assurance, with full UK quality code compliance and adherence to our international accreditation standards.
10. Ensure strong rankings placement and other metrics of programme positioning.

## Specialisations, esteem factors and milestones

### *Specialisations*

Within the context of the ESCP Europe system of campuses, awards and specialisations, the London Campus will continue to offer specialisations in:

- Marketing & Creativity
- Digital Transformation
- Banking, Finance & Investment
- Energy Industries & Security
- Consultancy & Professional Services

### *Esteem Factors and Milestones*

The rankings of ESCP Business School programmes translate into impressive UK market positioning. FT Rankings for the EMBA; AMIF and MiM, place ESCP Europe within the top 3 in the U.K. for each programme category. Our Masters in Marketing and Creativity (MMK) was also ranked in year by QS as No.6 worldwide.

## Principal activities of the year

### *Full Time Degree Education*

In 2020, the London campus successfully delivered part of 12 different full-time degree awards to ~1,300 students either fully remotely or via a combination of face-to-face and hybrid teaching.

The programmes included:

- the MBA, BSc, and MiM (as federal rotational programmes);
- the MMK, MEM and MDT (as local MSc programmes with one term or semester on a sister Campus); and
- the AMIF, MLIM, and BiOP, plus three additional visiting Masters.

# ESCP Europe Business School

## Trustees' report (incorporating the Directors' Report)

### *Part Time Degree Education*

Two successful EMS awards operated online to ~50 participants including:

- the Executive Master in Energy Management (EMEM) and
- the Executive Master in Automation Management & Digital Transformation (EMMA).

In total, Executive Masters provision functions as a second key area of our activity. The revenues of this stream of business were strongly impacted in 2020 due to the pandemic with a number of the School's clients either cancelling or deferring their enrolment to 2021.

### *Executive Education (non-degree)*

Complementing the School's degree-based education, executive education interventions applied for familiar European brands such as LVMH and Savencia. These bespoke and certificated programmes combined with other non-degree based interventions, including: short residential courses, master-classes, and company consultancy projects.

Since mid-March 2020, most of the activities for non-degree executive education have moved online. Some of the programmes and activities scheduled for the later part of 2020 were either cancelled or deferred by clients to 2021.

### *External links*

In the year of account, the School has been an active member of the U.K.'s Chartered Association of Business Schools (CABS); the U.K. Parliament-Industry Trust (IPT); and the French Chamber of Commerce in Great Britain (CCFGB). London is also home to two business-facing Centres/Institutes receiving external support and funding from companies including L'Oréal and Glencore. These are: the Centre for Marketing Creativity (CMC) and the Centre for Energy Management (CEM).

### *Scholarship and Research*

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 2020 include:

Publications in listed Peer-Reviewed-Journals:

- 16 publications 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.).

Additionally, 50+ conference presentations from London faculty members took place in 2020 at national and international academic conferences including: AOM, SMS, BAM, EGOS, ANZAM, EURAM, EMAC and AMA).

Other research-related outputs include:

- Book publications and book chapter publications
- Editorials, Guest Editorships and Positions on Editorial Boards;
- Reviews and service to scientific communities; and
- Attendance/networking in professional conferences, appearances and awards in media, and posts in blogs and social media (e.g. Forbes, New Scientist, Popular Science, Daily Telegraph, The Times, the Evening Standard, The Herald, and City AM, LinkedIn, Markets and Money Advisory).
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# 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 current discussions with the School's freeholder allude to a possible extension at the back of the building by 2023/24.

There has been progressive expansion in the human resource base at the School to reflect and support its growth. At the end of 2020, full-time faculty numbers are at 22, providing the core of academic support to students. This group is supplemented by over 50 affiliate and visiting faculty.

Just over 50 professional services staff members 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. £11.5 million. In 2020, and for the second time running, the annual operating subsidy (excluding rent-free subsidy and funding of the pension deficit) received from the EESC was £nil (2019: £nil), the School generating a consolidated £1,079k surplus at the end of the year.

### 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 (2020: £89k / 2019: £80k).

Due to the pandemic, the School implemented in 2020 a new set of access opportunity scholarships in 2020 as well as a number of financial discounts, payment plans and other commercial incentives allowing students to access higher education at a lower cost and to spread the payment of their tuition fees in exceptional circumstances.

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's students regularly engage with local charities and business to support various causes (environmentally-friendly sustainability actions, provision of clothing and food to local homeless shelters) seeking to increase the impact of the School on its neighbouring community.

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

Despite Covid-19, ESCP continued to organise a range of high calibre events in 2020, open to the School's students, alumni community and external guests. These included:

- our Annual Student Gala: 420 guests and focused on student success and achievements (early March 2020, before lockdown and social distancing measures introduced);
- our first Entrepreneurship Festival: hosted online in May, which gathered more than 600 participants, students, professionals and alumni. This was followed by an intercampus Winter edition, also hosted online in November 2020;
- the launch of intercampus seasonal celebrations online to connect students, staff and faculty working remotely;
- various student challenges and competitions, including the L'Oréal Big Picture, FT Bocconi Challenge, 50 St Gallen Symposium, and #GetActive BUCS British Universities and College Sports;
- a range of student clubs and societies events, including but not limited to chess, finance banking trek, alumnights, UNICEF UK, Cheerup cancer research fundraisers, GEA Sustainability, book clubs, and film screenings;
- Energy talks series; and
- online Careers Fairs.

### Cooperation with external organisations

In 2020, the School partnered with a number of recognised universities or bodies, including:

- 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; and
- 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 2020, the Foundation raised over £60k 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 2020.

#### *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

# ESCP Europe Business School

## Trustees' report (incorporating the Directors' Report)

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.

### Performance of the Charity

The quality of ESCP Business School's higher education 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: United Kingdom, France, Germany, Spain and Italy.

In context and rather paradoxically, 2020 was a successful year for the Charity in terms of academic and financial performance thanks to the School's ability to swiftly switch most of its teaching online, to later safely operate and continue to deliver excellence at highest levels in a lagging pandemic to the greater satisfaction of students and staff.

