



**International
House**
Trust

International House Trust Ltd
A company limited by guarantee

Trustees' report and financial statements

Year ended 31 December 2014

Company registration number (England and Wales)
Charity registration number

1239120
270860

International House Trust Ltd

Trustees' report and financial statements

Year ended 31 December 2014

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Trustees' report

Year ended 31 December 2014

Board of Trustees

Angela Dean (Chair from 17 July 2014, Vice Chair until 17 July 2014)
Matthew Bullock (retired 17 July 2014, Chair)
Gavin Dudeney
Monica Green (appointed 19 September 2014)
Simon Greenall
Philippe Lenoble (appointed 8 December 2014)
Paul Mason (Vice Chair from 8 September 2014)
Colin McMillan (retired 13 October 2014)
Gillian Murray
Maggie van Reenen
Adrian Underhill
Raul Valdivia Murgueytio (retired 21 January 2015)

**Chief Executive
Director, Finance and Systems,
and Company Secretary
Director, London Operations
Director, Sales and Marketing**

Steve Brent
Ian Powney

Justin Vollmer
Richard Bradford (until 30 September 2014)
Emma Buckby (from 1 November 2014)
Paula Fitzgerald

Head of Human Resources

Registered office

16 Stukeley Street, Covent Garden
London WC2B 5LQ

Website

www.ihlondon.com/about/ih-trust

Company registration number

1239120, incorporated on 2 January 1976
(England and Wales)

Charity registration number

270860

Auditors

Crowe Clark Whitehill LLP, St Bride's House, 10
Salisbury Square, London EC4Y 8EH

Bankers

Allied Irish Bank (UK) PLC, 10 Berkeley Square,
London W1J 6AA

Solicitors

Russell-Cooke, 2 Putney Hill, London SW15 6AB

Trustees' report

Year ended 31 December 2014

The trustees, who are the directors of the company for the purposes of the Companies Act, present their statutory annual report which includes the information set out on page 1 and the financial statements for the year ended 31 December 2014.

Strategic report

All of the company's activities are charitable; the objects of the company are the advancement of education for the public benefit by promoting and providing for:

- the teaching and testing of foreign languages, cultural awareness and associated skills, including the teaching of English as a foreign language and teaching about English culture;
- the training of teachers of foreign languages, including the teaching of English as a foreign language; and
- the professional development of language teachers and academic managers so as to raise standards worldwide.

As a charitable company there are no shareholders; the financial surplus is all available to fund future developments.

International House opened its doors in 1953 when John and Brita Haycraft established a language school in Cordoba. In 1964 John set up an educational trust committed to raising the standards of English language teaching and training worldwide.

The company operates through IH London, the IH Oxford Younger Learner Centre and, from the summer of 2014, the IH Ellesmere Younger Learner Centre.

Accreditation

Independent Schools Inspectorate (ISI) evaluation (English Language study)

ISI is an agency approved by the Home Office to carry out educational oversight inspections of independent schools, private further education colleges and English language schools in England and Wales. 2012 was the first year that language schools could be inspected by the ISI; full inspections will be held every four years with additional monitoring visits most years.

Trustees' report

Year ended 31 December 2014

ISI inspection is for the benefit of the students in colleges and seeks to improve the quality and effectiveness of their education. Inspection also provides objective and reliable reports on the quality of institutions and, by placing reports in the public domain, makes the information available to the wider community. The ISI inspection evaluates schools and colleges against a set of standards covering:

- the quality of the curriculum, teaching and learners' achievement;
- students' welfare, including health and safety; and
- the effectiveness of governance, leadership and management.

IH London had a full inspection by ISI in October 2012 and was judged to have exceeded expectations against all three standards. In particular the ISI team found that:

- *'Students and teacher trainees receive an excellent education in keeping with the school's aims';*
- *'Teaching overall is of a high calibre, creating excellent opportunities for students to realise their individual potential';*
- *'Teachers are highly qualified and have excellent subject knowledge';*
- *'Individual student records show very good student achievement and progression through levels';*
- *'The leadership and management of the school exceed expectations'; and*
- *'The school takes seriously its responsibility for the safeguarding of students under 18 and vulnerable adults, and well-defined policies and procedures are in place to ensure welfare, health and safety of all students'.*

A further monitoring visit in 2013 indicated that the school continued to exceed expectations in all three areas and that the next monitoring visit would be in 2015.

For full details please access the ISI website: www.educationaloversight.co.uk

UK Visa sponsorship

The company holds a current Highly Trusted Sponsor licence issued by the UK Visa and Immigration Authority (issued annually, most recently in November 2014) and also a Tier 4 licence which was reviewed in February 2013 and extended until March 2017.

Other accreditation and programmes

IH London is an Accredited Member (and Founder Member in 1991) of Equals (Evaluation and Accreditation of Quality in Languages Services), the only independent international quality assessor for language schools.

