

Trustees' Report and Financial Statements

31 December 2019

International House Trust Ltd
A company limited by guarantee (01239120)
Registered Charity (270860)



Contents

1	Reference Information
2	Chair's Report
3	Chief Executive's Report
6	Trustees' Report
6	Introduction
7	Strategic Report
16	Structure, Governance and Management
18	Statement of Trustees' Responsibilities
20	Independent Auditor's report
23	Statement of Financial Activities Incorporating an income and expenditure account
24	Balance Sheet
25	Statement of Cash Flows
26	Notes to the Financial Statements

Reference Information

Board of Trustees	Angela Dean (Chair) Ricard Alonso Ferre Tita Beaven Keith Davies Monica Green Phil Huggon (appointed 3/8/20) Tomasz Mazgaj Paul Mason (Vice Chair) Elizabeth McGlynn Max Nye Norman Renshaw (appointed 3/8/20) Adrian Underhill William Wellesley
Senior Management Team	Mark Rendell (Chief Executive) Joseph Lowe (Company Secretary, resigned 7/7/20) Karen Smith-Watson (Interim Finance Director) Eleanor Maly (Director of Education) Greg Patton (Sales and Marketing Director) Eve Truszkowska (Director of Assessment)
Registered office	16 Stukeley Street, Covent Garden London, WC2B 5LQ
Website	www.ihlondon.com
Company registration number	01239120, incorporated on 2 January 1976 (England and Wales)
Charity registration number	270860
VAT registration	GB 1061 801 56
Auditors	Haysmacintyre LLP, 10 Queen Street Place, London EC4R 1AG
Bankers	Lloyds Bank, 39 Threadneedle Street, London EC2R 8AU Allied Irish Bank (UK) PLC, 10 Berkeley Square, London W1J 6AA
Solicitors	Russell-Cooke, 2 Putney Hill, London SW15 6AB

Chair's Report

2019 was our first year under the leadership of Mark Rendell as Chief Executive of International House London. Mark has brought a new level of enthusiasm and energy to the organisation as well as a breadth of industry vision, helped by his vice-chairmanship of English UK. This has borne fruit in better financial results and better staff morale than International House London has seen for a number of years.



Our first full year of a strengthened sales and marketing team under Greg Patton brought income growth and market share gains. We have seen this particularly in General English and also in our Modern Languages business where more focused and more thoughtful marketing brought growth well beyond our expectations.

We have seen significant developments in other areas of business in 2019. Led by Eve Truszkowska, we renamed our examinations business to International House Trust Assessment to reflect its wider remit and significant position in OET as well as IELTS examinations. With an eye for future trends, we launched a computer-based delivery suite in London, and we opened a new OET centre in Lagos, Nigeria. Young Learners continued its expansion strategy with the addition of the Newbattle campus near Edinburgh in 2019 and with the development of plans for the opening of a new centre at Frensham Heights in Surrey in 2021.

This year saw the retirement of two of our most experienced trustees, Maggie van Reenen and Gillian Murray. Maggie chaired our Audit Committee, and was a member of a number of our other committees, whilst Gillian chaired our Public Benefit and Partnerships Committee and was a member of the Audit Committee. Both had reached the end of the maximum two terms of four years, and we are most grateful for their dedication and service. Gavin Dudeney also retired; he was a trustee for over five years, and we particularly appreciated his Edtech expertise.

The closure of the school in March due to Covid-19 was all the more disappointing in view of the very strong start we had made to 2020. For an organisation that thrives on international students travelling to the UK, the pandemic is a significant setback. I would like to thank Mark, the senior leadership team and all our staff for reacting to the crisis in such a positive, creative and agile way. We moved our teaching online in a matter of days, utilized the furlough scheme, and were able to secure a CBILS loan to help support our cash flow over the coming months. Despite the difficult times, our examinations business restarted at the beginning of June and our school reopened on 1st September.

We recognize that 2020 and 2021 will continue to be challenging, and I am grateful for the resilience and zeal of the leadership team and staff as well as the support and sage advice of our trustees.

A handwritten signature in black ink, appearing to read 'Angela Dean'.

Angela Dean, Chair
15th October 2020

Chief Executive's Report

Headlines

After completing my first year as Chief Executive of International House London (IH London) I am pleased that the organisation has recorded its best results in seven years achieving a surplus of £160K and a near 12.4% increase in turnover on the previous year.

The increase in turnover amounted to an additional £1.77m of income from charitable activities and was predominantly driven by an uptick in our General English (18%), Modern Languages (39%) and Young Learners (37%) divisions.



IH London has taken market share in a challenging market. Data from leading ELT trade body, English UK, indicated that the adult market in the UK contracted by 4% whilst the junior market grew by 6%.

The figures confirmed that more juniors are now coming to the UK to study than adults. This supports IH London's strategy to grow its presence in this important emerging market.

Our traditional General English product for adults also grew by 18% bucking the market trend. This has been achieved by retaining a capable and stable sales team, by deepening our relationships within the IHWO network, by increasing our presence in China and by delivering a reliable and top-quality experience to our students and partners.

The momentum generated in 2019 continued into Q1 2020 until the School was forced to close on 20th March due to the global Covid-19 pandemic. The School immediately pivoted towards digital and retained around 70% of its adult revenue, an unprecedented level of activity. Exams reopened on 1st June and the School reopened its doors on 1st September.



Mark Rendell
Chief Executive Officer

"After several difficult years, International House London is on the road to recovery. The immediate priority has been to stabilise the organisation, to ensure that each of the divisions is operating smoothly by pushing boundaries and focusing on expanding our horizons and market share."

Chief Executive's Report

At a Glance: 2019 in Numbers

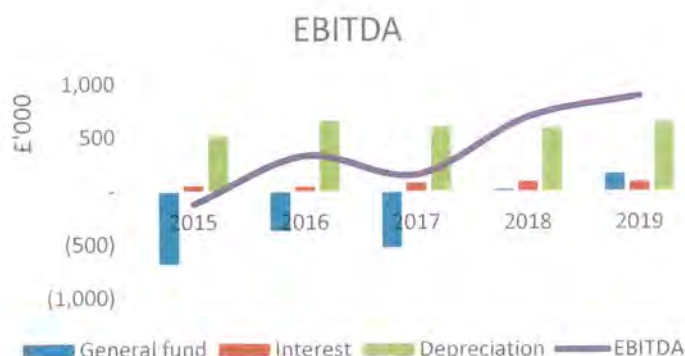
Turnover	£16,439,000
Growth in turnover	12.4%
EBITDA	£893,544
Growth in EBITDA	29%
Surplus	£160,000
Employees	441
Students and trainees	10,422
Nationalities taught	135
Female/male ratio in GE classes	65/35
Exam Candidates processed	20,954
Consecutive years in operation	62

Chief Executive's Report

Improved Performance



IH London posted its best performance in seven years in 2019. The result was even more encouraging considering that £373K was designated to cover a historic debt write off.