Executive revenues for Executive masters and Bespoke Executive Education were much affected by the consequences of clients cancelling or postponing their contract but the EMMA programme managed the transition to online teaching well driving most of the executive education revenues during the year.

The Charity's trading subsidiary, ESCP Europe Corporate Services Ltd, produced an operating surplus for the year of £74k before a gift aided donation of the same amount to the Charity at year end (2019: £117k). Some business opportunities were either cancelled or deferred to 2021 due to the implications of COVID-19 pushing some corporate partners to postpone and reschedule the commissioning of Bespoke Executive Education at a later stage in 2021.

The sixth cohort of the three-year European Bachelor in Management was taught at the School from the beginning of the new academic year with a record number of students hitting the grounds of the London campus early September 2020 with 309 students (2019: 284 students). These students were taught via a combination of onsite and remote teaching for the first term.

Having considered the level of financial surplus derived by the School at the end of the year, the levels of cash flows available and the possibility for the School to access, from its Federal centre, sufficient financing and cash to meet its liabilities over the next 12 to 18 months, the Trustees are satisfied with the results of the Charity in 2020 in the context of continuing financial support from the EESC ESCP Europe covering a period of 12 months from the date of signing of the 2020 accounts.

The Trustees rely on the continuing commitment from its Federal Centre to cover any future USS liability and increase of the School's pension deficit. The Trustees also recognise the Federal Centre commitment to provide continued support to the School in the event of fluctuations in its performance in future.

### Development objectives

In line with its strategic priorities, the School will continue to develop and execute its academic and business plans. Significant development objectives for 2021 include:

- The introduction of new specialisations on the flagship Master in Management (MiM).
- The development of near- and long-term digital delivery strategies for all awards.
- The digitalisation of student learning and experience with focus on curricula, pedagogy, and service offers.
- Advancement of preparations for teaching degree awarding powers and associated reviews.
- The strengthening of executive education and corporate activity, pertaining to the Charity (Executive Masters) and its trading entity.
- The modernisation and extension of Campus facilities, alongside significant estate maintenance activities (as commissioned by the EESC).

# ESCP Europe Business School

## Trustees' report (incorporating the Directors' Report)

The School continues to aim to:

- strengthen recruitment for its full programme suite.
- build up a first class Faculty and affiliate Faculty.
- consolidate the School's areas of research expertise
- encourage new areas of enquiry linked closely to its degree/specialisation offer.
- promote and advance teaching excellence in alignment with the learning goals and mission of ESCP Europe.

In a context of COVID-19, the School anticipates downward activity levels in Executive Education and has revised its financial forecast for 2020 accordingly. To protect the School's fiscal position in 2020, all significant investment plans (building infrastructure mostly) have been put on hold in agreement with the School's Freeholder and will be reassessed in 2021.

### Reserves policy

Total unrestricted funds at the end of the current year were £1,276,702 (2019: £197,172). Since the end of 2015, the School does not hold any restricted funds in its accounts.

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.

In 2020, for the second time running, the London campus generated a financial surplus of £1,080k (2019: £6k). As of 31 December 2020, the level of donation from the EESC is therefore limited to the provision of the free-rent facility adjusted from £500k in 2019 to £615k to reflect the rateable value of the site. The increase of the USS pension provision at year end for £141k was fully absorbed by the School with no matching asset provided by the EESC in 2020.

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 for a duration of at least 18 months from the date of signature of the financial statements. The EESC ESCP Europe confirmed that it would still be in a position to provide this support irrespective of COVID-19 and Brexit implications on the School's activities and in a context of growing USS pension deficit anticipated for 2021 and future years.

### Key management personnel and remuneration policy

The School's Senior Management Board (SMB) constitutes the grouping of key management personnel of the School.

This group consists of the Dean of Campus, Directors and Heads of professional services (x6), and our senior faculty representatives (x3). The number of people included within key management in 2020 was 10 (2019: 20).

Within this group, the Dean and professional services staff are subject to annual pay review via the School's Reward and Remuneration Committee (RRC). A number of criteria are used for setting or revising compensation 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, and/or grade modifications. Note 7 provides details of the remuneration components of the UK Dean.

The senior faculty representatives are subject to the faculty performance evaluations applicable to all faculty with the exception of the Campus Dean. This process is governed locally by the Campus Faculty Advisory Committee (CFAC).

# **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 2020 have increased from £10.8m in 2019 to £11.4m in 2020. This was primarily due to higher numbers of students in the BIM and shared master programmes and to the release of the historical PAYE provision in 2020 (£0.2m) and compensated, overall, the net decrease in the turnover received from Executive Education business lines. The Executive Education activity was indeed deeply affected by the impact of Covid in 2020, a great proportion of Executive Education clients having either cancelled or postponed their contracts with the School to 2021.

The level of operational donation from the EESC, excluding rent, amounted to £nil in 2020 (2019: £nil). The provision of rent-free premises from the EESC is recognised as a gift in kind of £615k (2019: £500k). The increase of the USS pension provision at year end for £141k was fully absorbed by the School in 2020 with no matching asset provided by the EESC.

The evolution of the EESC subsidies between 2019 and 2020 are reported in the Statement of Financial Activities and in note 3 to the accounts.

The expenditure for the year totalled £10.3m for 2020 (2019: £10.8m) with the variance primarily due to the lower variable direct costs incurred in a context of COVID-19.

The net consolidated result for the year is a net surplus of £1,080k (2019: £6k) after transfer of the gift-aided donation from ESCP Europe Corporate Services Limited to the Charity for £74k (2019: £117k).

In 2020, an increase in the USS pension deficit provision of £141k was made to reflect the on-going increase of the pension deficit funding contributions underlying the value of the pension deficit of the School. At 31 December 2020, the value of the deficit in the statutory accounts is £1,403k. Considering the latest intelligence provided by USS as it relates to the results of the 2020 valuation, the School anticipates that its share of the USS overall pension deficit will increase significantly in 2021.