Trustees' report

Year ended 31 December 2014

IH London was inspected by Eaquals (a joint inspection by Eaquals and International House World Organisation) in August 2014 and met the high standards required for Eaquals accreditation. The Eaquals confirmatory letter said: "The teaching, the course programmes, as well as the course organisation, the learning resources, testing and evaluation were all judged to be of high quality. It was found that the institution takes great care to protect the welfare of its clients and staff, and all publicity materials produced by the institution are accurate and truthful."

IH London is accredited by Accreditation UK (the British Council and English UK) for the teaching of English, and is a Cambridge Examinations Centre for Main Suite, IELTS (the International English Language Testing System) and TOEIC (Test of English for International Communication). IH London is also a member of the professional body representing the accredited English Language Teaching sector, English UK. We hosted the English UK business group conference for the seventh year in 2014. The school was last inspected in June 2013 and received a very positive report which said:

- *'Strengths were noted in the areas of staff management, student administration, quality assurance, premises and facilities, learning resources, academic management and care of students and leisure opportunities.'*

IH London was last reaccredited with the Investor in People standard in March 2012. Comments from the assessor included:

- *'The organisation demonstrates a wide range of excellent people practices and people value the fact that the business embraces continuous improvement and is willing to tackle issues and concerns';*
- *'People strive to live the values and ethos of the organisation and are fully committed to delivering a 'first class student experience' ;*
- *'People look forward to the future under the astute stewardship of the CEO and are reassured that IHL is continuing to develop new opportunities'.*

Language courses

Every year over 7,000 students from over 150 nationalities choose IH London, IH Oxford and IH Ellesmere for their language and training needs.

Our continued success is due in no small part to our highly skilled, friendly and knowledgeable teachers; many are also teacher trainers bringing innovative teaching methods and resources to their classes. Leading course books such as *Cutting Edge* and *Headway* were written by current or former teachers and trainers at IH London.

Learning languages can be a great benefit to students in broadening horizons and becoming citizens of the wider world.

Trustees' report

Year ended 31 December 2014

London is home to more international students than any other city in the world. IH London is the largest single-site language school in the capital, having moved in 2007 to 16 Stukeley Street, Covent Garden in the heart of the West End.

The school has 52 modern air-conditioned classrooms on 5 floors and is light, airy and spacious, well-equipped with the latest modern technology including a student computer room with 30 machines, has free broadband wifi access, a digital language laboratory, a learning resource centre with over 10,000 books, journals and online resources. There are video and audio streaming facilities in all classrooms and interactive whiteboards in most classrooms. We have a café providing hot and cold food and drinks.

We research new materials and improved techniques for classroom teaching, and we organise and participate in educational conferences and seminars.

If required we arrange accommodation in home stays, halls of residence and shared houses in London on good access routes for students. We also arrange airport transfers. To deal with increasing levels of enquiries and bookings we introduced an enhanced telephone system in 2014. Information about courses provided by IH London, IH Oxford and IH Ellesmere is shown on the IH London website, www.ihlondon.com.

English as a foreign language

We offer English courses to improve a student's everyday English, enable study for an English language examination, and to prepare for a new job or to study in the UK.

Our General English courses are offered full or part time during the day or evening. We teach English at 13 different levels which are linked to the Common European Framework of Reference for Languages: Learning, Teaching, Assessment (CEFR) from beginner (A1) through to advanced (C2) enabling students to learn alongside others of a similar ability from all over the world. The duration of our courses ranges from 1 to 36 weeks, our average class size is 10, and we ensure that there is a good mix of nationalities within each class. We increased the frequency of course starting dates to weekly during 2014.

Our IELTS preparation courses (Cambridge International English Language Testing System) comprise intensive lessons focusing on the academic skills needed to pass the IELTS test: reading, listening, speaking and writing. As a Secure English Language Test with high quality controls IELTS is recognised for visa and immigration purposes and is accepted by more than 8,000 organisations worldwide (also see the section on page 8 below on our IELTS tests):

- Universities, schools, training colleges and tertiary institutes;
- Government departments and agencies;
- Professional and industry bodies; and
- Multinational companies and employers.

Trustees' report

Year ended 31 December 2014

Our specialist Business English courses cater for a wide range of professionals including lawyers, doctors, human resources, banking and finance specialists, engineers and journalists, all run by our dedicated Executive English department. We help business people to communicate more clearly, for example to help handle cross-border negotiations, manage international staff and deal with cultural differences. Our average class size is four and we provide tailor-made courses for individual companies across multiple sites.

We also provide in-house cultural training programmes tailored to individual organisations' needs; current examples include companies and institutions in China, India, Russia, Brazil, Japan, the UK, Western Europe, Asia and the Middle East.

As well as delivering the best in language learning, we aim to provide an excellent all-round experience to enable our students to enjoy their stay with us including discovering the local culture. We offer students a very lively social programme, including free and discounted events and weekends in the UK and further afield in Europe.

Young Learner programmes at IH Oxford and IH Ellesmere

Our young learner residential programmes run at two of England's leading boarding schools:

- Our established centre is at St Edward's School in Oxford; this operates at Easter and the summer for students aged between 12 and 17 to learn English as a foreign language, with a maximum of 15 students per class. Courses range from 2 to 5 weeks.
- In 2014 we opened our second centre at Ellesmere College in Shropshire; this operates in the summer for students aged between 8 and 11 (Discover English) and 12 and 17 (Active English or English Plus) to learn English as a foreign language, with a maximum of 12 students per class on the Discover English programme and a maximum of 15 on both the Active English and English Plus programmes. Courses range from 1 to 6 weeks.