The demonstrable progress that the organisation is making is further illustrated by the further improvement in EBITDA which rose from £693K in 2018 to £893K in 2019 (29%). The organisation has momentum and this positive trend was continuing in Q1 2020 until the Covid pandemic broke.

The improvement was critical to the organisation successfully obtaining a CBILS loan and the additional funds will help protect the long-term future of the organisation. The School quickly pivoted to online courses and has posted impressive results in teacher training, examinations, and modern languages, in particular.

The benefits of having an excellent and experienced team who were open to innovation and change, a differentiated portfolio of market-leading products, and the support and collaboration of the fantastic IHWO network has really held the organisation in good stead.

I would like to thank every single member of staff at IH London for their amazing contribution in the face of incredible disruption and hardship. The team has really pulled together and shown real determination to help the organisation weather the storm. I would also like to thank our Chair, Angela Dean, and the Board of Trustees for their collective expertise and encouragement during an incredibly challenging period. The challenges will continue well into 2021 but IH London is in as strong a position as possible to meet those challenges.

Mark Rendell, Chief Executive Officer
15th October 2020

Trustees' Report

Introduction

International House (IH) was founded in 1953 in Cordoba, Spain by John and Brita Haycraft and is now one of the world's largest and best-known groups of language schools. IH schools teach over 200,000 students every year and employ over 5,800 teachers.

The London school opened in 1957 in Covent Garden and became an Educational Trust in 1974. IH London is also known as International House Trust Ltd. IH London has a major share in the London-based International House World Organisation (IHWO) which is the body that was established to oversee the network of over 160 affiliated language schools located in 52 countries spanning every continent and to manage the IH brand.

Founders, John and Brita, had the goal of using language learning as a tool to help bring the world back together following the ravages of the second world war. They were also committed to raising the standards of English language teaching and training worldwide and created the forerunner of the industry-leading CELTA teacher training qualification.

Schools in the network teach English, Spanish, German, French, Japanese, Arabic, and a wide variety of other languages to adults and young learners. Across the network, IH schools train about half of all CELTA graduates in the world. IH London also specialises in the delivery of examinations including IELTS.

Our Areas of Expertise

International House London is a world leader in language teaching, training, and testing. Our activity in the UK is primarily in the field of educational tourism.

We believe that by delivering quality language and communication training, we act as a force for change, bringing people together, enhancing mutual understanding and tolerance, and unlocking human potential.

Our educational portfolio of face-to-face and online learning includes:

- English language teaching for students aged over 16 years of age during the daytime and in the evening. This includes general English, IELTS and the Cambridge main suite of exam courses. Students travel from overseas and take courses for periods of one week to up to a year.
- Specialist communications training for professionals aged over 21 in our dedicated Executive Centre.
- English language teaching with activities and specialist subjects for under 18s in London, at five other seasonal locations around the country and overseas on demand.
- Teacher training for CELTA and DELTA candidates online and in London, a range of shorter specialised courses for language trainers, and numerous projects overseas.
- Foreign languages for residents of London and elsewhere online. IH London delivers courses in 11 languages to individuals, companies, and teachers of other languages
- The delivery of exams from the London centre and in multiple locations around the UK and overseas. The main exams include: IELTS, IELTS SELT and OET.

Our Covent Garden School

Our large adult school is located in the popular Covent Garden area in central London. Our modern air-conditioned school has nine floors with a large library, café, computer centre, comfortable social spaces, reception, and 53 fully equipped large bright classrooms.

Trustees' Report

What makes International House London stand out?

- We are an educational trust and a not-for-profit organisation.
- We are a well-known and trusted brand built up over 60 years of innovation and industry leadership. We created the first teacher training courses (the forerunner to today's CELTA). We operate globally and have delivered programmes in many countries. There are over 160 International House schools located in 52 countries around the world.
- We have a high degree of academic integrity and authority. Most of our teachers are diploma-qualified, many of our teachers have been published and we have trained a high percentage of today's EFL teachers. We also share our expertise through hosting and attending industry workshops and conferences.
- We have a very experienced and professional team and we aim to attract and retain the best talent in the industry. We offer our academic staff a wide range of professional development and industry opportunities.
- We offer our English language students the best value proposition and quality in central London according to the EL Gazette's Best of Britain 2019 Guide. We achieved 14/15 strengths in our British Council inspection and we also hold accreditations by the Independent Schools Inspectorate and EAQUALS.
- We offer the most complete range of language services available in the market in the UK today and have the largest market share in teacher training (we are the largest DELTA centre in the world) and the IELTS examination.
- We are situated in one of the largest English language centres in the UK, located in the famous Covent Garden, in the cultural heart of London.
- We are innovators. We pioneered the CELTA qualification, we created the Distance Delta in partnership with the British Council, we were the first school in London to offer OET preparation courses, we have developed a flipped learning version of the CELTA, and we were the first to market our school in virtual reality (VR).

Strategic Report (including Achievements and Performance)

Strategic Goals

International House London developed a new three-year strategy in 2019 with the five key goals outlined below:

1. Become a sustainable organisation	To generate a sustainable surplus to allow the School to continue to invest in and fulfil its charitable purpose. To ensure this we will grow a differentiated but focused product portfolio and reduce our dependency on single sales channels, geographical location, markets, and product. We will encourage innovation, address the needs of our students, focus on organic and inorganic sales growth, and improve our margins.
2. To be the employer of choice	We have a loyal and committed staff who are leaders within the industry. We will strive to attract and retain the most talented personnel in the industry.

Trustees' Report

3. Deliver outstanding service and performance	We recognise that we are a service industry operating in the educational tourism sector. Customer service and the student experience are key differentiators and we will focus on the outputs of our learners.
4. Innovate and offer new benefits	Since IH London's launch of the forerunner to the CELTA qualification we have been innovators and we will continue to innovate and embrace new ideas and technologies.
5. Widen our accessibility and reach	We are confident in the quality of our language services. We want to break barriers and open up new frontiers to bring our expertise in languages to more people around the world. This will be achieved through technological advances and delivering our products in new markets.

Senior Management

The new CEO, Mark Rendell joined in January 2019. Mark completed a seven-year term as Principal of a leading language school in Bloomsbury. Mark brings a range of contacts from his work as Vice-Chair of English UK, and he is a member of the Accreditation UK Executive Board, and a director on the IHWO Board.

