



**International
House
Trust**

Trustees' Report and Financial Statements

Year ended 31 December 2016

International House Trust Ltd
A company limited by guarantee

Company registration number (England and Wales): 1239120
Charity registration number: 270860



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Reference Information

Board of Trustees	Angela Dean (Chair) Ricard Alonso Ferre Gavin Dudeney Monica Green Simon Greenall Philippe Lenoble Paul Mason (Vice Chair) Elizabeth McGlynn Gillian Murray Maggie van Reenen Fintan Somers Adrian Underhill
Chief Executive & Company Secretary Finance Director Director of Education Director, Sales and Marketing Director, Service Quality	Joseph Lowe Finola Seachoy Eleanor Maly Emma Buckby Ian Dignum
Registered office	16 Stukeley Street, Covent Garden London, WC2B 5LQ
Website	www.ihlondon.com
Company registration number	1239120, incorporated on 2 January 1976 (England and Wales)
Charity registration number	270860
VAT registration	GB 1061 801 56
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 Lloyds Bank, 39 Threadneedle Street, London EC2R 8AU
Solicitors	Russell-Cooke, 2 Putney Hill, London SW15 6AB

Trustees' report

Year ended 31 December 2016

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 2016.

Strategic report

International House Trust Limited (the 'Trust'), trades as 'IH London' (IHL) and also at three residential Younger Learner Centres: which trade as 'IH Oxford', 'IH Ellesmere' and 'IH Westminster'.

All of the Trust's activities are charitable; the objects of the Trust 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 British culture
- The training of teachers of foreign languages, including the teaching of English as a foreign language
- 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.

Review of the Trust's activities and performance for the year

The Trust relies on fee income earned in a competitive market place to cover its operating costs.

In 2016, the Trust continued to generate income through its six areas of established activity:

- General English
- Business and Specialist English
- Teacher Training (face to face, blended and online programmes)
- Modern Languages
- Residential Younger Learner Programmes in Oxford and Ellesmere
- English Language Examinations

There was strong growth in modern languages, young learners, and examinations. The downward trend in English teaching, which started in 2015, continued. Overall student numbers fell from 10,600 to 10,000 and student weeks fell from 23,300 to 20,200.

The key objectives set for the year were:

- Increasing Younger Learner sales and profitability
- Expanding the Examinations service
- Developing opportunities to deliver overseas programmes, particularly for teacher training
- Exploiting the comparative cost benefits from the fall in Sterling
- Making further cost savings without impacting on net income

There was progress in the objectives.

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Year ended 31 December 2016

Increasing Younger Learner sales and profitability

Overall young learner sales grew strongly with an increase of 24% to £1.6m (2015: £1.3m). In Oxford, up by 43% to £1,314k (2015: £918k), the uplift was mainly due to the introduction of a leadership programme in Oxford that aimed to boost the numbers in the quieter part of the operational period. The smaller Ellesmere centre struggled with a reduction of 22% in income to £307k (2015: £393k) mainly due to the programme reducing in length from six to five weeks.

Expanding the Examinations service

There was a further substantial increase in the number of examinations delivered through IH London – up from 37,000 to 46,000. This growth was based on the strength of our partnership with the British Council to deliver Cambridge IELTS exams. This increase had a positive effect in terms of additional income; up 13% to £4.4m (2015: £3.9m).

Developing opportunities to deliver overseas programmes

We ran our first CELTA face-to-face course in Shanghai for staff of New Oriental, a large Chinese private educational services company. All trainees achieved the CELTA certificate. We also partnered with a Chinese university UIC, in Zhuhai South China. The students on the course were teachers from local state secondary schools. As part of the programme we trained up four local trainers at UIC on a one week course, to work on the project. The course ran for nine months and all 30 trainees passed the course. Also in China the Trust signed a memorandum of understanding with Beijing University to deliver bespoke teacher training in Beijing.

Outside China the Trust signed an agreement with a provider in Japan, based at Okayama Rika University, to deliver the innovative Online CELTA programme. In the programme trainers are not present but observe locally-filmed lessons and offer feedback through synchronous and asynchronous forums.

The Trust also signed an agreement with Nisantasi University, in Turkey, to deliver the English language and UK-based part of a study abroad programme in London.

Exploit the comparative cost benefits from the fall in Sterling

Following the Brexit referendum sterling depreciated but unfortunately too late to have any major impact on the peak summer season. International opinion of the UK suffered shortly after the Brexit result, compounded by further changes to visa and immigration regulations imposed by the Home Office.