### **Going concern**

The Board has carefully assessed whether the School is a going concern in reference to its financial position and performance as outlined in the financial review. Particular note has been taken to ensure the assessment is proportionate to the size and level of financial risk and complexity of the organisation and to reflect upon the experience of operating during the Covid-19 pandemic.

For the purpose of the signature of the 2020 consolidated accounts, the review covers a period of 18 months from the date of signing the financial statements and concludes that there are no material uncertainties that would cast significant doubt about the ability for the School to continue as a going concern.

As of 31 December 2020, the School has net current assets of £2.1m, a positive balance of cash of £2.1m and a small level of external borrowing of £0.2m. Long-term liabilities of £1.4m relate in full to the USS pension deficit provision which is not expected to crystallise in the near future. Sources of income for the year ahead will be secured through 1/ a growing flow of students recruited at Federal level and sent to the London campus; 2/ a sustained recruitment of students for the local masters; and 3/ an increased activity of the executive education picking up levels comparable with those of 2019. On that basis, the cash flow forecast for the next 18 months reveals positive cash balances throughout the period.

The statement of the Board responsibilities; the description of the organisation management; and the review of internal controls summarise the arrangements the School has in place for the identification and management of risk.

Taking the above into account, the Trustees have a reasonable expectation that adequate resources exist to continue operations for the foreseeable future and the going concern basis continues to be appropriate for preparing the annual financial statements.

# **ESCP Europe Business School**

## **Trustees' report (incorporating the Directors' Report)**

### **Independent Auditors**

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 auditors are 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 auditors are 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 1<sup>st</sup> April 2021 and signed on behalf of the Board.



David Gold

Chairman of the Board of Trustees

8<sup>th</sup> April 2021



# 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' Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the 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 Statement of Recommended Practice: Accounting and Reporting by Charities (2019 version);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and 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 charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

- (a) so far as the trustee is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a trustee in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, ESCP Europe Business School's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's incoming resources and application of resources, including its income and expenditure, gains and losses, changes in reserves and of the group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the requirements of the Office for Students' Accounts Direction (OfS 2019.41); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheets as at 31 December 2020; the Consolidated statements of financial activities (incorporating consolidated income and expenditure statement), and the Consolidated cash flow statement for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the group and company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

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's and the company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and company's ability to continue as a going concern.

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

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

## **Report on the audit of the financial statements (continued)**

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Trustees' Report*

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

In addition, in light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Trustees' Report. We have nothing to report in this respect.

## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the trustees for the financial statements*

As explained more fully in the Trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The trustees are also responsible for such internal control as they 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 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 and company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' 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 auditors' 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.

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.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Charities Act 2011 and relevant regulations made or having an effect thereunder including The Charities (Accounts and Reports) Regulations 2008 and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws

## **Report on the audit of the financial statements (continued)**

and regulations on the financial statements such as the Companies Act 2006. We evaluated the incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), by the trustees and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements and determined that the principal risks were related the posting of inappropriate journals to increase revenue and management bias in accounting estimates. Audit procedures performed included:

- Evaluating management's controls designed to prevent and detect irregularities.
- Making enquiries with management, including consideration of known or suspected instances of non-compliance with laws and regulations.
- Challenging assumptions and judgements made by management in significant account estimates.
- Testing unusual or unexpected journal entries, particularly those impacting revenue.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in financial statements. Also, 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 or intentional misrepresentations or through collusion.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the charity's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Other required reporting**

### **Opinions on other matters prescribed in the Office for Students' Accounts Direction (OfS 2019.41)**

In our opinion, in all material respects:

- funds from whatever source administered by the company for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation.

Under the Office for Students' Accounts Direction, we are required to report to you if we have anything to report in respect of the following matter:

- The company's fee income, as disclosed in note 4b to the financial statements, has been materially misstated.

We have no matters to report arising from this responsibility.

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the trustees were not entitled to: prepare financial statements in accordance with the small companies' regime; take advantage of the small companies' exemption in preparing the Trustees' Report; and take advantage of the small companies exemption from preparing a Strategic Report. We have no exceptions to report arising from this responsibility.

David Wilkey (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
8<sup>th</sup> April 2021

# ESCP Europe Business School

## Consolidated statement of financial activities (including consolidated income and expenditure account) Year ended 31 December 2020

		Unrestricted Funds 2020 £	Total funds 2020 £	Total funds (*) 2019 £
	Note			
<b>Income</b>				
Donations	3	615,000	615,000	1,061,054
Charitable activities				
Student fees	4	8,903,690	8,903,690	7,071,609
Other educational income	5.a	1,327,144	1,327,144	1,887,451
Investment income		329,398	329,398	32,923
Other income	5.b	191,150	191,150	768,276
<b>Total income</b>		<u>11,366,381</u>	<u>11,366,381</u>	<u>10,821,313</u>
<b>Expenditure</b>				
	6	<u>(10,286,852)</u>	<u>(10,286,852)</u>	<u>(10,814,889)</u>
<b>Total expenditure</b>		<u>(10,286,852)</u>	<u>(10,286,852)</u>	<u>(10,814,889)</u>
<b>Net income for the year</b>		<u>1,079,530</u>	<u>1,079,530</u>	<u>6,424</u>
<b>Net movement in funds</b>		<u><u>1,079,530</u></u>	<u><u>1,079,530</u></u>	<u><u>6,424</u></u>
<b>Reconciliation of funds</b>				
Total funds brought forward		197,172	197,172	190,748
Net movement in funds for the year		<u>1,079,530</u>	<u>1,079,530</u>	<u>6,424</u>
<b>Total funds carried forward</b>	16	<u><u>1,276,702</u></u>	<u><u>1,276,702</u></u>	<u><u>197,172</u></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.

(\*) The 2019 other income and direct costs within charitable expenditure as disclosed in the prior year signed accounts have been restated by £399,683k to reclassify the write back of a provision as a credit against expenditure rather than as a credit to other income.