Jason White joined as interim Director of Education in late 2018 as maternity cover for Eleanor Maly. Eleanor has subsequently returned to her role. Joseph Lowe, Director of Corporate Resources resigned in July 2020 and has been replaced by Karen Smith-Watson, an experienced Interim Finance Director with the FD Centre. To reflect the growing stature of young learners to IH's portfolio, the new director, Alex Cann joined the team in August 2020. The remainder of the senior management team, Eve Truszkowska (Exams) and Greg Patton (Sales and Marketing) has remained stable.

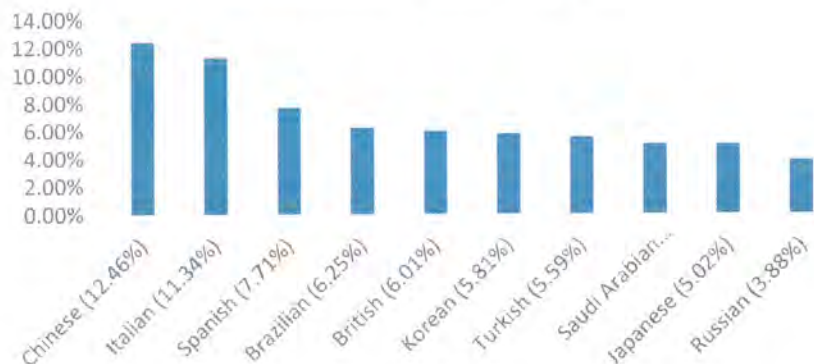
Sales and Marketing

IH London has a stable, experienced, and talented sales team. Our sales led organisation was boosted with the launch of a new website and IH London was the first language school to launch a virtual reality tour of its facilities for potential customers. IH has also maintained a strong social media presence.

IH London provided quality programmes for over 10,000 students and trainees from both overseas and the UK in 2019. IH London has worked hard to partner with other IH centres around the world to make the school their number one destination for study abroad. IH London's incredible reach is reflected by the fact that 135 different nationalities have studied with us in the last 12 months.

Trustees' Report

IH London Nationality Mix



As you can see from the chart above, the nationality mix is very well spread with no overtly dominant nationality overall. IH London is performing especially well in Asian markets such as: China, Korea, Japan, Taiwan, and Thailand. Saudi numbers are strong which is unusual for a London school. We have also seen a good level of recovery in the Russian market.

International House Trust Assessment

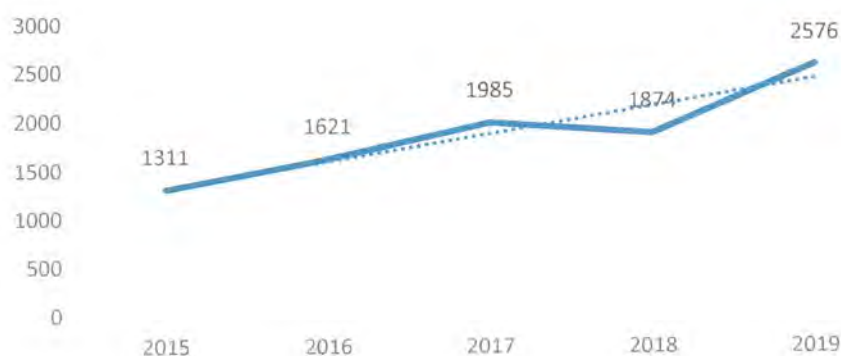
IHTA is the new brand identity for our £4m turnover exams business which is now very well established in the UK. In 2018 IHTA exited a profit-sharing partnership with MTS in the delivery of exams and now delivers exams in its own right.

We are the leading IELTS provider in the UK and Ireland with 10 different locations and we processed nearly 21,000 candidates in 2019. We have also become the third biggest provider of the new OET exam in the world.

We launched our new 20-booth computer-based (CD IELTS) delivery suite in London in early 2019 and CD IELTS accounted for nearly 10% of candidates. We expect this ratio to substantially increase in 2020. We also opened a new OET centre in Lagos, Nigeria and have plans to operate a centre in Tel Aviv, Israel. We reported a growth of 22% in OET candidates in 2019.

Young Learners

Young Learners Turnover (£'000)



Trustees' Report

Young learners is the biggest growth sector in UK ELT. In 2019, IH London continued to take market share with a significant 37.4% increase in income. This was achieved largely through organic growth at existing locations in: Oxford, Ellesmere, and Moulton with the addition of the Newbattle campus near Edinburgh. Closed groups were also accommodated year-round in London.

The young learner division was inspected by the British Council in 2019 and achieved a positive outcome recording as many as nine strengths which is the best result recorded. The young learner division is engaged in delivering quality and innovative new learning products to complement the core English language content.

The Future Leaders course which includes modules on sustainable development and leadership was nominated for a prestigious Pioneer Award. Other innovations for 2020 included a Space Challenge STEM programme, a partnership with IH Manchester football academy and carbon offsetting being included in the price.

A new centre at Frensham Heights in Surrey near Heathrow Airport has been added for 2021. IH has delivered on demand young learner programmes in China and delivered a number of programmes including a tailor-made course on panda conservation in Sichuan Province. A new online programme has also been launched.

Although, the turnover was impressive the margins generated were disappointing. This can be attributed to a combination of factors including staffing levels, price positioning, control of costs, and not reaching minimum guarantees at one of the locations. All of these issues have been addressed.

General English and Executive Programmes

General English remains the best-selling language product and sales increased by 18% in 2019. Students can study in London for as little as one week and for up to twelve months. This division also includes IELTS and Cambridge Main Suite examination courses. Students receive a truly international experience and are able to activate and further develop their English in an immersive and inclusive environment. The School has introduced a suite of online products and a student portal in 2020.

The Executive Centre is located on the fourth and fifth floor and comprises of a range of high end 1-2-1 classrooms and small group classrooms. The environment is exclusive and befits the professional nature and maturity of the clients. The Executive product was reviewed in 2019 in the light of declining sales and sales stabilised in the second half of 2019. A new online executive 1-2-1 product has been launched in 2020.

Teacher Training

Demand for teacher training typically CELTA and DELTA remained firm in 2019 and the teacher training department were successful in winning several bespoke teacher training tenders in West Africa and in China.

The department discontinued its online ELT management programmes at the start of the year. The programmes were transferred to IHWO and are now delivered as part of their portfolio of online training products.

Trustees' Report

In March 2020 following the outbreak of the Covid-19 pandemic, Cambridge announced that the CELTA qualification could be delivered fully online. IH London quickly adapted its programmes to online and capitalised on huge previously untapped demand.