Making further cost savings without impacting on net income

During 2016 a cost savings programme examined staff terms and conditions and utilisation and removed £400k of recurring costs from the Trust. These changes were necessary to try to bring the Trust back into surplus.

Financial performance

2016 was a year of significant progress. Through the efficiency programmes put in place during 2015, the deficit was reduced from £680k to £369k. The continued decrease in General English and Business English sales impacted on the Trust's overall financial position, given that General English is the largest and most profitable income stream. Despite this

Trustees' report

Year ended 31 December 2016

deficit the Trust finished the year with cash of over £450k, no recourse to an overdraft, a low gearing ratio, and considerable realisable fixed assets.

Financial review

Total income for 2016 amounted to £14,494k (2015: £14,929k). The net expenditure was £369k (2015: £680k). Expenditure for the year on charitable activities was £14,863k (2015: £15,609k).

The company repaid £436k (2015: £275k) of its long-term secured loan, reducing the loan to £2,250k at 31 December 2016 (2015: £2,684k). The loan was secured on the property at 16 Stukeley Street and was repayable over the next 10 years.

Public Benefit

The trustees have given due consideration to the Charity Commission's guidance on public benefit, as updated in September 2013. The Trust provides 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 free or low cost including the two programmes outlined below.

Free and subsidised courses

The 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. 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, au pairs and others who can demonstrate their need. In 2016 over 2,100 (2015: 2,200) students attended courses and these students received a fee remission equivalent to £1.2 million (2015: £1.1m).

Partnerships with IATEFL

The second IH Trust / IATEFL Training Award went to NELTA (Nepal English Language Teachers Association). The winning project was *Enhancing Communicative Proficiency of Primary English Teachers through Innovative Practices*. Under this award 20 days training was delivered in 4 locations in Nepal by IHL trainer Jonathan Spalton, directly benefiting over one hundred Nepalese teachers.

Priorities for 2017

The priority for the trust in 2017 is a return to trading at a surplus. This is to be achieved through:

- Refinancing the mortgage on 16 Stukeley Street to provide funds for future development.
- Launching Westminster Young Learners and growing our existing young learner centres.
- Expanding the Examinations business.
- Increasing the delivery of programmes overseas.

Trustees' report

Year ended 31 December 2016

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 over 150 private and independent language schools in more than 50 countries, each bearing the International House brand name and employing a common methodology of teaching.

IHWO sets quality standards for its member schools, currently branded as the 'IH Charter' and regularly inspects the Trust to monitor the School's compliance.

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

Accreditations and professional memberships

The Trust 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 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)

English UK the Trust is a member of the professional body representing the accredited English language teaching and language training sector

Accreditations UK, the accreditation scheme jointly run by the British Council and English UK

Investors in People the Trust has been an Investor in People for over ten years, believing that the recruitment and retention of a committed, high calibre staff is fundamental to organisational success

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). The Trust was a founding member of IATEFL and supports its 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:

- The British Council taking service delivery in-house and thereby reducing the need for partners.
- Terrorism making the UK a less attractive location for potential foreign clients.
- London being a high cost city resulting in students opting to study in lower cost UK cities.

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Year ended 31 December 2016

- A political environment in which international students are less able to obtain visas and to combine work with study, especially in comparison with competitor countries.
- The UK leaving the European Union increasing the proportion of students requiring a visa, and damaging the country's image as a place that welcomes foreigners.
- The general trend away from face-to-face learning towards on-line learning, including away from the traditional General English courses with which IH London is strongly associated.

The Board is mitigating these risks, which collectively depress demand for the Trust's core services, through a cost reduction programme, to match supply with demand, whilst also investing in the growing examinations, young learner and teacher training products. However the Board is aware that a new organisational vision and strategy is needed to meet the risks identified above. This will be carried forward by the new CEO that the Board expects to appoint in late 2017.

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 Trust's obligations and covenants under agreements relating to property, the bank loan and other contracts, and have reviewed trading and cash projections to December 2018. As discussed above the trustees are satisfied that the company is a going concern.

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 Trust's reserves are constituted wholly by unrestricted funds. As at 31 December 2016 the reserves stood at £10,523k (2015: £10,892k); the reduction substantially resulting from the year's deficit. The company pursues a policy of maintaining and where possible increasing the reserves in order to support the company's ongoing activities. As noted above in the 'Trust's priorities for 2017' steps are being taken to increase reserves.

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 2016 (2015: £nil).

However 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 Trust has a history of generating trading surpluses as well as cash inflows from its activities
- The Trust has recourse to additional finance secured on the freehold property.