Each weekly programme includes 15 hours of general English classes, supervised afternoon and evening activities, plus one full and one half day excursion to places of cultural interest. Active English students can choose from the following professionally coached activities which they do for a further 6 hours per week: outdoor adventure, horse riding and swimming (all at Ellesmere only), tennis, football, drama, dance, digital photography, art and design, basketball, and golf. English Plus students take up extra English classes in the afternoons for a further 6 hours per week.

The facilities at both schools include a dining hall, secure boarding houses including common lounge areas, televisions and computers, and house supervisors to support every child. There is a high level of security and all staff are vetted and trained to work with children. Personal insurance is included in every course fee.

Trustees' report

Year ended 31 December 2014

Modern languages

During the year IH London provided a range of courses to students of modern languages (mainly Arabic, French, German, Italian, Japanese and Spanish). Options include evening courses and one-to-one tuition, and we also provide individual and group programmes abroad, where possible through the International House affiliate network or an EAQUALS accredited school.

We operate a partnership with Specialist Language Courses Ltd to promote our courses, particularly for in-company training across the widest range of languages.

In 2014 we ran an eighth successful Modern Languages conference for over 100 delegates from language schools, universities and language promotion institutes.

Teacher training courses

IH London is the largest and longest established language teacher training school in London, training teachers to teach English and other languages and obtain internationally recognised teaching qualifications. Our teacher trainers are also directly involved in providing teaching on our own courses to maintain their own direct experience of teaching.

John Haycraft introduced the first training programme for teachers of English as a Foreign Language, blending teaching theory and practice. The teacher training course developed at International House was the forerunner of today's Cambridge English (English for Speakers of Other Languages) CELTA (Certificate in Teaching English as a Foreign Language to Adults), a highly regarded introductory teacher training qualification accepted by British Council teaching centres and private sector language training organisations worldwide.

In 2014 IH London continued to expand its e-Learning programme of teacher training. As well as growing numbers on existing online and blended (mixture of face-to-face and online) courses, we provide a blended CELTA (in collaboration with Cambridge English) offering trainees a more flexible option. We have increased our range of online teacher training including the training of teachers in online teaching skills.

The IH Certificate in TESOL (Teaching of English for Speakers of Other Languages) is designed for non-native speakers who would like to teach English as a foreign language.

We offer a substantial programme of continuing professional development including the Cambridge English DELTA (Diploma in English Language Teaching), Trinity Cert IBET (Certificate of International Business English Training), educational management qualifications, TKT KAL (Teaching Knowledge Test – Knowledge About Language), CLIL (Content and Language Integrated Learning), British culture and teaching skills.

Our programme of European Teaching Qualifications provides CLTA (Certificate in Language Teaching to Adults) courses for French, Italian and Spanish.

Trustees' report

Year ended 31 December 2014

Examinations

IH London administers examinations on behalf of Cambridge English; IELTS (the International English Language Testing System) is the most important. We operate a large examination centre in London and a further IELTS examination centre in association with IH Bristol. In 2014 we opened new centres in Birmingham, Nottingham, Greenford, Newcastle, Coventry, Edinburgh, Limerick and Galway in association with our delivery partner Mobile Testing Solutions. We delivered more IELTS tests in 2014 than any other UK centre.

Widening access

Partnerships with CRISIS, STAR and teacher scholarships

Our programme to teach English to single homeless people in London in partnership with the charity CRISIS (website: www.crisis.org.uk) provides free 10 week courses of 20 hours a week, plus special schemes, for example to train qualified doctors for IELTS.

In 2014 we further developed our partnership with STAR (Student Action for Refugees) to provide language teaching support for volunteers from over 30 university groups across the UK.

We also work with St Marylebone High School supporting their social inclusion project which involves training sixth formers to support parents whose first language is not English in school communications in the local area.

We provide the venue for the Prisoners' Educational Trust meetings (6 a year) and support 20 children each year on the police safety scheme.

In 2014 we provided funding for six IATEFL scholarships (International Association of Teachers of English as a Foreign Language) to enable teachers from other countries to attend the annual conference: two John Haycraft Classroom Exploration Scholarships, one International House Training & Development Scholarship, two International House Global Reach Scholarships, and a new Brita Haycraft Better Spoken English Scholarship all enabling participation at the annual IATEFL professional conference.

Our total financial contribution to these wider access programmes was £79,000 in 2014.

In 2014 we worked with IATEFL to introduce an IH Trust/IATEFL Training Award which enables English language teachers in the developing world to apply for the Award which consists of 20 training days to be delivered in their own country or region by one or two IH Trust teacher trainers.