Foreign Languages (Modern Languages)



We increased the range of modern languages that we offer and have experienced record demand. Turnover increased by 38.7% in 2019 and at the turn of the year the building was being used at capacity. The success can be attributed to rising interest in languages following Brexit, lack of investment in state language provision, an extensive social media and advertising campaign which included tube advertising and an increased support team. The affordable evening and weekend short courses include interesting free cultural activities such as a Japanese tea serving ceremony (for learners of Japanese) and ham carving (for learners of Spanish).

Systems

In order to improve the reliability and resilience of the organisation we have migrated our information systems to Office 365 and the Cloud. This proved invaluable when the workforce needed to work remotely at the start of the Covid-19 pandemic.

Outlook

The outlook for the ELT industry is extremely challenging and this is likely to continue into the second half of 2021 at least. The Covid-19 pandemic has brought international travel to a near standstill and market confidence is low. The organisation has taken steps to protect its future by obtaining a CBILS loan, by focusing on costs, by carefully managing its stakeholder relations and by quickly pivoting towards digital products.

In spite of the challenges, the organisation has managed to remain active and has been able to generate around 70% of the adult educational income that was generated in 2019. This is considerably higher than the industry norm of 18% as reported for Q3 2020 by English UK. The crisis has presented opportunities and has helped the organisation to accelerate its adoption of technology. The workforce are able to work remotely and all of our programmes can now be delivered online. This has allowed us to reach new markets particularly for our teacher training and modern languages divisions.

Trustees' Report

Due to our high levels of activity and engagement we have preserved much of our intellectual expertise and our reputation has been enhanced as a trusted and reliable partner with our overseas networks. Over the next six months we are likely to see considerable retrenchment and consolidation within the industry and there is an opportunity to take further market share. Brexit and geopolitical tensions in the Far East are a concern but there are also indications that there is greater political will to grow international education. There have been a number of more favourable changes to visa policy and there are likely to be new trade deals that allow greater international access to UK markets and education. Finally, we anticipate that there will be pent up demand for educational tourism and that students will return to the UK when the effects of the pandemic have subsided.

Financial Review

IH London made significant progress in 2019 with our best financial performance since 2014 delivering a strong EBITDA surplus of £893k (2018: £693k).

Turnover has increased by £1.8m or 12% coming from all products with the exception of Teacher Training which marginally decreased.

Young Learners attributing £701k or a 37% increase in sales in 2019 through organic growth and the addition of one new centre in Edinburgh.

Language tuition made up of General English, Executive English and Modern Language courses has delivered £594k more sales versus 2018. General English and Modern Languages performed well ahead of the market with an additional £794k sales, offset by a decline of £200k in Executive Language courses. Some of this decline was due to the discontinuation of the Accelerate Course and a significant part of this business was picked up by General English.

Income Type £'000	2019	2018	% Variance
Accommodation	1,907	1,551	23%
Young Learners	2,576	1,874	37%
Languages Tuition	5,245	4,662	13%
Teacher Training	2,003	2,031	-1%
Exams	4,357	4,197	4%
Other Income	351	313	12%
Total Income	16,439	14,628	12%

Whilst turnover has increased by 12%, gross margin has improved proportionally higher year on year by 20% or £1m. The overall gross margin as a percentage of turnover has improved by 3%, being 40% in 2019 and 37% in 2018.

Gross Margin £'000	2019 £	2018 £	2019%	2018%
Accommodation	236	26	12%	2%
Young Learners	379	463	15%	25%
Languages Tuition	3,210	2,748	61%	59%
Teacher Training	964	1,136	48%	56%
Exams	1,328	899	30%	21%
Other	401	144	114%	46%
Total Gross Margin	6,518	5,416	40%	37%

Trustees' Report

Through better management of our accommodation commitment, the provision of this service now contributes a £236k margin to the organisation which is a significant improvement on a close to break-even position in 2018. Exams has delivered a significant increase of £429k in gross margin in 2019, following the exit of MTS as a profit-sharing partner resulting in a 9% improvement in gross margin %.

As previously discussed, whilst Young Learners increased its turnover contribution, its underlying gross margin decreased by £84k. The reasons for the low margin attributable to this product have been addressed and the margin % is expected to improve for its next operational period in 2021.

Operational overheads have increased by £942k of which £568k was planned. A sum of £369k was invested in staffing to strengthen support functions such as Sales and Marketing and Customer Services. A one-off non-cash related bad debt write-off of £373k was reflected in overheads affecting the underlying performance of the organisation.

Expenditure for the year on charitable activities was £16,279k (2018: £14,614k). Net income was £160k (2018: £14k), an improvement of £146k, equivalent to 0.9% of income.

IH London reduced secured debt by £283k (2018: £277k), reducing the loan to £2,512k as at 31 December 2019 (2018: £2,795k). The loan is secured on the property at 16 Stukeley Street and is repayable over the next 13 years (2018: 14 years).

After capital expenditure of £193k (2018: £378k), investing in our fixtures and fittings and our IT systems, IH London finished the year with cash of £1,658k (2018: £872k) no recourse to an overdraft, a low gearing ratio of 25% (2018: 28%), and considerable realisable fixed assets.

Public Benefit

In reviewing the charity's aims, and putting them into action, the trustees have taken account of the Charity Commission's guidance on public benefit.

We provide services for the advancement of education, a charitable purpose recognised by the Charity Commission. Whilst the Trust is required to charge for its services in order to fund their provision, it also offers programmes at low cost.

We provide a substantial programme of 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.

These courses are provided by supervised trainee teachers on initial teacher training courses or by experienced teachers taking a more advanced training course, usually the Cambridge DELTA. Those benefiting include unemployed people, recent migrants, refugees, and others who can demonstrate their need.

We also continue to support Refuaid, an organisation that helps refugees and Crisis, an organisation that helps the homeless. Support includes free general English, exam preparation and subsidised teacher training programmes.

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 (IHWOL), a company serving the international affiliate network of over 160 private and independent language schools in more than 50 countries. IHWOL sets quality standards for its affiliates, currently branded as the 'IH Charter' and regularly inspects the School to monitor compliance. Further details about the IHWOL network is provided on their website, www.ihworld.com.