# ESCP Europe Business School

## Balance sheets as at 31 December 2020

		Group		Company	
		2020	2019	2020	2019
	Note	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	8	742,035	665,848	742,035	665,848
Investments	9	-	-	1	1
		<u>742,035</u>	<u>665,848</u>	<u>742,036</u>	<u>665,849</u>
<b>Current assets</b>					
Debtors	10	3,821,876	2,703,316	3,939,156	2,569,534
Cash at bank and in hand		2,096,945	1,226,556	1,846,511	1,083,903
		<u>5,918,821</u>	<u>3,929,872</u>	<u>5,785,667</u>	<u>3,653,437</u>
<b>Creditors:</b> amounts falling due within one year	11	(3,791,907)	(2,897,495)	(3,658,755)	(2,621,061)
<b>Net current assets</b>		<u>2,126,914</u>	<u>1,032,377</u>	<u>2,126,912</u>	<u>1,032,376</u>
<b>Total assets less current liabilities</b>		<u>2,868,949</u>	<u>1,698,225</u>	<u>2,868,948</u>	<u>1,698,225</u>
<b>Provision for pension scheme liability</b>	12.a	(1,402,615)	(1,261,409)	(1,402,615)	(1,261,409)
<b>Creditors:</b> amounts falling due after one year	12.b	(189,632)	(239,645)	(189,632)	(239,645)
<b>Net assets</b>		<u>1,276,702</u>	<u>197,172</u>	<u>1,276,701</u>	<u>197,171</u>
<b>Funds</b>					
Unrestricted funds:					
- General fund		<u>1,276,702</u>	<u>197,172</u>	<u>1,276,701</u>	<u>197,171</u>
<b>Total funds</b>	16	<u>1,276,702</u>	<u>197,172</u>	<u>1,276,701</u>	<u>197,171</u>

The net result of the parent Charity for the year for Companies Act purposes is £1,080k in 2020 (2019: £6k). 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 21 to 37 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 1<sup>st</sup> April 2021.

Signed on behalf of the Board of Directors

Trustee/Director

David Gold

8<sup>th</sup> April 2021



Trustee/Director

Frank Bournois

8<sup>th</sup> April 2021

# ESCP Europe Business School

## Consolidated cash flow statement Year ended 31 December 2020

	Note	Total funds 2020 £	Total funds 2019 £
<b>Net cash flows generated from/(used in) operating activities</b>	18	1,260,603	244,400
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(340,201)	(393,126)
<b>Cash flows from financing activities</b>			
EESC financing loan		(50,013)	239,645
<b>Net increase / (decrease) in cash and cash equivalents</b>		870,389	90,919
<b>Cash and cash equivalents at beginning of the year</b>		1,226,556	1,135,637
<b>Cash and cash equivalents at the end of the year</b>		<u>2,096,945</u>	<u>1,226,556</u>

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 2020

### 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 2019 revised version)” applicable to charities preparing their accounts in accordance with Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS 102), FRS102 including Section 1A; and the Companies Act 2006 and the OfS Accounts Direction.

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 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 12 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 2020, the income for the Charity was £11,125k (2019: 10,972k) and result for the year was £1,080k (2019: £6k).

#### Donations

In the light of the financial surplus generated by the Charity in 2020, no donation from the EESC ESCP Europe was provided to cover possible net excess of expenditure over income during the year. This was in adequation with the set budget of the Charity for 2020.

In 2020, the EESC donation was therefore limited to providing rent-free facilities to the School, recognised at the Trustees’ best estimate of the value of such facilities. In 2020, this was estimated at £615k (2019: £500k).

#### Student fees and other educational 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.

#### Other income - reimbursements of Freeholder’s costs

The Charity is entitled to carry works on behalf of its Freeholder (the EESC) under the parameters of an Indemnity Deed. The Indemnity Deed stipulates the conditions under which the Charity is entitled to act on behalf of the Freeholder for any works which fall under the remit of the Freeholder (repairs and essential maintenance of the roofs, façades, windows and/or any other part of the main fabric of the building). Any cost incurred on behalf of the Freeholder are pre-validated by the Freeholder, contracted and paid by the Charity and recharged to the Freeholder at cost.

# ESCP Europe Business School

## Notes to the financial statements Year ended 31 December 2020

### 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.

#### 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

*Unrestricted funds* – these are funds available to be used in accordance with the School's charitable objects at the discretion of the Trustees.

#### Tangible fixed assets

The freehold of the premises occupied by the Charity is owned by 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 scheme

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 actuarial valuation was carried out in March 2018 for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

As shown in USS Financial Management Plan reports at the end of April 2020 (which track progress, or otherwise, against the 2018 valuation's funding assumptions), the future service cost and deficit were tracking at 36.7% and £15.2bn respectively. Assets stood at £71.1bn – having fallen from £74bn in February to as low as £64.3bn in March 2020.

By the end of November 2020, the future service cost and deficit were tracking at 45.2% and £23.9bn respectively, while assets stood at £78.8bn.

Further information about the latest actuarial valuation of the Scheme is provided in note 12.a to the accounts.

# ESCP Europe Business School

## Notes to the financial statements Year ended 31 December 2020

### Pension scheme (continued)

The School's pension deficit liability at the end of 2020, based on the 2019 USS repayment plan, refers to the present value of deficit funding contributions that are committed to under the current schedule of contributions. At 31 December 2020, the value of the deficit as shown in the accounts is £1,403k (2019: £1,261k) (see note 12). The current schedule of contributions lasts until 2028 therefore the amount provided will be payable through normal pension contributions over that period. A discount rate of 0.28% (2019: 0.57%) and a salary inflation of 2% (2019: 2.5%) were actuarial factors used in the calculation of the revised pension deficit of the School end of 2020.

At 31 December 2020 the School had 75 active members participating in the scheme (2019: 60). The contribution rate payable by the institution was 21.1% of pensionable salaries.

During 2020, the total USS contributions paid by the School amounted to £594,859 (2019: £466,389) with a balance sheet liability of £89,924 at year end repaid in January 2021 (2019: £64,966).