Trustees' report

Year ended 31 December 2014

Free and subsidised courses

International House Trust provides a substantial programme of free lessons (or lessons at a nominal cost) both in English as a Foreign Language and in Modern Languages to disadvantaged people in London, widening access to those who might not be able to afford the full cost of such courses. Those benefiting include unemployed people, au pairs and others who can demonstrate their need. In 2014 over 2,600 such students attended courses.

These courses are provided by supervised trainee teachers as part of their own training. Had the training been delivered by fully qualified teachers the benefit less the notional fees received would have been equivalent to over £1.7m.

International House World Organisation

International House Trust Ltd holds 50% of the authorised share capital (plus one affiliate share) of International House World Organisation Limited (IHWO), a company serving the international affiliate network of 150 private and independent language schools in 50 countries, each bearing the International House brand name and employing a common methodology of teaching.

We work with IHWO in protecting the International House brand worldwide. Further detail about IHWO is provided on their website, www.ihworld.com.

Objects, achievements and performance

The trustees have had due regard to the Charity Commission's guidance on public benefit when considering the company's objectives and activities. The company relies on fee income earned in a competitive market place to cover its operating costs.

2014 was a demanding year, with softer demand for General English although there was good growth in other activities including Teacher Training. The objectives set for the year, all of which were achieved in 2014, were:

- to undertake a number of teaching quality enhancements, including greater use of information technology and systems;
- to improve the total customer experience;
- through the work of IH London and in cooperation with other external organisations, to identify and fund other initiatives to widen access;
- to work with partners to develop distance learning programmes particularly in the fields of teacher training and educational management;
- to further develop our portfolio of modern languages courses.
- to continue development of high quality residential Younger Learner courses; and
- to develop programmes for in-country provision with overseas partners of General English and Teacher Training.

Trustees' report

Year ended 31 December 2014

The company's main objectives for 2015 are to continue the ongoing objectives set out above, and to consolidate the new initiatives begun in 2014, including:

- to expand the examinations business; and
- to introduce a new system to manage our core database for student bookings and contact management.

Risk management

The trustees continue to monitor key financial performance indicators. During the year, the trustees conducted an annual review of the major risks faced by the company and have taken appropriate steps to mitigate risks. The main financial risk, as identified by the trustees, lies in the performance of IH London, IH Oxford and IH Ellesmere and our ability to service the bank loan. This risk is reduced by close oversight of trading performance. The trustees have also considered specific financial and operating risks, including price competition, creditworthiness of clients, the company's liquidity and cash flow requirements.

The trustees have considered the issues raised in *Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009* issued by the Financial Reporting Council. The trustees have reviewed the main trends and factors affecting future developments, performance, the market position of IH London, IH Oxford and IH Ellesmere, the potential impact of the worldwide economic outlook, currency variations, possible changes in UK legislation and the company's obligations and covenants under agreements relating to property, the bank loan and other contracts, and have reviewed trading and cash projections to December 2017. Based on the information prepared and the available forecasts the trustees are satisfied that the company is a going concern.

The company operates a business continuity plan in order to mitigate potential problems arising from any unavailability of the property or information systems. This includes an arrangement to relocate core administration functions to another location in London at short notice.

Company performance in 2014

The net income of £115,915 is slightly lower than the £153,958 achieved in 2013. The trustees have taken action to restore the level of net income in future years including the production of new courses to attract broader demand, evaluation of wider markets, and improving the flexibility of the cost base including staff arrangements.

Trustees' report

Year ended 31 December 2014

Financial review

Total incoming resources for 2014 amounted to £15,146,625 (2013: £13,360,792). The net income was £115,915 in 2014 (2013: £153,958). Expenditure for the year on charitable activities was £14,899,750 (2013: £12,963,188).

The company repaid £364,112 (2013: £360,294) of its long-term secured loan, reducing the loan to £2,962,352 at 31 December 2014 (2013: £3,326,464). The loan is secured on the property at 16 Stukeley Street and is repayable over the next 11 years. Net cash indebtedness (the loan less cash and cash investments) stood at £1,111,849 at 31 December 2014 (2013: £1,941,230).

Reserves

The company's reserves are constituted wholly by unrestricted funds. As at 31 December 2014 the reserves stood at £11,572,335 (2013: £11,456,420). The company pursues a policy of maintaining and where possible increasing the reserves in order to support the company's ongoing activities.

The trustees maintain a planned level of cash and short term deposits, taking account of:

- the company's charitable purposes;
- operational and financial risks and seasonal fluctuations; and
- cash which may be needed for future developments.

The underlying free reserves of the company stood at £nil at 31 December 2014 (2013: £nil) represented by cash and short term deposits less deferred income and other net liabilities.

Cash generated which is surplus to these requirements will continue to be applied to making improvements to the company's facilities and investing in other future charitable activities.

The trustees consider that the current levels of free reserves and cash are adequate, given that:

- the majority of income is received in advance of courses starting which provides the company with a strong cash flow;
- the company has a history of generating trading surpluses as well as cash inflows from its activities; and
- the company has the possibility of recourse to additional finance secured on the freehold property if required for future investments.

The company maintains its short term deposits divided between several banks in order to obtain the best risk free market return.