Trustees' Report

Accreditations and Professional Memberships

IH London places great importance on the quality of the teaching, training and other related services that are provided through its schools. As a result, it has a number of accreditations and memberships that help ensure quality is maintained and, where possible, improved. The Trust's key accreditations and memberships are:

- *Independent Schools Inspectorate (ISI)* – ISI run a government-approved quality assurance scheme that accredits independent schools which allows them to issue Tier 4 student visas. As a result, the Trust holds a Highly Trusted Sponsor licence, (5BY3ENNA5), issued by the UK Visa and Immigration Authority.
- *Eaquals (Evaluation and Accreditation of Quality in Languages Services)*, is an international accreditation scheme for quality language providers. The Scheme provides an inspection and membership service.
- *Accreditation UK* - the accreditation scheme jointly run by the British Council and English UK is the leading quality assurance scheme in the UK for the ELT sector. Both the School and the Young Learners division are inspected at least every four years.
- *English UK* – IH London is a member of the professional body representing the accredited English language teaching sector.
- *Cambridge Assessment* - for Cambridge teacher training and examinations. IH London is also a British Council approved IELTS Centre for both the standard IELTS and the secure (SELT) IELTS.
- *International Association of Teachers of English as a Foreign Language (IATEFL)* - is an association for teachers, lecturers, teacher trainers, academic managers, researchers and institutions involved in English Language Teaching (ELT) with a mission to link, develop and support English Language Teaching professionals worldwide.

Risk Management

The Trust has a comprehensive risk management policy. The Audit Committee regularly scrutinises the risk register and risk mitigations, prepared by the senior management team, before recommending it to the Board. The primary risks identified by the Board are:

Primary Risks	Mitigations
Covid-19 Global Pandemic • A huge and dramatic reduction in international travel • Forced closure of the building • Staff shortages due to illness	• A quality online alternative has been developed for each product. A learning portal has also been launched for adult learners. • The building has been converted so that it meets Covid secure guidelines. • A CBILS loan has been secured to provide ongoing liquidity. • A cost reduction programme has been initiated. • Enhanced marketing and social media presence and regular comms with partners • The sales team has been retained to manage our stakeholder relations and a significant portion of business has been renewed. • We have migrated all of our information systems to the Cloud to facilitate home working.

Trustees' Report

Brexit • Reputational damage in Europe. • Loss of work rights for EU nationals (students and staff)	• Membership and representation through English UK to champion UK ELT. • Sales focus on new markets in diverse locations around the world. • From January 2021, students will no longer require a study visa to learn English for up to six months. A standard tourist visa will be sufficient.
China • Geopolitical tensions over Hong Kong	• Retain a sales office in Shanghai and maintain visibility and good communication. • Ensure that the school is not over-dependent on any single nation or region.
Global warming • Concerns about carbon footprint	• Emphasise the positive aspects of international travel and cooperation. • Ensure the School reduces its carbon footprint. • Carbon offsetting is included in the price for all young learner programmes. Make available to adult students. • Develop more in country delivery.
Loss of accreditation • Loss of ISI would mean School cannot issue Tier 4 visas. • Loss of Accreditation UK status would mean the school could not trade.	• Ensure staffing levels and resourcing is always sufficient to maintain a high level of quality. • Regularly review the accreditation criteria and conduct mock inspections.
Loss of relevance • Offering products that are no longer relevant to students	• Focus on language products that have intrinsic value for students and help them to secure their life objectives. • Ensure that we continue to innovative and have a growth mindset.
Loss of key staff	• Succession planning in all divisions. • Ensure all new staff receive a suitable induction and are a good fit for the organisation. • The selection procedure must be robust and thorough and lead to the best selection for the role.

As laid out above and through careful planning, the Board is mitigating these risks, which could collectively depress demand for the School's core services if not managed. The financial statements are approved during a period where there is much uncertainty as a result of the emergence and international spread of a coronavirus (COVID-19). The ultimate impact of the COVID 19 pandemic is still unclear, but management are modelling scenarios should there be a material effect on income. However, having secured a CBILS loan in July 2020 and reviewed the Trust's expected future cash flows out to December 2021, the Trustees have a reasonable expectation that the charity has adequate resources to continue its activities for the foreseeable future and consider that there are no material uncertainties over the charity's financial viability. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Trustees' Report

Reserves

Cash generated which is surplus to reserve requirements will be applied to making improvements to the Trust's facilities and investing in further charitable activities.

The School's reserves are constituted wholly by unrestricted funds. As at, 31 December 2019 the reserves stood at £10,175k (2018: £10,015k); an increase of £160k resulting from the year's surplus. The Trust pursues a policy of maintaining and where possible increasing the reserves in order to support the Trust's ongoing activities.

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

- The Trust's charitable purposes
- Operational and financial risks and seasonal fluctuations
- Cash which may be needed for future developments.

The underlying free reserves of the company stood at £nil at, 31 December 2019 (2018: £nil).

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 Trust with a strong cash flow
- The Trust has a history of generating trading surpluses as well as cash inflows from its activities
- The Trust has secured a CBILS loan in July 2020

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

Structure, Governance and Management

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

International House Trust Limited (the 'Trust'), trades as 'IH London' (IHL) and also at five residential Young Learner Centres, which trade as 'IH Edinburgh', 'IH Ellesmere', 'IH Frensham', 'IH Oxford', and 'IH Moulton'.

There must be at least seven 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 are interviewed by the Nominations Committee. Candidates are appointed 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.

The Board of Trustees met five times in 2019: four Board Meetings and an Away-Day. Major strategic decisions are reserved for the Board, including approval of the budget, capital programmes and senior appointments.

The Board of Trustees delegates day-to-day responsibilities for management to the senior management team, led by the Chief Executive. The Board oversees how this delegation is being managed by the reporting of financial, sales and key management activities to Board Committees, and, where appropriate, to the Board.

The Trust does not carry out any fundraising activities.

Trustees' Report

Trustees

The Trust benefits from a highly experienced and engaged Board:

Name	Experience	Committee Membership
Angela Dean	Over 25 years' experience in international finance, including as a managing director at Morgan Stanley. Also, a non-executive Director of Ofcom, a trustee of York Museums Trust and a member of Council of King's College London.	F & GP Remuneration (Chair) Nominations (chair)
Ricard Alonso	Over 30 years' international experience across business operations in Sales, Customer Service and IT with Fortune 500 companies including General Electric and Ingersoll Rand.	F & GP
Tita Beaven (Appointed 3/6/19)	Almost 30 years' experience of language teaching, most recently as a Head of the Department of Languages at the Open University. A Doctorate in educational technology and a Senior Fellow of the Higher Education Academy.	-
Keith Davies (Appointed 3/6/19)	Director of Prudential Group Internal Audit with responsibility for risk, compliance, and regulation. His earlier career in financial services, included roles with Standard Chartered, Standard Bank and Deutsche Bank. He has a degree in Economics from Cambridge and an MSc in economics and econometrics.	-
Monica Green	Managing Director of IH Torres Vedras and its new IH Teacher Training Centre in Lisbon. Executive Director of the International House World Organisation.	F & GP
Elizabeth McGlynn	Qualified accountant, who has worked across a spectrum of industries for various companies, including PWC, Sir William Halcrow and Partners and Lidl. As Financial Controller and then Head of Tax at Lidl, she was responsible for complex tax and property issues as well as running the UK finance department.	Audit
Paul Mason	Successful professional accounting career as a partner in Ernst & Young, as Finance & Administration Director of the South Bank Centre concert halls and as Bursar of St. Clare's, Oxford. Paul is treasurer of Gloucester Cathedral and a trustee of the Ouseley Church Music Trust.	F & GP (Chair) Remuneration Audit
Tomasz Mazgaj (Appointed 3/6/19)	Currently working in LEGO Education, he is a project lead who specialises in running global strategic projects in the educational sector. He is an Economics graduate, and certified Project Manager.	-
Max Nye (Appointed 3/6/19)	As a Global Investment Director, he oversees US\$0.5bn in advertising investment across 80 countries for some of the world's best-known brands. He is passionate about language learning; he studied English and	-

