



Trustees' Report and Financial Statements

31 December 2017

International House Trust Ltd
A company limited by guarantee (1239120)
Registered Charity (270860)



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Reference Information

Board of Trustees	Angela Dean (Chair) Ricard Alonso Ferre Gavin Dudeney Monica Green Simon Greenall Paul Mason (Vice Chair) Elizabeth McGlynn Gillian Murray Maggie van Reenen Fintan Somers Adrian Underhill
Chief Executive & Company Secretary	Joseph Lowe
Finance Director	Finola Seachoy
Director of Education	Eleanor Maly
Director, Sales and Marketing	Greg Patton
Director, Service Quality	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	haysmacintyre, 10 Queen Street Place, London EC4R 1AG
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

Chairs Report

2017 was a year of change. I am pleased we ended the year with a much more positive outlook for our future: a clearer sense of the best ways to exploit the strength of our brand and core businesses, a commitment to making ourselves more efficient and more effective, and a renewed focus on putting the customer first.

I would like to thank the management team, staff and Trustees for their hard work in initiating this transformation process. The Board is particularly proud of the success in the recent British Council inspection; it is eloquent tribute to the progress we are making.

We are seeing far-reaching changes in our industry and the wider world. Technology continues to disrupt education while the age and demographics of our customer base are shifting. Political developments, not least Brexit, present both challenges and opportunities to our ways of doing business.

The growth of China and the Asia region and their use of English for business communication is providing demand for better teacher training along with consultancy in more effective learning methods. In 2017 we opened a representative office in Shanghai. These developments in our global market underline the importance of International House's original vision to bring people together through language, but also emphasise the need to make ourselves fit for the future.

Our senior management team saw significant transformation. In June, we said goodbye to Steve Brent who had been with us for over 17 years and had led the organisation as Chief Executive for 10 years. We also saw the departure of Justin Vollmer who had been with us as London School Director for 8 years and in total for almost 18 years. Together they led the School through a great expansionary period and it's due to them that Trust owns its modern Central London School.

The Board is very grateful to Joseph Lowe who took on the interim CEO position; we are delighted to see him driving our business forward in a way that goes well beyond any 'night watchman' interpretation of the role. The Chief Executive's report highlights our two very significant appointments to the positions of Director of Education and Director of Sales, Eleanor Maly and Greg Patton.

We also saw changes in our Board of Trustees. We were sad to say farewell to Philippe Lenoble and thank him for his contribution. We strengthened the Board's financial, tax and property experience with the appointments of Fintan Somers and Elizabeth McGlynn. They join a strong Board that has a wide range of appropriate skills and experience of which there are further details in the Trustees Report.

The Board is focussing on leading the Executive towards a new clear strategy. We have to invest in order to prosper in this new and evolving market place. We need to improve the student experience, developing a customer service culture.

I would like to thank the Board for re-electing me to my second term as Chair, and I look forward to helping International House excel over the coming years.



Angela Dean
Chair of the Board
1 May 2018



Chief Executive's Report

International House London has a rich history, and an established name for itself; however, the last few years have been challenging both financially and operationally.

I started my role by working with the Board, and engaging all staff, in an honest assessment of our situation. We charge a premium for our product; we needed to define and deliver the 'IH London difference' for the student.



In 2017 we stabilised the business, completing a refinancing to re-establish our reserves, successfully renegotiating some onerous supplier contracts and making necessary changes to our cost base.

These achievements allowed us to start investing in the future. We appointed some excellent new senior staff; Greg Patton as our new Sales and Marketing Director and Eleanor Maly as our new Director of Education. With these appointments we have a great senior team at the head of the School.

Our aim for 2018 is to set the groundwork for IH London to resume its industry-leading position in language teaching and training. The details of this are in the Trustees' report. We are setting ourselves up to become a top ten school.

Already we are seeing results. The British Council UK Accreditation scheme is a rigorous 4-yearly inspection. In total we were assessed across 86 areas, consolidated into 15 categories. In our last inspection, back in 2013, we gained eight category strengths. This time we have achieved an amazing 14 out of 15. This result puts IH London in the top 1% of UK language schools.

It's great to have external recognition of the wonderful activities that take place at IH London. This result is a tribute to everyone's hard work and commitment and a great springboard for all the positive change that is taking place across the school at the moment. A culture of continuous improvement will ensure that we make real progress this year towards ensuring that IH London takes the top spot in what is an increasingly competitive industry.