Trustees' report

Year ended 31 December 2014

Structure, governance and management

The company is governed by its Memorandum and Articles of Association adopted on 2 January 1976 and last amended on 28 September 2009.

There must be at least 7 but no more than 15 trustees. All trustees are also the members of the company; the guarantee of each member is limited to £1. Trustees serve for a term of four years and may be appointed to serve for one further term (or in the case of a Chair or former Chair two further terms).

Trustees are recruited by advertisement and by the personal recommendation of existing trustees and interviewed by the Nominations Committee. Candidates are appointed as a trustee by a resolution passed by the Board. New trustees are provided with an induction programme and ongoing training is arranged as needed for all trustees. In 2014 we welcomed new trustees Monica Green and Philippe Lenoble.

The Board records its gratitude to three trustees who retired: Matthew Bullock (Chair since 2011), Colin McMillan and Raul Valdivia Murguetio.

The Board of Trustees met 5 times in 2014 including an Awayday. These meetings help to ensure that the trustees can be satisfied that the company will continue to trade successfully and is a going concern. Issues which the trustees consider include:

- Academic excellence
- Customer service excellence
- Use of technology in both teaching and administration
- International growth in demand for English language learning both in the UK and in other countries
- Major developments to expand our offer in the longer term
- Staff and organisational development
- Capital investment proposals
- Cash requirements including loan finance

The Board of Trustees delegates day-to-day responsibilities for management to the senior management team, led by Steve Brent as Chief Executive.

Further detail about the activities of International House Trust and about the trustees is shown on the trust section of the IH London website, www.ihlondon.com/about/ih-trust

Board committees

The Audit Committee (which met twice in 2014) is responsible for monitoring the management of the risks facing the company and reviewing the annual financial statements. During the year the committee received the report from the independent auditors on the 2013 trustees' report and statutory financial statements and recommended these for approval by the Board of Trustees. The Committee comprised Maggie van Reenen (Chair), Angela Dean (until 27 May 2014), Gillian Murray, Paul Mason and Adrian Underhill (from 27 May 2014).

Trustees' report

Year ended 31 December 2014

The Nominations Committee (which met twice in 2014) is responsible for reviewing the composition and governance of the Board and for developing policies for managing trustee rotation. The Committee comprised Angela Dean (Chair), Matthew Bullock (until 17 July 2014), Simon Greenall and Maggie van Reenen.

The Finance and General Purposes Committee (which met 5 times in 2014) is responsible for advising the Board on matters such as the school's business and financial performance, loan servicing, capital expenditure and issues relating to property as well as a general remit to prepare issues for presentation to the Board. The Committee comprised Paul Mason (Chair from 17 July 2014), Angela Dean (Chair until 17 July 2014), Matthew Bullock (until 17 July 2014), Raul Valdivia Murgueytio (until 21 January 2015), Maggie van Reenen and Gavin Dudeney (from 27 May 2014).

The Public Benefit and Partnerships Committee (which met 3 times in 2014) is responsible for developing the company's wider access agenda. It considered the development of the IATEFL scholarships and partnerships with CRISIS to deliver English language training to disadvantaged people and with STAR (Student Action for Refugees). The Committee comprised Gillian Murray (Chair), Raul Valdivia Murgueytio (until 21 January 2015), Simon Greenall, Angela Dean (until 27 May 2014), Gavin Dudeney and Adrian Underhill (both from 27 May 2014).

The Remuneration Committee (which met 3 times in 2014) is responsible for reviewing and agreeing remuneration policies for senior management, for which it has been given delegated authority, and also reviewing the remuneration policies for all staff. The Committee comprised Angela Dean (Chair from 17 July 2014), Matthew Bullock (until 17 July 2014, Chair), Paul Mason and Maggie van Reenen.

Governance of International House World Organisation Ltd

Until 29 April 2014 the company appointed three members of the board of directors of IHWO (International House World Organisation Ltd). They were Matthew Bullock, Colin McMillan and Steve Brent. On that date IHWO adopted a new constitution including two board members appointed by the company. These are Steve Brent (from 29 April 2014) and Simon Greenall (from 19 September 2014).

Equals

As part of our contribution to the wider international language teaching community, both Steve Brent and Justin Vollmer are trained Equals and International House language school inspectors, and Ian Powney is elected as Equals Treasurer.

Trustees' report

Year ended 31 December 2014

Statement of trustees' responsibilities

The trustees (who are the directors of the company for the purposes of company law) are responsible for preparing the trustees' report and the financial statements in accordance with applicable law and regulations. Company law requires the trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

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 affairs of the company and of its net incoming resources 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 Charity Statement of Recommended Practice (SORP);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue to operate.