Trustees' Report

Name	Experience	Committee Membership
Adrian Underhill	Modern Languages at Oxford and taught English abroad with the British Council. A DELTA qualified English language teacher, consultant, speaker, trainer and author in organisational learning and teacher training. Former director at International House Hastings, past president of IATEFL and series editor of Macmillan Books for Teachers.	Audit Public Benefit Remuneration
William Wellesley (Appointed 2/10/19)	A chartered accountant and a successful career with senior executive roles at St James's Place Capital, Molton Brown Group, GEMS Education and Book People Ltd.	

Additionally, Gavin Dudeney (resigned 19 June 2019), Gillian Murray (resigned 13 February 2019), Maggie Van Reenan (resigned 11 December 2019) and Fintan Somers (resigned 20 March 2020) served during the year.

Board Committees

The **Audit Committee** (which met four times in 2019) is responsible for monitoring the management of the risks facing the Trust and reviewing the annual financial statements.

The **Nominations Committee** (which met twice in 2019) is responsible for reviewing the composition and governance of the Board, recruiting, and recommending prospective Trustees to the Board for appointment, and for developing policies for managing trustee rotation.

The **Finance and General Purposes Committee** (which met four times in 2019) 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 **Public Benefit and Partnerships Committee** (which did not meet in 2019) is responsible for developing the company's wider access agenda.

The **Remuneration Committee** (which met twice in 2019) is responsible for reviewing and agreeing remuneration policies for senior management, the Trust's 'key management personnel', for which it has been given delegated authority, as well as reviewing the remuneration policies for all staff.

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.

Trustees' Report

- 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.
- 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.
- The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Trustees' report was approved by the Board of Trustees on 14th October 2020 and signed on its behalf by:



Angela Dean

Chair

15th October 2020

Independent auditor's report to the members of International House Trust

Year ended 31 December 2019

Opinion

We have audited the financial statements of International House Trust for the year ended 31 December 2019 which comprise the Statement of Financial Activities, the Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 2019 and of the charitable company's net movement in funds, including the 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Trustees for the financial statements

As explained more fully in the Trustees' responsibilities statement set out on page 18, 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 and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report to the members of International House Trust

Year ended 31 December 2019

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Report (which includes the Strategic Report and the Directors' Report prepared for the purposes of company law) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report included within the Trustees' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report (which incorporates the Strategic Report and the Directors' Report).

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

- adequate accounting records have not been kept by the charitable company; or
- the charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or

Independent auditor's report to the members of International House Trust

Year ended 31 December 2019

- we have not received all the information and explanations we require for our audit.

Use of our report

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



Tracey Young (Senior Statutory Auditor)

For and on behalf of Haysmacintyre LLP, Statutory Auditors

10 Queen Street Place

EC4R 1AG

London

15th October 2020

Statement of financial activities incorporating an income and expenditure account

Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Income from:			
Charitable activities			
Teaching and learning	2	16,088	14,315
Investments		2	4
Other		349	309
Total		16,439	14,628
Expenditure on:			
Charitable activities	3	16,279	14,614
Total		16,279	14,614
Net income / (expenditure)	14	160	14
Net movement in funds		160	14
Reconciliation of funds:			
Funds brought forward		10,015	10,001
Total funds carried forward		10,175	10,015

All the above results relate to unrestricted funds.

The notes on pages 26 to 35 form part of these financial statements.

Balance Sheet

As at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible fixed assets	8	12,649	13,083
Intangible fixed assets	9	360	379
Investments	10	1	1
		13,010	13,463
Current assets			
Debtors	11	2,401	2,371
Short term deposits		702	-
Cash at bank and in hand		956	872
		4,059	3,243
Creditors: amounts falling due within one year	12	(4,679)	(4,189)
Net current liabilities		(620)	(946)
Net assets less current liabilities		12,390	12,517
Creditors: Amounts falling due after more than one year	13	(2,215)	(2,502)
Total net assets		10,175	10,015
The funds of the charity:			
Unrestricted funds		10,175	10,015
Total charity funds		10,175	10,015

The notes on pages 26 to 35 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Trustees on 14th October 2020 and signed on their behalf by:



Angela Dean
Trustee and Director

Statement of Cash Flows

Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities:			
Net cash provided by operating activities	i	1,260	369
Cash flows from investing activities:			
Interest received		2	3
Purchase of tangible fixed assets		(79)	(318)
Purchase of intangible fixed assets		(114)	(60)
Net used in investing activities		(191)	(375)
Cash flows from financing activities:			
Repayment of borrowing		(283)	(277)
Net cash used in financing activities		(283)	(277)
Changes in cash and cash equivalents in the year		786	(283)
Cash and cash equivalents at 1 January 2018		872	1,155
Cash and cash equivalents at 31 December 2019	ii	1,658	872

Note i) Reconciliation of net income to net cash inflow from operating activities

	2019 £'000	2018 £'000
Net income for the year (as per the Statement of financial activities)	160	14
Depreciation/(amortisation) charges	647	590
Interest receivable	()	(5)
Increase in debtors	(30)	(769)
Increase in creditors (excluding the bank loan)	485	539
Net cash inflow from operating activities	1,260	369

Note ii) Analysis of cash and cash equivalents

	1 January 2019 £'000	Cash flow £'000	31 December 2019 £'000
Cash at bank and in hand	872	84	956
Short term deposits	-	702	702
Total cash and cash equivalents	872	786	1,658

Notes to the accounts

1 Accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a. Company Information

International House Trust Ltd is a private company, limited by guarantee, domiciled in England and Wales (registration number 01239120) and is a charity registered with the Charity Commission in England and Wales (registration number 270860). The registered office is 16 Stukeley Street, Covent Garden, London WC2B 5LQ.

b. Basis of financial statements

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (second edition effective 1 January 2019) – (Charities SORP (FRS102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

The financial statements are approved during a period where there is much uncertainty as a result of the emergence and international spread of a coronavirus (COVID-19). The ultimate impact of the COVID 19 pandemic is still unclear, but management are modelling scenarios should there be a material effect on income. However, having secured a CBILS loan in July 2020 and reviewed the Trust's expected future cash flows out to December 2021, the Trustees have a reasonable expectation that the charity has adequate resources to continue its activities for the foreseeable future and consider that there are no material uncertainties over the charity's financial viability. On that basis they believe the going concern basis of accounting is appropriate for these annual financial statements.

c. Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received, and the amount can be measured reliably. Income received in advance of the provision of a service is deferred until the criteria for income recognition are met. Specifically:

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

d. Expenditure

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. Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the company to the expenditure. The cost headings comprise expenditure directly attributable to the activity.