### 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 (2019: £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 2020

### 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. This donation is derived from the calculations made through a pension modeller providing, at the end of each calendar year, the revised value of the pension deficit to be recognised in the School's 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. With regards to the valuation of the donated gift in kind pertaining to the rent of the site, the Trustees use reference to the rateable value of the site as defined by the Camden Borough. This estimate, due to its variable nature, can change the value recognised in and out of the financial statements each year.

#### *Provisions and accruals*

On the PAYE historical dossier, the Trustees agreed at year end that the risk that current discussions held between tax authorities generate a liability was remote in the light of the slow progress made to date, the long period since the issue arose and the confidence of the team that the appropriate approach had been taken from the outset. The release of the historical provision was justified from the Trustees point of view and was processed as part of the closing of the 2020 accounts.

The calculation of the provision for pension deficit funding is based on the pension fund modellers provided to the School, using assumptions taken by USS Trustees. The School's estimates relate to salary increases, the percentage of future staff changes in the scheme and the discount rate.

In 2020, the School 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 £141k. This adjustment was absorbed in full by the Charity in 2020 with no EESC matching asset being posted to the accounts to neutralise the effect of such adjustment on the net equity of the School. Note 12.a to the accounts provides more details about the actuarial assumptions taken for the purpose of the adjustment of the pension deficit in 2020.

# ESCP Europe Business School

## Notes to the financial statements Year ended 31 December 2020

### 3. Donations

	2020 £	2019 £
Rent-free donation for the year	615,000	500,000
EESC net funding of the pension fund movement for the year	-	561,054
	<u>615,000</u>	<u>1,061,054</u>

### 4.a Student fees

	2020 £	2019 £
Masters' qualifications	6,104,094	4,894,573
Bachelor in Management (BIM)	2,710,421	2,107,042
Application fees	89,175	69,994
	<u>8,903,690</u>	<u>7,071,609</u>

### 4.b Details of fee income

	2020 £	2019 £
Fee income for taught awards (exclusive of VAT)	9,451,790	8,023,978
Fee income for research awards (exclusive of VAT)	171,974	222,368
Fee income from non-qualifying courses (exclusive of VAT)	303,576	514,905
	<u>9,927,340</u>	<u>8,761,251</u>

### 5.a Other educational income

	2020 £	2019 £
Income from funded research	171,974	222,368
Executive education income	788,496	1,400,970
Seminars and conferences	48,158	55,508
Job Retention Scheme / Furlough income	82,077	-
Other educational income	236,439	208,605
	<u>1,327,144</u>	<u>1,887,451</u>

# ESCP Europe Business School

## Notes to the financial statements Year ended 31 December 2020

### 5.b Other income

	2020 £	2019 (*) £
Expenses recharged to clients	48,882	9,390
Reimbursement of Freeholder's costs	85,464	668,836
Other miscellaneous income	56,804	90,050
	<u>191,150</u>	<u>768,276</u>

(\*) The 2019 other income as disclosed in the prior year signed accounts has been restated by £399,683k to reclassify the write back of a provision as a credit against expenditure rather than as a credit to other income.

### 6. Analysis of total expenditure

#### Charitable expenditure

	Staff costs £	Depreciation £	Direct costs (*) £	Support costs £	Total £
<b>2020</b>					
Charitable activities (*)	<u>6,190,299</u>	<u>264,014</u>	<u>3,412,504</u>	<u>420,035</u>	<u>10,286,852</u>
<b>2019</b>					
Charitable activities (*)	<u>6,209,759</u>	<u>199,158</u>	<u>4,105,050</u>	<u>300,922</u>	<u>10,814,889</u>

#### Direct costs

Direct costs consist of:

	2020 £	2019 (*) £
Personnel recharged	800,177	1,375,691
Premises	1,063,171	1,270,988
Administration of the School	387,653	360,439
Marketing and recruiting	899,938	952,906
Other	261,565	145,026
	<u>3,412,504</u>	<u>4,105,050</u>

(\*) The 2019 direct costs within charitable activities as disclosed in the prior year signed accounts has been restated by £399,683k to reclassify the write back of a provision as a credit against expenditure rather than as a credit to other income. In 2020, there has been a further write back of a provision credited against expenditure of £194,080.

# ESCP Europe Business School

## Notes to the financial statements Year ended 31 December 2020

### 6. Analysis of total expenditure (continued)

#### Support costs

Support costs consist of:

	2020	2019
	£	£
Finance – foreign exchange loss	15,936	47,990
Information technology	217,142	174,720
Governance costs	186,957	78,212
	<u>420,035</u>	<u>300,922</u>

Governance costs includes:

	2020	2019
	£	£
Legal and professional fees	48,915	16,258
Statutory fees (UCAS, QAA and CLA)	138,042	61,954
	<u>186,957</u>	<u>78,212</u>

Included in expenditure are the following:

	2020	2019
	£	£
Fees payable to the company's auditor for the audit of the company's accounts (inc. VAT)	33,840	28,800
Non-audit fees paid to the company's auditors (inc. VAT)	3,000	3,646
Fees payable to the company's auditor for the audit of the subsidiary's accounts (inc. VAT)	3,780	3,600
Depreciation	264,014	199,158
Operating lease rentals: plant & equipment	<u>61,773</u>	<u>78,951</u>

# ESCP Europe Business School

## Notes to the financial statements Year ended 31 December 2020

### 7. Analysis of staff costs

	2020	2019
	£	£
Wages and salaries	4,012,920	3,692,619
Social security costs	497,533	461,747
Pension costs	594,859	466,389
USS pension deficit adjustment	141,206	561,054
	<u>5,246,518</u>	<u>5,181,809</u>
Teaching fees invoiced	521,801	534,615
Temporary administration	212,751	207,456
Staff welfare costs	151,806	105,627
Recruitment and staff training costs	51,247	147,072
	<u>6,184,123</u>	<u>6,176,579</u>
Personnel recharged by ESCP EUROPE Paris	6,176	33,180
	<u>6,190,299</u>	<u>6,209,759</u>

The average monthly number of employees during the year was 121 (2019: 128) made up as follows:

	2020 No.	2019 No.
Teaching	56	57
Administration	57	49
Student workers	8	22
	<u>121</u>	<u>128</u>

The Trustees did not receive any remuneration during the year (2019: £nil). No Trustee (2019: one) received any reimbursement for travel costs during the year.