The trustees are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the trustees is aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- each of the trustees has taken all steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

The trustees' report including the strategic report on pages 9 to 12 was approved by the Board of Trustees on 25 April 2015 and signed on its behalf by:

Angela Dean, Chair

Independent auditor's report
Year ended 31 December 2014

We have audited the financial statements of International House Trust Limited for the year ended 31 December 2014 on pages 18 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic Report and the Trustees' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditor's report
Year ended 31 December 2014

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Tina Allison
Senior Statutory Auditor
For and on behalf of CROWE CLARK WHITEHILL LLP
Statutory Auditor
London

27 April 2015

**Statement of financial activities
incorporating an income and expenditure account**
Year ended 31 December 2014

	Note	2014 £	2013 £
Incoming resources from generated funds			
Property rental income		147,995	205,201
Investment income		8,323	13,205
Incoming resources from charitable activities			
Teaching and examinations	2	<u>14,990,307</u>	<u>13,142,386</u>
Total incoming resources		<u>15,146,625</u>	<u>13,360,792</u>
Resources expended			
Cost of generating funds – property rental		105,798	195,619
Charitable activities – teaching and examinations	3	14,899,750	12,963,188
Governance costs		<u>25,162</u>	<u>48,027</u>
Total resources expended		<u>15,030,710</u>	<u>13,206,834</u>
Net incoming resources	12	115,915	153,958
Funds brought forward		<u>11,456,420</u>	<u>11,302,462</u>
Funds carried forward		<u>11,572,335</u>	<u>11,456,420</u>

All the above results relate to unrestricted funds. There are no recognised gains or losses for the year other than as shown above and all activities are continuing activities.

The notes on pages 20 to 28 form part of these financial statements.

Balance sheet

As at 31 December 2014

	Note	2014 £	2013 £
Fixed assets			
Tangible fixed assets	6	14,685,692	14,845,157
Investments	7	<u>500</u>	<u>500</u>
		<u>14,686,192</u>	<u>14,845,657</u>
Current assets			
Debtors	8	960,018	1,455,888
Short term deposits		1,261,176	764,410
Cash at bank and in hand		<u>589,327</u>	<u>620,824</u>
		2,810,521	2,841,122
Creditors: amounts falling due within one year	9	<u>(3,327,281)</u>	<u>(3,266,092)</u>
Net current liabilities		<u>(516,760)</u>	<u>(424,970)</u>
Net assets less current liabilities		14,169,432	14,420,687
Creditors: amounts falling due after more than one year	10	<u>(2,597,097)</u>	<u>(2,964,267)</u>
Net assets		<u>11,572,335</u>	<u>11,456,420</u>
Total funds: all unrestricted		<u>11,572,335</u>	<u>11,456,420</u>

The notes on pages 20 to 28 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Trustees on 25 April 2015 and signed on their behalf by:

Angela Dean, Chair

Cash flow statement

Year ended 31 December 2014

	Note	2014 £	2013 £
Net cash inflow from operating activities	13	<u>1,334,244</u>	<u>391,596</u>
Returns on investment and servicing of finance			
Interest received		8,412	16,883
Interest paid		<u>(57,686)</u>	<u>(63,512)</u>
		<u>(49,274)</u>	<u>(46,629)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets	6	(455,589)	(262,589)
Sale of tangible fixed assets		<u>-</u>	<u>-</u>
Cash inflow before loan repayments		829,381	82,378
Financing			
Loan repayments	14	<u>(364,112)</u>	<u>(360,294)</u>
Increase/(decrease) in cash and short term deposits		<u>465,269</u>	<u>(277,916)</u>

The notes on pages 20 to 28 form part of these financial statements.

Notes to the financial statements

Year ended 31 December 2014

1 Accounting policies

Basis of financial statements

The financial statements have been prepared under the historical cost convention, comply with the *Statement of Recommended Practice (SORP): Accounting and Reporting by Charities* issued in March 2005, the Companies Act 2006, and applicable UK accounting standards.

Having reviewed the financial position, the trustees have a reasonable expectation that the company has adequate resources to continue its activities for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

Incoming resources

Tuition fees are accounted for in the period in which the course is provided. Income relating to courses and related accommodation delivered across two financial periods is apportioned based on the number of course days which fall in each period.

Investment income, rental income and trading income are accounted for in the period to which they relate. Examination income is recognised in the period in which the examination takes place.

Resources expended

Charitable activities result in expenditure related to the direct furtherance of the company's charitable objectives. All expenditure is accounted for on the accruals basis. The cost headings comprise expenditure directly attributable to the activity.

Support costs are allocated directly to the company's charitable activities. Governance costs relate to compliance with constitutional and statutory requirements.

Liabilities are recognised as resources expended as soon as there is a legal or constructive obligation committing the company to the expenditure.

Fund accounting

Unrestricted funds are available for use at the discretion of the trustees in furtherance of the charitable objectives of the company.

Notes to the financial statements

Year ended 31 December 2014

1 Accounting policies continued

Foreign exchange

Items in the statement of financial activities are translated at the exchange rate at the time of the transaction; balance sheet items are translated at the closing rate.

Pension costs

The company contributes to a defined contribution pension scheme on behalf of its permanent employees and also to an auto-enrolment scheme for other employees as required by law. Contributions to the schemes are charged to the statement of financial activities as they fall due.

Tangible fixed assets

The cost of freehold buildings is depreciated over 50 years. The trustees consider that £3m of property costs represents the value of land and this is not depreciated. The trustees do not consider that there has been any change in the service potential of the freehold property and so no provision for impairment is required. Mechanical and electrical works are depreciated over 20 years. The cost of improving leasehold property is depreciated over the term of the lease.