Direct costs comprise accommodation, teaching salaries and payments, examinations department costs, agents' commissions, student social programme, teaching materials, student insurance and activities to widen access amongst disadvantaged groups.

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. They are allocated directly to the company's charitable activities following categorisation in accordance with the following table:

Notes to the accounts

Category	Definition
Support staff	All non-direct employee costs, including employees managing teaching staff, including any bonus, redundancy and terminations payments, recruitment, training and welfare costs.
Marketing and communications	Marketing and communications costs, excluding employee costs.
Establishment and office	Facility expenditure (including rent, rates and utilities), and stationery, phone, postage and IT costs, excluding staff costs.
Finance, legal and professional	Finance costs including bank charges, merchant fees and VAT payable on agent commissions, currency gains and losses, legal, surveyor and other professional fees. Employee costs are excluded.
Other expenses	Other costs including travel, hospitality, and subsistence, product development, subscriptions and any other costs not falling within another category.

Governance costs, included within support costs, relate to compliance with constitutional and statutory requirements and include an apportionment of the CEO's and Finance Director's employee costs, Trustees' expenses and audit fees.

e. Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably; this is normally upon notification of the interest paid or payable by the Bank.

f. Operating leases

Where title to the equipment remains with the lessor, rental charges are charged on a straight-line basis over the term of the lease.

g. Fund accounting

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the charitable objectives of the company. There are no restricted funds in the current or prior year.

h. Tangible fixed assets

Tangible fixed assets costing more than £1,000 used by the company over a period of one year or more are capitalised:

- Freehold land is not depreciated.
- Freehold buildings are depreciated over 50 years.
- Fixtures, fittings and furniture are depreciated over 10 years on a straight-line basis.
- Computers, video equipment, language laboratories and equipment are depreciated over 3 years on a straight-line basis.

i. Intangible fixed assets

Intangible fixed assets costing more than £1,000 used by the company over a period of one year or more are capitalised:

- Course development, website development and software are depreciated over 3 years on a straight-line basis.
- 'SchoolWorks', the school's main management information system is depreciated over 7 years on a straight-line basis, being an estimate of its expected use.

Notes to the accounts

j. Cash at bank and in hand and short-term deposits

Cash at bank and cash in hand are funds available to the Charity. Other cash is categorised as short-term deposits.

k. Debtors

Trade debtors are amounts invoiced and unpaid. Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due. Amounts invoiced but not yet due for payment are recognised as debtors.

l. Creditors

Creditors are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payments where such discounting is material. Course fees in advance are treated as deferred income and are for amounts received, or due for receipt, but where all or part of the course has not yet been provided.

m. 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 educational services. Where appropriate, expenditure is recorded inclusive of irrecoverable VAT.

n. Estimation uncertainty

In the application of the Charity's accounting policies Trustees are required to make judgements, estimates, and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going 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 if the revision affects the current and future periods.

In the view of the Trustees, no assumptions concerning the future or estimation uncertainty affecting assets and liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

o. Financial instruments

The Trust 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 with the exception of bank loans that are subsequently measured at amortised cost using the effective interest method.

Financial assets comprise debtors less prepayments. Financial liabilities comprise creditors.

p. Pensions

A defined contribution group personal pension (GPP) scheme operated through Scottish Widows is available to all permanent employees with three months' service. The employer's contribution is equal to 3% of basic salary and the employee determines their contribution, subject to the minimum specified by auto-enrolment legislation. The Trust offers a salary sacrifice option and these contributions are included within the employer's pension scheme contributions. Employees who are not eligible for the GPP scheme are auto enrolled into 'The People Pension' in accordance with current employment legislation.

Notes to the accounts**2 Incoming resources from charitable activities**

	2019	2018
	£'000	£'000
Adult Language courses	5,245	4,662
Young Learners	2,576	1,874
Teacher training courses	2,003	2,031
Examination fees	4,357	4,197
Accommodation	1,907	1,551
	16,088	14,315

Restatement of prior year: A minor reclassification of income within the SOFA has resulted in a change to the comparative figures. Total income is unchanged. This has not resulted in a prior year adjustment.

3 Expenditure on charitable activities

	2019	2018
	£'000	£'000
Direct costs of teaching and examinations		
Adult Language courses	2,035	1,914
Young Learners	2,197	1,411
Teacher training courses	1,039	895
Examinations	3,029	3,298
Accommodation	1,671	1,525
Other direct costs	(50)	154
	9,921	9,197
Support costs	6,358	5,417
	16,279	14,614

4 Expenditure on support costs and governance

	General Support	Governance	2019
	£'000	£'000	£'000
Staff	2,848	40	2,888
Marketing and communications	671	-	671
Establishment and office	1,193	-	1,193
Finance, legal and professional	138	39	177
Depreciation	647	-	647
Interest payable	86	-	86
Other expenditure	696	-	696
	6,279	79	6,358

Notes to the accounts

	General Support £'000	Governance £'000	2018 £'000
Staff	2,473	46	2,519
Marketing and communications	578	-	578
Establishment and office	1,242	-	1,242
Finance, legal and professional	109	23	132
Depreciation	587	-	587
Interest payable	91	-	91
Other expenditure	268	-	268
	5,348	69	5,417

5 Staff costs

	2019 £'000	2018 £'000
Gross salaries	5,735	5,295
Social security costs	474	429
Employer's pension scheme contributions	299	190
	6,508	5,914
Self-employed and agency staff	429	449
	6,937	6,363

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

	2019 Number	2018 Number
Employees earning between:		
£110,001 and £120,000	1	-
£100,001 and £110,000	1	1
£90,001 and £100,000	-	1
£80,001 and £90,000	1	-
£70,001 and £80,000	2	-
	5	2

Employer's pension contributions totalling £10,070 (2018: £5,387) were made for the above employees. The aggregate remuneration, including any applicable employer's national insurance, severance payments and employers pension scheme contributions for 'key management personnel', referred to as the Senior Management Team on page 1, was £398,740 (2018: £504,712).