I am committed to the values by which we operate this charity, putting in place a culture of integrity and openness. Putting this into practice has included changing some longstanding employment practices and engaging with our workforce.

I am grateful for the support I have received from the Board, and especially from Angela as Chair.

This autumn, we have a joint EAQUALS and IH World inspection. This will present more challenges, but I am confident that we can meet them.



Joseph Lowe
CEO
1 May 2018

Trustees' Report

Year ended 31 December 2017

Introduction

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, the International House Trust, committed to raising the standards of English language teaching and training worldwide. Today, through the International House world Organisation, there are over 160 affiliated language schools that share the ideals of John and Brita.

From the legacy of John and Brita we have developed our:

Vision – To bring the world together through professional language education.

Mission - To become the most trusted name in private language education.

These are underpinned by our values of customer focus, accountability, positivity, open mindedness, professional quality, and integrity. Our brand proposition, in our highly competitive market, is that learning a language with us will enable you to open new horizons and realise your aspirations in a positive and enjoyable environment.

In summary, we are people based organisation that promotes excellence in training, teaching and learning'.

Strategic Report

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 2017.

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. The Trust does not fundraise but relies on fee income, earned in a competitive market place, to cover its operating costs. The income is generated through 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
- English Language Examinations

Review of the year against the agreed objectives

The key objectives set for the year, in the 2016 Trustees Report, were:

Trustees' Report

Year ended 31 December 2017

- 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.

There was progress in these objectives, as detailed below.

Refinancing

In February 2017 the mortgage was moved from Allied Irish Bank to Lloyds Bank. This restored working capital that had been eroded in 2015 and 2016 by trading losses and capital investment in Schoolworks and the refurbishment of the Shaftesbury Avenue leasehold offices. Further details can be found in note 13. The Trust now has the working capital to operate the business and to invest in restoring IH London as the flagship of IHWO.

Growing Young Learners

Income from Young Learners grew by 15% to £2m (2016: £1.6m). Growth came from the new centre at Westminster and a 50% increase in income at the existing Ellesmere centre. Income at Oxford grew by 2%.

Expanding the Examinations service

Exams income grew by 6% to £4.6m (2016: £4.4m). This growth was based on the strength of our partnership with the British Council to deliver Cambridge IELTS exams. This activity is now almost a third of the Trust's turnover. Three further centres were awarded to the Trust, Cambridge, Chelmsford and Peterborough, and a sub-office was opened in Cambridge to operate the new venues.

To diversify the department, from December, delivery was started of the OET (Occupational English Test), aimed at overseas medical professionals wanted to work in the UK. This worldwide test is growing rapidly in the UK following recognition by the General Medical Council and the Nursing and Midwifery Council.

Developing opportunities to deliver overseas programmes

We sent our teacher trainers to Brazil and China and continued to deliver CELTA courses in China, as well as customised courses.

Plan for Recovery

In 2017 the Board took decisive action to set the Trust on a path of recovery from the losses of 2015 and 2016. This was a fourfold plan to:

- Refinance the Trust to bring the in working capital necessary to deliver key aspects of the required change.
- Continue to bear down on costs to increase efficiency.
- Put in place a new Senior Management Team to bring the energy, professionalism, expertise and experience necessary to take the Trust forward.
- Start the process of developing a clear strategy for the Trust to give a sense of direction and purpose.

Refinancing was achieved, as detailed above.

Cost reduction was led by successfully leasing the Shaftesbury Avenue offices to the British Council. The lossmaking Westminster Young Learners will not be repeated. Other Young

Trustees' Report

Year ended 31 December 2017

Learner contracts were renegotiated. The Academic management structure was reviewed. Combined these primary changes will save £500k.

The Senior Management team was reformed with three key appointments, Joseph Lowe (interim CEO), Eleanor Maly (Director of Education), and Greg Patton (Director of Sales and Marketing). Joseph brings 20 years' experience as a senior manager in the charity and education sectors and is a specialist in increasing financial efficiency, delivering IT and estates projects and cultural change. Greg and Ellie have previously been senior managers at Bell Education and Embassy Education respectively, and bring enormous experience to the Trust.

With the organisation financially stable the task of developing a clear strategy could progress and continues into 2018. However by the close of 2017 strategic objectives were starting to emerge, the primary ones being to:

- Increase revenue by being a better language school, delivering the quality necessary to justify a premium price.
- Become significantly better at sales and marketing, changing and adding substantial new resources to make this happen.