Assets costing more than £250 used by the company over a period of one year or more are capitalised:

- Fixtures, fittings and furniture are depreciated over 10 years on a straight line basis.
- Course development, computers, website development, video equipment, language laboratories and equipment and associated software are depreciated over 3 years on a straight line basis.

Trade debtors and course fees in advance

Trade debtors are amounts due for payment, not including amounts invoiced but not yet due. Course fees in advance (in creditors) are for amounts received or due for receipt but where all or part of the course has not yet been provided.

Taxation

The company is a registered charity. It is not liable to income tax or corporation tax on income derived from its charitable activities.

As an educational body the company is exempt from charging value added tax (VAT) on its services. Where appropriate, expenditure is recorded inclusive of irrecoverable VAT.

Notes to the financial statements

Year ended 31 December 2014

2 Incoming resources from charitable activities - teaching and examinations

	2014 £	2013 £
Language courses	8,882,654	9,312,868
Teacher training courses	2,192,675	1,953,087
Examination fees	<u>3,914,978</u>	<u>1,876,431</u>
	<u>14,990,307</u>	<u>13,142,386</u>

3 Resources expended on charitable activities – teaching and examinations

	2014 £	2013 £
Direct costs of teaching and examinations		
- Language courses	5,459,328	5,435,447
- Teacher training courses	1,173,233	1,090,078
- Examinations	3,284,487	1,528,725
Support costs		
- Staff, including teaching management	1,990,996	2,164,329
- Marketing and communications	1,150,336	1,037,274
- Establishment and office	1,029,159	1,023,007
- Finance, legal and professional	139,471	16,971
- Depreciation	615,054	603,845
- Interest payable	<u>57,686</u>	<u>63,512</u>
	<u>14,899,750</u>	<u>12,963,188</u>

4 Staff costs

	2014 £	2013 £
Gross salaries	5,206,026	5,196,514
Social security costs	452,536	472,244
Employer pension scheme contributions	<u>234,289</u>	<u>215,092</u>
	<u>5,892,851</u>	<u>5,883,850</u>

Notes to the financial statements

Year ended 31 December 2014

4 Staff costs continued

The number of employees whose emoluments for the year (including taxable benefits but not employer pension scheme contributions) exceeded £60,000 was:

	2014	2013
Employees earning between:		
- £120,001 and £130,000	1	1
- £90,001 and £100,000	-	1
- £80,001 and £90,000	1	1
- £60,001 and £70,000	<u>1</u>	<u>1</u>
	<u>3</u>	<u>4</u>

Employer pension contributions totalling £23,364 (2013: £21,190) were made for the above employees.

The full time equivalent number of employees analysed by function was:

	2014	2013
Charitable activities		
- Teaching and examinations	111	114
- Support	<u>62</u>	<u>63</u>
	<u>173</u>	<u>177</u>

5 Trustee remuneration

The trustees neither received nor waived any emoluments during the year (2013: £nil). 9 trustees (2013: 11 trustees) were reimbursed travelling expenses of £11,066 during the year (2013: £9,382).

The following trustees hold a controlling interest in their respective language schools, and sales discounts are paid in the normal course of business:

- Colin McMillan (trustee until 13 October 2014): IH Lisbon and IH Coimbra, £nil (2013: £1,584).
- Monica Green (trustee from 19 September 2014): IH Torres Vedras, £nil.

Notes to the financial statements

Year ended 31 December 2014

5 Trustee remuneration continued

Trustees Matthew Bullock and Colin McMillan (both until 29 April 2014) and Simon Greenall (from 19 September 2014) were appointed by International House Trust Ltd to be directors of International House World Organisation Ltd (IHWO), a company which is 50% owned by International House Trust Ltd. They neither received nor waived any emoluments during the year (2013: £nil) for their services as directors of IHWO but were reimbursed travelling expenses.

Monica Green is Executive Director of IHWO and in this capacity is paid by IHWO.

6 Tangible fixed assets

	Freehold land and buildings	Leasehold property	Fittings, furniture and equipment	Total
	£	£	£	£
Cost				
1 January 2014	15,700,312	634,968	1,945,954	18,281,234
Additions	-	-	455,589	455,589
Disposals	-	-	(39,350)	(39,350)
31 December 2014	<u>15,700,312</u>	<u>634,968</u>	<u>2,362,193</u>	<u>18,697,473</u>
Depreciation				
1 January 2014	2,360,295	58,518	1,017,264	3,436,077
Charge	320,981	25,620	268,453	615,054
Disposals	-	-	(39,350)	(39,350)
31 December 2014	<u>2,681,276</u>	<u>84,138</u>	<u>1,246,367</u>	<u>4,011,781</u>
Net book value				
31 December 2014	<u>13,019,036</u>	<u>550,830</u>	<u>1,115,826</u>	<u>14,685,692</u>
1 January 2014	<u>13,340,017</u>	<u>576,450</u>	<u>928,690</u>	<u>14,845,157</u>

The leasehold property is a short lease of an extension to the freehold building at 16 Stukeley Street.