In 2020, the School took advantage of the Furlough Scheme implemented by the government. A total of £82,077 was received from HMRC and reported under other educational income at the end of the year.



# ESCP Europe Business School

## Notes to the financial statements Year ended 31 December 2020

### 7. Analysis of staff costs (continued)

The number of employees, excluding the UK Dean, employed by the School during the year whose basic salary is above £100k is:

	2020 No.	2019 No.
£100,000 - £104,999	-	1
£105,000 - £109,999	1	-
£110,000 - £114,999	2	1
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	1	1
£135,000 - £139,999	-	-
	<u>4</u>	<u>3</u>

In accordance with the OfS Accounts Direction, this data does not include any staff who joined or left during the year.

Included below are the emoluments of the UK Dean of the School, Professor Simon Anthony Mercado:

	2020 £	2019 £
Basic salary	144,471	135,119
Pension contributions	30,483	26,431
Performance-related pay and other bonuses	14,400	10,728
Other taxable benefits		
- Subsidised accommodation	10,187	10,415
Non-taxable benefits		
- Living accommodation	2,368	2,842
	<u>201,909</u>	<u>185,535</u>

Salaries are stated gross, before deductions of pension contributions made under the School's pension plan.

The UK Dean is regarded as carrying representative status and is required, in accordance with his contract of employment, to live in School provided accommodation for more effective performance of his duties. The flat occupied by the UK Dean is part of the legacy of former students' residence area and is made up of two former bedrooms which have been joined up and refreshed cosmetically in 2015 before the Dean's arrival at the School. From this aspect, it does not represent a cost to the School's general funds. It is reported at the estimate annual income (net of costs) it could generate if let on the open market.

# ESCP Europe Business School

## Notes to the financial statements Year ended 31 December 2020

### 7. Analysis of staff costs (continued)

#### Professor Simon Anthony Mercado – ESCP Europe Business School UK Dean

Simon Mercado was previously Deputy Dean of the Nottingham University and held senior leadership roles at the same institution including Head of International Affairs and External Relations. He continues in advisory roles for other leading business schools and management education bodies of international standing.

The UK Dean's complex set of responsibilities calls for a particular combination of qualities including strategic thinking and leadership, people management, problem solving and decision-making. These demonstrated competences and the Dean's effective market value as an experienced HE leader with both U.K. and European experience, were factors in determining his ongoing remuneration.

The UK Dean's performance objectives for the year are set by the Executive President of the ESCP Group on the advice of the remuneration committee of the School at the beginning of the calendar year. The Chair of the Board of Trustees / the Executive President of the ESCP Group undertake an annual performance review of the UK Dean against the objectives, the results of which are reported to the Remuneration Committee. The Committee uses this information as the basis for assessing progress against agreed outcomes at the end of the year.

The UK Dean's pay ratio, based on basic pay as a ratio of the median basic salary of all staff was 3.79 in 2020 (2019: 3.85). The total remuneration ratio (including accommodation) was 5.13 in 2020 (2019: 5.22). Basic salary and total remuneration are based on full-time equivalent pay for permanent and contract staff employed during 2020. Ancillary expenditures included the provision of housecleaning for a total of £2,368 (2019: £2,842).

Key management personnel remuneration (including pension contributions but excluding employer's NIC) in 2020 was £1,103,388 (2019: £1,575,031) in relation to 10 (2019: 20) staff members. Total employer's NIC paid in respect of key management personnel of the Charity for the year totalled £119,507.47 (2019: £197,386). No compensation for loss of office was paid to any key management personnel in 2020. The key management personnel are defined on page 12.

# ESCP Europe Business School

## Notes to the financial statements Year ended 31 December 2020

### 8. Tangible fixed assets

#### Group and Company

	Freehold Improve- ments £	IT equipment £	Office furniture and equipment £	Total £
<b>Cost</b>				
At 1 January 2020	624,787	423,639	67,887	1,116,313
Additions	111,178	189,333	39,690	340,201
Disposals	-	(117,417)	(2,614)	(120,031)
At 31 December 2020	735,965	495,555	104,963	1,336,483
<b>Accumulated depreciation</b>				
At 1 January 2020	201,152	220,792	28,521	450,465
Charge for year	127,570	120,037	16,407	264,014
Disposals	-	(117,417)	(2,614)	(120,031)
At 31 December 2020	328,722	223,412	42,314	594,448
<b>Net book value</b>				
At 31 December 2020	407,243	272,143	62,649	742,035
At 31 December 2019	423,635	202,847	39,366	665,848

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

	2020 £	2019 £
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 2020

### 9. Investments (continued)

The subsidiary had the following results in the year:

	2020 £	2019 £
Turnover	414,322	709,029
Expenditure	(339,883)	(591,718)
Profit before gift aid to the parent company	74,439	117,311
Gift aid	(74,439)	(117,311)
Profit after gift aid to the parent company	-	-
Assets	358,190	478,477
Liabilities	(358,190)	(478,477)
Net liabilities	-	-

### 10. Debtors

	2020 Group £	2020 Company £	2019 Group £	2019 Company £
Trade debtors	2,049,252	1,892,002	973,724	501,021
Prepayments and accrued income	460,515	538,319	303,918	480,437
Other debtors	50,700	22,389	164,265	55,789
Amounts due from subsidiary undertaking	-	150,598	-	153,567
Donation gift-aided by subsidiary undertaking	-	74,439	-	117,311
CCIR debtor (pension liability commitment)	1,261,409	1,261,409	1,261,409	1,261,409
	3,821,876	3,939,156	2,703,316	2,569,534