Notes to the accounts

The average headcount of employees analysed by function was:

	2019	2018
	Headcount	Headcount
Charitable activities		
Examinations	208	173
Teaching	168	149
Support	65	53
	441	375

During the year redundancy and termination payments of £18,924 (2018: £3,954) were paid.

6 Trustees' remuneration

The trustees neither received nor waived any emoluments during the year (2018: £nil). Five trustees (2018: 6 trustees) were reimbursed travelling expenses of £2,878 (2018: £2,808) during the year.

One (2018: two) trustee was engaged in a teaching capacity with a total remuneration of £1,294 (2018: £2,787).

Ricard Alonso is a director of International House World Organisation Ltd (IHWOW), a company which is 50% owned by International House Trust Ltd.

Monica Green holds a controlling interest in IH Torres Vedras language schools, which traded with IH London on standard commercial terms. Monica Green is Executive Director of IHWOW and in this capacity is paid by IHWOW.

7 Operating leases

The charity has the following future minimum lease payments under non-cancellable operating leases for each of the following years:

	31 December	31 December
	2019	2018
	£'000	£'000
Office Equipment:		
Within one year	22	22
Between one year and five years	54	76
	76	98

Notes to the accounts

8 Tangible fixed assets

	Freehold land and buildings	Leasehold properties	Fittings, furniture and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
1 January 2019	15,700	913	2,433	19,046
Additions	-	-	79	79
31 December 2019	15,700	913	2,512	19,125
Depreciation				
1 January 2019	3,794	319	1,849	5,962
Charge	320	66	128	514
31 December 2019	4,114	385	1,977	6,476
Net book value				
31 December 2019	11,586	528	535	12,649
1 January 2019	11,906	594	583	13,083

The leasehold properties are an extension to the freehold building at 16 Stukeley Street and office accommodation at Shaftesbury Avenue. 'Freehold land and buildings' includes £3m of non-depreciating freehold land. Trustees are aware of the potential impact of the COVID-19 pandemic on property values. The intention is to hold the property for the long term. No adjustment has therefore been made to valuations as a result of the crisis.

9 Intangible fixed assets

	SchoolWorks £'000	Website £'000	On-line Education £'000	Software Licences £'000	Total £'000
Cost					
1 January 2019	571	126	89	-	786
Additions	-	101	-	13	114
31 December 2019	571	227	89	13	900
Depreciation					
1 January 2019	292	26	89	-	407
Charge	83	50	-	-	133
31 December 2019	375	76	89	-	540
Net book value					
31 December 2019	196	151	-	13	360
1 January 2019	279	100	-	-	379

10 Investments

	2019 £'000	2018 £'000
International House World Organisation Ltd (at cost)	1	1

Notes to the accounts

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 (IHWOW). Decisions by IHWOW in general meetings can only be made with the agreement of both classes of shareholder and consequently the Trustees do not consider that International House Trust exercises control over IHWOW.

A summary of the results of IHWOW are given below:

Profit and loss account - IHWOW Limited	2019	2018
	£'000	£'000
Turnover	838	722
Cost of sales	(146)	(106)
Gross profit	692	616
Administrative expenses	(689)	(614)
Other income and expenditure	2	3
Tax on profit	(1)	(1)
Profit for the year	4	4
Revaluation of tangible fixed assets, less tax	72	68
Total comprehensive income for the year	76	72

Balance Sheet - IHWOW Limited	2019	2018
	£'000	£'000
Fixed assets	571	570
Current assets	294	240
Creditors: amounts falling due within one year	(168)	(118)
Net current assets	697	692
Provisions for liabilities	(43)	(43)
Net assets	654	649
International House Trust Ltd: 50% of shareholders' equity	327	325

During the year the Trust made payments to IHWOW of £27,544 (2018: £22,317) on normal commercial terms. No payments (2018: £Nil) were made by IHWOW to the Trust.

11 Debtors

	2019	2018
	£'000	£'000
Trade debtors	1,920	1,842
Other debtors	85	146
Prepayments	392	380
Staff loans and advances	4	3
	2,401	2,371

Notes to the accounts

12 Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Loans repayable within one year	297	293
Trade creditors	658	707
Accruals	437	533
Taxation and social security	155	161
Deferred income: Course fees in advance	3,102	2,476
Other creditors	30	19
	4,679	4,189

13 Creditors: amounts falling due after more than one year

	2019	2018
	£'000	£'000
Loan repayable within two to five years	831	955
Loan repayable in more than five years	1,384	1,547
Creditors: amounts falling due after more than one year	2,215	2,502
Loan repayable within one year	297	293
Secured loan total	2,512	2,795

In February 2018 the Trust took out a loan, over 15 years, with Lloyds Bank PLC. This loan is secured by a fixed charge on the freehold land and building at 16 Stukeley Street. The interest rate is Base Rate plus 2.50%. Repayments of £283,419 (2018: £276,724) were made during the year.

14 Net income for the year

This is stated after charging:

	2019	2018
	£'000	£'000
Depreciation/Amortisation	647	586
Auditor's remuneration:		
Audit fees	36	22
Leasehold property rent	284	273
Operating leases equipment	22	30
Interest payable	84	91

Notes to the accounts**15 Analysis of net borrowing**

	1 Jan 2019 £'000	Cash flow £'000	Non- Cash Changes	31 Dec 2019 £'000
Loans falling due within one year	(293)	283	(287)	(297)
Loans falling due after one year	(2,502)	-	287	(2,215)
Cash at bank and in hand	872	84	-	956
Short-term deposits	-	702	-	702
	<u>(1,923)</u>	<u>1,069</u>	<u>-</u>	<u>(854)</u>

	1 Jan 2018 £'000	Cash flow £'000	Non- Cash Changes	31 Dec 2018 £'000
Loans falling due within one year	(277)	277	(293)	(293)
Loans falling due after one year	(2,502)	-	-	(2,502)
Cash at bank and in hand	654	218	-	872
Short-term deposits	501	(501)	-	-
	<u>(1,624)</u>	<u>(6)</u>	<u>(293)</u>	<u>(1,923)</u>

16 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 12 members as at 31 December 2019 (2018: 10).

18 Ultimate controlling party

The charitable company is under the ultimate control of the board of Trustees.

19 Post balance sheet event

The ultimate impact of the COVID 19 pandemic is still unclear, but management are modelling scenarios should there be a material effect on income. However, having secured a CBILS loan in July 2020 and reviewed the Trust's expected future cash flows out to December 2021, the Trustees have a reasonable expectation that the charity has adequate resources to continue its activities for the foreseeable future and consider that there are no material uncertainties over the charity's financial viability.