Fittings, furniture and equipment at cost at 31 December 2014 includes £367,242 for assets in the course of construction (£46,640 at 1 January 2014 and £320,602 additions in 2014).

Notes to the financial statements

Year ended 31 December 2014

7 Investments: at cost

	2014 £	2013 £
International House World Organisation Ltd	<u>500</u>	<u>500</u>

The company owns the Trust Share representing 50% of the issued share capital with a book value of £500 and 1 Affiliate Share in International House World Organisation Ltd (IHWO). Decisions by IHWO in general meeting can only be made with the agreement of both classes of shareholder and consequently the trustees do not consider that International House Trust Ltd exercises control over IHWO. The IHWO results for the year ended 31 December 2014 are:

	2014 £	2013 £
IHWO total results		
- Income	743,933	698,789
- Profit after tax	26,964	6,891
- Shareholders' equity at 31 December 2014	<u>371,024</u>	<u>344,060</u>
International House Trust Ltd: 50% of shareholders' equity at 31 December 2014	<u>185,512</u>	<u>172,030</u>

8 Debtors

	2014 £	2013 £
Trade debtors	549,023	402,121
Other debtors	14,865	135,516
Prepayments	386,978	907,999
Staff loans and advances	<u>9,152</u>	<u>10,252</u>
	<u>960,018</u>	<u>1,455,888</u>

Notes to the financial statements

Year ended 31 December 2014

9 Creditors: amounts falling due within one year

	2014 £	2013 £
Loans repayable within one year	365,255	362,197
Trade creditors	428,249	558,728
Accruals and other creditors	619,988	544,824
Other taxes and social security costs	125,474	138,630
Course fees in advance	<u>1,788,315</u>	<u>1,661,713</u>
	<u>3,327,281</u>	<u>3,266,092</u>

10 Secured loan

	2014 £	2013 £
Loan repayable within two to five years	1,165,599	1,272,381
Loan repayable in more than five years	<u>1,431,498</u>	<u>1,691,886</u>
Creditors: amounts falling due after more than one year	2,597,097	2,964,267
Loan repayable within one year	<u>365,255</u>	<u>362,197</u>
Secured loan total	<u>2,962,352</u>	<u>3,326,464</u>

The secured loan is from Allied Irish Bank (UK) PLC. It was obtained to enable the purchase of the freehold land and building at 16 Stukeley Street in 2006. Capital repayments of £364,112 were made during 2014 (2013: £360,294). The remaining loan will be repaid over the next 11 years in accordance with the agreed repayment schedule. This loan is secured by a fixed charge on the freehold land and building at 16 Stukeley Street and by a fixed and floating charge over all other assets. The current interest rate is LIBOR (London Interbank Offered Rate) plus 1.25%.

Notes to the financial statements

Year ended 31 December 2014

11 Net incoming resources is stated after:

	2014 £	2013 £
Depreciation	615,054	603,845
Loss on disposal of tangible fixed assets	-	-
Auditor's remuneration		
- Audit fees	21,750	21,250
- Other services	600	3,960
Leasehold property rent	-	67,500
Interest payable	57,686	63,512

12 Capital commitments

There were commitments estimated at £40,000 at 31 December 2014 (2013: £260,000).

13 Reconciliation of net incoming resources to net cash inflow from operating activities

	2014 £	2013 £
Net incoming resources per the statement of financial activities	115,915	153,958
Interest receivable	(8,323)	(13,205)
Interest payable	57,686	63,512
Depreciation	615,054	603,845
Loss on disposal of tangible fixed assets	-	-
(Decrease) in provisions	-	(193,500)
Decrease in debtors	495,780	129,017
Increase/(decrease) in creditors	<u>58,132</u>	<u>(352,031)</u>
Net cash inflow from operating activities	<u>1,334,244</u>	<u>391,596</u>

Notes to the financial statements

Year ended 31 December 2014

14 Analysis and reconciliation of net borrowing

	1 January 2014 £	Cash flow £	31 December 2014 £
Secured loan	(3,326,464)	364,112	(2,962,352)
Cash	620,824	(31,497)	589,327
Short term deposits	<u>764,410</u>	<u>496,766</u>	<u>1,261,176</u>
Net borrowing	<u>(1,941,230)</u>	<u>829,381</u>	<u>(1,111,849)</u>

	2014 £	2013 £
(Decrease)/increase in cash during the year	(31,497)	228,816
Increase/(decrease) in short term deposits during the year	496,766	(506,732)
Repayment of secured loan	364,112	360,294
Net cash debt at 1 January 2014	<u>(1,941,230)</u>	<u>(2,023,608)</u>
Net cash debt at 31 December 2014	<u>(1,111,849)</u>	<u>(1,941,230)</u>

15 Share capital

The company is limited by guarantee and does not have share capital. Members are not entitled to any dividends or to a share in the assets on dissolution. Each member undertakes to contribute up to a maximum sum of £1 on winding up. Each member has one vote. There were 10 members as at 31 December 2014 (2013: 10).