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

Trustees' report

Year ended 31 December 2016

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 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 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. No new trustees were appointed in 2016 but in 2017 we welcomed Fintan Somers (appointed 19/6/17) and Elizabeth McGlynn (appointed 19/6/17). Together they add to the Board's financial, tax and property experience.

The Board of Trustees met five times in 2016: four Board Meetings and an Away-Day. Major strategic decisions are reserved for the Board, including approval of the budget and capital programme, senior appointments, property transactions, insurance arrangements, pricing and major programme changes.

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.

During the year Steve Brent served as Chief Executive Officer, Joseph Lowe served as Director, Finance and Systems and Justin Vollmer as Director, London Operations. Between June and August 2017 the structure stated on page one was adopted.

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 three times in 2016) is responsible for monitoring the management of the risks facing the Trust and reviewing the annual financial statements. The Committee comprised Maggie van Reenen (Chair), Gillian Murray, Paul Mason and Adrian Underhill.

The **Nominations Committee** (which did not meet in 2016) 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 Committee comprised Angela Dean (Chair), Simon Greenall, Gillian Murray and Maggie van Reenen.

The **Finance and General Purposes Committee** (which met five times in 2016) 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. During 2016 the Committee comprised Paul Mason (Chair), Angela Dean, Maggie van Reenen, Gavin Dudeney, Philippe Lenoble, Monica Green and Ricard Alonso Ferre.

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Year ended 31 December 2016

The **Public Benefit and Partnerships Committee** (which did not meet in 2016) is responsible for developing the company's wider access agenda. The Committee comprised Gillian Murray (Chair), Simon Greenall, Gavin Dudeney and Adrian Underhill.

The **Remuneration Committee** (which met three times in 2016) 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. The Committee comprised Angela Dean (Chair), Paul Mason, Maggie van Reenen and Adrian Underhill. Senior management pay is determined by a policy, which takes account of the market rate for similar roles in Central London, organisational affordability and individual contribution.

Governance of International House World Organisation Ltd (IHWO)

During 2016 Steve Brent and Simon Greenall continued as the Trust's appointed members on the IHWO Board. This Board met three times during 2016. Subsequently, in 2017, Simon Greenall stood down and in replacement the IH London Board appointed Joseph Lowe.

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.
- 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.

International House Trust Ltd

Annual Report and Accounts year to 31 December 2016
Company 1239120



Trustees' report

Year ended 31 December 2016

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 including the strategic report on pages 2 to 9, was approved by the Board of Trustees on 25 September 2017 and signed on its behalf by:

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

Angela Dean

Chair

25 September 2017

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

Year ended 31 December 2016

We have audited the financial statements of International House Trust Limited for the year ended 31 December 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes numbered 1 to 16.

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 auditor

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 charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; 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.

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 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;

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

Year ended 31 December 2016

- have been properly prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

28 September 2017

Statement of financial activities incorporating an income and expenditure account

Year ended 31 December 2016

	Note	2016 £'000	2015 Restated £'000
Income from:			
Charitable activities			
Teaching and learning	2	14,398	14,700
Investments		3	4
Other		93	225
Total		14,494	14,929
Expenditure on:			
Charitable activities	3	14,863	15,609
Total		14,863	15,609
Net (expenditure)	13	(369)	(680)
Net movement in funds		(369)	(680)
Reconciliation of funds:			
Funds brought forward		10,892	11,572
Total funds carried forward		10,523	10,892

All the above results relate to unrestricted funds.

The notes on pages 15 to 23 form part of these financial statements.

Balance sheet

As at 31 December 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible fixed assets	8	13,710	14,254
Intangible fixed assets	9	407	472
Investments	10	1	1
		14,118	14,727
Current assets			
Debtors	11	1,595	1,730
Short term deposits		-	385
Cash at bank and in hand		453	645
		2,048	2,760
Creditors: amounts falling due within one year	12	(5,643)	(6,595)
Net current liabilities		(3,595)	(3,835)
Net assets less current liabilities		10,523	10,892
Creditors: Amounts falling due after more than one year		-	-
Total net assets		10,523	10,892
The funds of the charity:			
Unrestricted funds		10,523	10,892
Total charity funds		10,523	10,892

The notes on pages 15 to 23 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Trustees on 25 September 2017 and signed on their behalf by:



Angela Dean
Chair

Cash flow statement

Year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities:			
Net cash provided by operating activities	i	(96)	1
Cash flows from investing activities:			
Interest received		3	4
Purchase of tangible fixed assets		(30)	(385)
Purchase of intangible fixed assets		(18)	(166)
Net cash (used in) investing activities		(45)	(547)
Cash flows from financing activities:			
Repayment of borrowing		(436)	(275)
Net cash used in financing activities		(436)	(275)
Changes in cash and cash equivalents in the year		(577)	(821)
Cash and cash equivalents at 1 January 2016		1,030	1,851
Cash and cash equivalents at 31 December 2016	ii	453	1,030

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

	2016 £'000	2015 £'000
Net (expenditure) for the year (as per the Statement of financial activities)	(369)	(680)
Depreciation charges	657	509
Interest receivable	(1)	(7)
Decrease / (increase) in debtors	135	(116)
(Decrease) / increase in creditors (excluding the bank loan)	(518)	295
Net cash (outflow) / inflow from operating activities	(96)	1

Note ii) Analysis of cash and cash equivalents

	1 January 2016 £'000	Cash flow £'000	31 December 2016 £'000
Cash at bank and in hand	645	(192)	453
Short term deposits	385	(385)	-
Total cash and cash equivalents	1,030	(577)	453

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 1239120) 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 the Charities SORP (FRS102) applicable to charities preparing their accounts in accordance with FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland, the Charities Act 2011, the Charities Accounts (Scotland) Regulations 2006 and UK Generally Accepted Practice as it applies from 1 January 2015. A review of the categorisation of income and expenditure, to improve the quality of financial information has resulted in the reclassification of some income and expenditure for 2015.

The charity constitutes a public benefit entity as defined by FRS 102.

As discussed in the Trustees Report, the Trustees have reviewed their forecasts and cash flow requirements for the foreseeable future. The trustees consider that the charity will have adequate working capital available to continue in operational existence for the foreseeable future. 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' commission, 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, current 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.

h. Tangible fixed assets

Tangible fixed assets costing more than £250 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.

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 – course fees in advance

Course fees in advance represents deferred income 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 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, 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 group personal pension (GPP) scheme operated through Scottish Widows is available to all permanent employees with three month's service. During 2016 the employer's contribution is equal to 7% of basic salary and the employee determined their contribution. 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

	2016	2015
	£'000	Restated £'000
Adult Language courses	4,656	5,548
Young learners	1,621	1,311
Teacher training courses	2,317	2,107
Examination fees	4,421	3,912
Accommodation	1,383	1,822
	14,398	14,700

3 Expenditure on charitable activities

	2016	2015
	£'000	Restated £'000
Direct costs of teaching and examinations		
Adult Language courses	2,019	2,084
Young learners	1,454	1,297
Teacher training courses	1,077	1,268
Examinations	3,538	3,393
Accommodation	1,428	1,835
Other direct costs	115	333
	9,631	10,210
Support costs	5,232	5,399
	14,863	15,609

4 Expenditure on support costs and governance

	General Support	Governance	2016	2015
	£'000	£'000	£'000	Restated £'000
Staff	2,532	32	2,564	2,718
Marketing and communications	478	-	478	495
Establishment and office	1,084	-	1,084	1,121
Finance, legal and professional	160	31	191	225
Depreciation	657	-	657	509
Interest payable	44	-	44	52
Other expenditure	214	-	214	279
	5,169	63	5,232	5,399

Notes to the accounts

5 Staff costs

	2016 £'000	2015 Restated £'000
Gross salaries	4,764	4,966
Social security costs	409	460
Employer's pension scheme contributions	397	398
	5,570	5,824
Self-employed and agency staff	392	456
	5,962	6,280

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:

	2016 Number	2015 Restated Number
Employees earning between:		
£120,001 and £130,000	-	1
£100,001 and £110,000	1	-
£90,001 and £100,000	-	-
£80,001 and £90,000	-	2
£70,001 and £80,000	1	-
£60,001 and £70,000	1	1
	3	4

Employer pension contributions totalling £24,731 (2015: £23,222) were made for the above employees. The aggregate remuneration, including any applicable employer's national insurance, employer's pension contributions, performance bonus and healthcare benefit for 'key management personnel' was £471,042 (2015: £553,773).

The headcount of employees analysed by function was:

	2016 Headcount	2015 Headcount
Charitable activities		
Examinations	92	102
Teaching	141	131
Support	57	57
	290	290

During the year redundancy and termination payments of £46,658 (2015: £37,838) were paid.