# ESCP Europe Business School

## Notes to the financial statements Year ended 31 December 2020

### 11. Creditors: amounts falling due within one year

	2020		2019	
	Group £	Company £	Group £	Company £
Trade creditors	402,905	271,315	820,091	504,138
Taxation and social security	152,393	152,393	157,711	157,711
Other creditors	125,189	125,189	337,211	337,211
Accruals and deferred income	3,111,420	3,109,858	1,418,088	1,457,607
EESC current account	-	-	164,394	164,394
	<u>3,791,907</u>	<u>3,658,755</u>	<u>2,897,495</u>	<u>2,621,061</u>
	2020 Group £	Company £	2019 Group £	Company £
<b>Reconciliation of movement in deferred income</b>				
Balance brought forward	1,272,148	1,135,148	936,101	936,101
Amount released to SOFA during the year	(1,272,148)	(1,135,148)	(936,101)	(936,101)
Amount deferred during the year	<u>2,900,285</u>	<u>2,820,920</u>	<u>1,272,148</u>	<u>1,135,148</u>
<b>Balance carried forward</b>	<u>2,900,285</u>	<u>2,820,920</u>	<u>1,272,148</u>	<u>1,135,148</u>

### 12.a Pension liability

#### USS latest valuation update

The latest available complete actuarial valuation of the Retirement Income Builder (defined benefit) component of USS is at 31<sup>st</sup> March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31<sup>st</sup> March 2020 is underway but not yet complete.

Since the School cannot identify its share of the USS Retirement Income Builder (defined benefit) component assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion, indicating a shortfall of £3.6 billion and a funding ratio of 95 per cent.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in USS Statement of Funding principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the fixed interest and index linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI + 0.14% reducing linearly to CPI - 0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21+: CPI + 1.55%

The main demographic assumptions used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

# ESCP Europe Business School

## Notes to the financial statements Year ended 31 December 2020

### 12.a Pension liability (continued)

Mortality base table	<b>2018 valuation</b>	
	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females	
	Post retirement: 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females	
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females	

  

	<b>2018 valuation</b>	<b>2017 valuation</b>
Males currently aged 65 (years)	24.4	24.6
Females currently aged 65 (years)	25.9	26.1
Males currently aged 45 (years)	26.3	26.6
Females currently aged 45 (years)	27.7	27.9

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2 per cent of salaries over the period 1<sup>st</sup> October 2019 to 30<sup>th</sup> September 2021 at which point the rate will increase to 6 per cent. The 2020 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	<b>2020</b>	<b>2019</b>
Discount rate	0.28%	0.57%
Pensionable salary growth	2%	2.5%

### Sensitivity analysis

As set out in the accounting policies, there are some critical estimates made in assessing the obligation to fund the USS deficit. The sensitivity of the principal assumptions used to measure the USS deficit provision are set out below:

<b>Change in assumptions at 31st December 2020</b>	<b>Approximate impact on deficit of £1.4m</b>	<b>Impact</b>
	<b>£'000</b>	
0.25% pa decrease in discount rate	16	Increase
0.25% pa increase in salary inflation over duration	48	Increase
0.25% pa increase in salary inflation year 1 only	3	Increase
0.25% increase in staff changes over duration	16	Increase
0.25% increase in staff changes year 1 only	4	Increase
1% increase in deficit contributions	25	Increase

# ESCP Europe Business School

## Notes to the financial statements Year ended 31 December 2020

### 12.a Pension liability (continued)

#### *Pension provision*

At 31 December 2019, the value of the provision related to the USS pension deficit of the School was £1,261,409. In 2020, a net release of £49k was made against the previous year provision and asset. To reflect the increase in the level of contributions as imposed by USS to its member institutions in 2020, an additional provision of £190k was made against the SOFA thus bringing the net liability to a balance of £1,402k at year end, and the net EESC asset remaining at a balance of £1,261k.

	2020 £	2019 £
<b>Group and company</b>		
At 1 January	1,261,409	700,354
Charged / (Released) to the SOFA	141,206	561,055
<b>At 31 December</b>	<b>1,402,615</b>	<b>1,261,409</b>

# ESCP Europe Business School

## Notes to the financial statements Year ended 31 December 2020

### Reconciliation of the charge / (credit) made through the SOFA

	2020 £	2019 £
Payments made during the year	(56,469)	(98,015)
Unwinding of discount	7,190	9,594
Adjustments	190,485	649,476
<b>Total charged / (credited) to SOFA</b>	<b>141,206</b>	<b>561,055</b>

### 12.b Creditors: amounts falling due after one year

#### *Loan Financing Agreement*

In September 2020, the School requested a five-year Loan Financing Agreement from its parent company the EESC with a view to assist with the financing of essential internal refurbishments which took place during the summer 2019. The total amount of the loan was agreed for an amount of £250,064, bearing an interest of 4% over the duration of the loan. At the end of the year, repayments of £50,013 for the principal of the loan and of £9,586 for the 2020 related interests was made, bringing the balance of the loan at £189,632 at year end.

	2020 £	2019 £
<b>Balance at the beginning of the year</b>	<b><u>239,645</u></b>	<b><u>250,064</u></b>
Repayment during the year (principal)	(50,013)	(10,419)
Interests due at year end	-	-
<b>Balance at the end of the year</b>	<b><u>189,632</u></b>	<b><u>239,645</u></b>
Total charged to SOFA (interests)	9,586	2,084

### 12.c Consolidated reconciliation of net debt

	2020 £
<b>Net debt opening balance - 1 January 2020</b>	<b>1,046,509</b>
Movement in cash and cash equivalent	870,389
Interests on borrowings	(9,586)
<b>Net debt closing balance - 31 December 2020</b>	<b>1,907,312</b>
<b>Change in net debt</b>	<b>860,803</b>



# ESCP Europe Business School

## Notes to the financial statements Year ended 31 December 2020

### 12.c Consolidated reconciliation of net debt (continued)

	2020 £	2019 £
<b><u>Analysis of net debt</u></b>		
<b>Cash and cash equivalents</b>	<b>2,096,945</b>	<b>1,226,556</b>
Borrowings: amount falling due within one year		
Unsecured loans	(50,012)	(50,012)
Borrowings: amount falling due after more than one year		
Unsecured loans	(139,621)	(189,633)
<b>Net debt</b>	<b>1,907,312</b>	<b>986,911</b>

### 12.d Financial instruments

<b><u>Financial assets</u></b>	<b>Group 2020</b>	<b>Company 2020</b>	<b>Group 2019</b>	<b>Company 2019</b>
Cash and cash equivalent	2,096,945	1,846,511	1,226,556	1,083,903
Trade debtors	2,049,252	1,892,002	973,724	501,021
<b><u>Financial liabilities</u></b>	<b>Group 2020</b>	<b>Company 2020</b>	<b>Group 2019</b>	<b>Company 2019</b>
<b>Financial liabilities measured at amortised cost</b>				
Loans	189,633	189,633	239,645	239,645
Trade creditors	402,905	271,315	820,090	504,138
Other creditors	277,583	277,583	494,922	494,922

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.