Notes to the accounts

6 Trustee remuneration

The trustees neither received nor waived any emoluments during the year (2015: £nil). Five trustees (2015: 11 trustees) were reimbursed travelling expenses of £4,149 (2015: £6,229) during the year. The daughter of the Chair was employed in a temporary administration role earning £1,050 (2015: £Nil).

Simon Greenall was appointed by International House Trust Ltd to be a director of International House World Organisation Ltd (IHWO), a company which is 50% owned by International House Trust Ltd. He neither received nor waived any emoluments during the year (2015: £nil) for his services as directors of IHWO but was reimbursed travelling expenses. On 4 April 2017 he resigned from this position.

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 IHWO and in this capacity is paid by IHWO.

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 2016	31 December 2015
	£'000	£'000
Within one year	30	25
Between one year and five years	73	100
More than five years	-	1
	103	126

8 Tangible fixed assets

	Freehold land and buildings	Leasehold properties	Fittings, furniture and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
1 January 2016	15,700	908	2,017	18,625
Additions	-	5	25	30
31 December 2016	15,700	913	2,042	18,655
Depreciation				
1 January 2016	2,834	122	1,415	4,371
Charge	320	65	189	574
31 December 2016	3,154	187	1,604	4,945
Net book value				
31 December 2016	12,546	726	438	13,710
1 January 2016	12,866	786	602	14,254

Notes to the accounts

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.

9 Intangible fixed assets

	Schoolworks £'000	Website £'000	Course £'000	Total £'000
Cost				
1 January 2016	512	22	89	623
Additions	13	5	-	18
31 December 2016	525	27	89	641
Depreciation				
1 January 2016	59	3	89	151
Charge	74	9	-	83
31 December 2016	133	12	89	234
Net book value				
31 December 2016	392	15	-	407
1 January 2016	453	19	-	472

10 Investments

	2016 £	2015 £
International House World Organisation Ltd (at cost)	500	500

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 exercises control over IHWO. The IHWO results for the year ended 31 December 2016 were:

	2016 £'000	2015 £'000
IHWO total results		
Income	570	531
Profit after tax	23	11
Shareholders' equity at 31 December 2016	545	520
International House Trust Ltd: 50% of shareholders' equity at 31 December 2016	273	260

During the year the Trust made payments to IHWO of £22k (2015: £13k) on normal commercial terms. No payments were paid to IHWO (2015: £Nil) by the Trust.

Notes to the accounts

11 Debtors

	2016	2015
	£'000	£'000
Trade debtors	1,117	1,322
Other debtors	102	200
Prepayments	365	200
Staff loans and advances	11	8
	1,595	1,730

12 Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Loans repayable within one year	2,250	2,684
Trade creditors	784	1,247
Accruals	601	427
Taxation and social security	118	121
Deferred income: Course fees in advance	1,838	2,041
Other creditors	52	75
	5,643	6,595

The secured loan is from Allied Irish Bank (UK) PLC. 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%.

The loan was obtained to enable the purchase of the freehold land and building at 16 Stukeley Street in 2006. Capital repayments of £436k were made during 2016 (2015: £275k). The remaining loan was repayable over the next 10 years in accordance with the agreed repayment schedule. Due to a breach of the loan agreement, the accounts are required to state the loan as a current liability despite the agreed repayment schedule being in force. The breach relates to having a deficit in two consecutive years and size of the deficit when measured before interest, tax and depreciation. The anticipated loan repayments were one year £346k, two to five year £689k and in more than five years £1,016k.

In 2017 the Trust successfully renegotiated its loan arrangements and moved the loan to Lloyds Bank. The new loan is split with £0.7m on a 7-year repayment basis and £2.6m on a 15-year repayment basis. The new rate of interest is base rate plus 2.5%.

Notes to the accounts

13 Net expenditure for the year

This is stated after charging:

	2016	2015
	£'000	£'000
Depreciation	657	509
Auditor's remuneration		
Audit fees	26	26
Other services	-	-
Leasehold property rent	218	156
Operating leases equipment	25	32
Interest payable	44	52

14 Analysis of net borrowing

	01 January		31 Dec.
	2016	Cash flow	2016
	£'000	£'000	£'000
Secured loan	(2,686)	436	(2,250)
Cash at bank and in hand	645	(192)	453
Short-term deposits	385	(385)	-
	<u>(1,656)</u>	<u>(141)</u>	<u>(1,797)</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 2016 (2015: 10).

16 Financial Instruments

	2016	2015
	£'000	£'000
Financial assets measured at amortised cost	1,683	2,560
Financial liabilities measured as amortised	5,643	6,597