# ESCP Europe Business School

## Notes to the financial statements Year ended 31 December 2020

### 13. Net assets of the charity

	Fixed assets/ Investments £	Net current assets £	Loan £	Provision s £	Fund balances £
<b>2020</b>					
Unrestricted funds	<u>742,036</u>	<u>2,126,912</u>	<u>(189,632)</u>	<u>(1,402,615)</u>	1,276,701
<b>2019</b>					
Unrestricted funds	<u>665,848</u>	<u>1,032,377</u>	<u>(239,645)</u>	<u>(1,261,409)</u>	<u>197,171</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 2020.

### 15. Related party transactions

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

	<b>2020</b> £	<b>2019</b> £
Provision of rent-free premises	615,000	500,000
Additional funding of the pension deficit by the EESC	-	561,055
Undergraduate programme fee income	2,710,421	2,107,042
Postgraduate programmes – Full-time Masters fee income	<u>4,242,534</u>	<u>3,326,585</u>

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

	<b>Income/recharges</b>		<b>Debtor at 31 December</b>	
	<b>2020</b> £	<b>2019</b> £	<b>2020</b> £	<b>2019</b> £
EESC ESCP EUROPE	7,565,755	6,605,902	361,438	121,378
ESCP EUROPE Madrid	35,982	64,769	22,902	25,472
ESCP EUROPE Berlin	123,689	130,737	11,833	24,208
ESCP EUROPE Turin	22,307	7,831	15,052	-
ESCP EUROPE Foundation	40,307	62,910	-	1,880
ESCP EUROPE Corporate Services Ltd	<u>233,832</u>	<u>372,239</u>	<u>225,037</u>	<u>270,878</u>

# ESCP Europe Business School

## Notes to the financial statements Year ended 31 December 2020

### 15. Related party transactions (continued)

The following costs were also incurred during the year:

	Costs		Creditor at 31 December	
	2020 £	2019 £	2020 £	2019 £
EESC ESCP EUROPE	197,316	294,528	23,889	225,842
ESCP EUROPE Berlin	7,513	42,109	-	5,222
ESCP EUROPE Madrid	-	47,212	-	29,837
ESCP EUROPE Torino	741	9,034	-	-
ESCP EUROPE Corporate Services Ltd	69,000	88,000	-	-

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.

### 16.1 Movements on funds

	At 1 January 2020 £	Income £	Expenditure £	At 31 December 2020 £
<b>Unrestricted funds</b>				
General fund	197,171	10,952,060	(9,731,324)	1,417,907
Pension funding	-	-	(141,206)	(141,206)
<b>Unrestricted funds total</b>	<u>197,171</u>	<u>10,952,060</u>	<u>(9,872,530)</u>	<u>1,276,701</u>
<b>Total charity funds</b>	197,171	10,952,060	(9,872,530)	1,276,701
<b>Unrestricted funds</b>				
ESCP Europe CS Ltd	<u>1</u>	<u>414,322</u>	<u>(414,322)</u>	<u>1</u>
<b>Total group funds</b>	<u><u>197,172</u></u>	<u><u>11,366,382</u></u>	<u><u>(10,286,852)</u></u>	<u><u>1,276,702</u></u>

# ESCP Europe Business School

## Notes to the financial statements Year ended 31 December 2020

### 16.2 Comparative movements on funds

	At 1 January 2019 £	Income (*) £	Expenditure (*) £	At 31 December 2019 £
<b>Unrestricted funds</b>				
General fund	190,747	9,551,229	(9,544,805)	197,171
Pension funding	-	561,055	(561,055)	-
<b>Unrestricted funds total</b>	<u>190,747</u>	<u>10,112,284</u>	<u>(10,105,860)</u>	<u>197,171</u>
<b>Total charity funds</b>	190,747	10,112,284	(10,105,860)	197,171
<b>Unrestricted funds</b>				
ESCP Europe CS Ltd	1	709,029	(709,029)	1
<b>Total group funds</b>	<u>190,748</u>	<u>10,821,313</u>	<u>(10,814,889)</u>	<u>197,172</u>

(\*) The 2019 other income and direct costs within charitable expenditure as disclosed in the prior year signed accounts have been restated by £399,683k to reclassify the write back of a provision as a credit against expenditure rather than as a credit to other income.

### 17. Financial commitments

#### Operating lease commitments

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

	2020 IT equipment £	2019 IT equipment £
<b>Group and Charity</b>		
- within one year	38,876	39,562
- between one and five years	148,810	101,492
	<u>187,686</u>	<u>141,054</u>

# ESCP Europe Business School

## Notes to the financial statements Year ended 31 December 2020

### 18. Net cash flows generated from/ (used in) operating activities

Reconciliation of net income to cash generated by/ (used in) operations:

	2020 £	2019 £
Net income for the year	1,079,530	6,424
Adjustments for:		
Depreciation charges	264,014	199,158
Operating cash flow before movement in working capital	1,343,544	205,582
Increase in debtors	(1,118,560)	(581,710)
Increase in creditors	894,413	59,473
Increase / (decrease) in provisions	141,206	561,055
<b>Cash generated by/(used in) operating activities</b>	<b>1,260,603</b>	<b>244,400</b>

### 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 2019 statutory accounts.

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