From these we have developed the areas where we need to improve in order to achieve our emerging strategic objectives:

- Capitalise on the IH brand and network, using our heritage to emphasise our quality.
- Being better organised and managed.
- Making improvements to our world-class facilities.
- Putting the customer first.
- Academically, focusing on measurably improving outcomes for our students. Investing in and improving the student experience.
- Professionalising our back office services.
- Investing in our Exams Service to support the transition to computer-based exams.
- Raising our profile by hosting industry events and being present at key conferences.

The results of the British Council inspection, which took place in November 2017, demonstrate that progress is being made in the first strategic objective.

Criteria	% Strength 2013	% Strength 2017	Change
Staff Management	50%	100%	↑
Student Administration	50%	67%	↑
Quality Assurance	75%	100%	↑
Publicity	0%	50%	↑
Resources & Environment	67%	50%	↓
Learning Resources	83%	100%	↑
Academic staff profile	33%	100%	↑
Academic Management	50%	83%	↑
Course Design	17%	60%	↑
Learner Management	17%	83%	↑
Class Observations	25%	63%	↑
Care of Students	50%	50%	≈
Accommodation	0%	57%	↑

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Year ended 31 December 2017

Criteria	% Strength 2013	% Strength 2017	Change
Leisure	50%	50%	≈
Care of under 18s	0%	33%	↑
Summary	8/15	14/15	+ 5

These results put the trust in the top 1% of language schools in the published EL Gazette rankings.

Priorities for 2018

The Board has adopted a formal written plan for 2018. The summarised objectives are to:

- Build on the success of the British Council inspection by having a successful EAQUALS and IHWO joint inspection.
- Invest in the physical environment of Stukeley Street to help change a functional, but essentially soulless atmosphere, into a stimulating place to learn.
- Restructure our Sales and Marketing department to bring in greater professionalism.
- Raise the profile of the trust via hosting a teacher training and development conference in November 2018.
- Relocate the Exam Service to Stukeley Street and broaden the services product range.
- Improve the 'back-office' infrastructure of the School, specifically developing a HR system and a document management system.
- Improve student feedback systems and reporting.
- Develop a range of organisational KPI's.

The Board will monitor progress during the year.

Financial Review

Whilst the downward trend continued, with overall student numbers flat at 10,000¹ and student weeks falling slightly from 21,500 to 21,200², the rate of decline slowed and the Board is confident that the Trust is in a strong position to take account of a market that has resumed growth³.

Total income for 2017 increased to £14,785k (2016: £14,494k), a rise of 2%. Net expenditure was £522k (2016: £369k). Expenditure for the year on charitable activities was £15,307k (2016: £14,863k).

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. The growth in Exams and Young Learners, while increasing overall income, was at a lower margin, therefore reducing total gross profit. Overheads fell following the successful implementation of the autumn 2016 savings plan.

Despite these challenges the Trust finished the year with cash of £1,155k (£2016: 453k), no recourse to an overdraft, a low gearing ratio of 31%, and considerable realisable fixed assets.

¹ All students, excludes exam candidates

² Student week defined as more than 10 hours tuition.

³ English UK QUIC data series for Q1 2017 shows 3.5% growth in General English student weeks.

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Year ended 31 December 2017

The trust increased secured debt by £820k (2016: reduction £436k), increasing the loan to £3,070k at 31 December 2017 (2016: £2,251k). The loan is secured on the property at 16 Stukeley Street and is repayable over the next 15 years (2016: 9 years).

Public Benefit

The Trustees have given due consideration to the Charity Commission's guidance on public benefit. 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 programme 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 2017 1,472 (2016: 1,536) students attended courses.

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

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.

Trustees' Report

Year ended 31 December 2017

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:

- Terrorism making the UK a less attractive location for potential foreign clients.
- 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.
- Long term economic downturn or social unrest in key markets, including Brazil and China, leading to reduction in sales.
- Failure of the company supplying the school management software (Schoolworks) to support its product.

The Board is mitigating these risks, which could collectively depress demand for the trust's core services, through its plan for 2018 and emerging organisational strategy. Part of the purpose of refinancing the Trust's debt, to increase working capital, was to give the organisation the necessary cash to withstand short-term shocks from the realisation of any of the above risks.

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 2017 the reserves stood at £10,001k (2016: £10,523k); 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 2018' 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 2017 (2016: £nil).

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Year ended 31 December 2017

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.

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. Two new Trustees were appointed in 2017; 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 2017: 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 until June, when Joseph Lowe moved from Director, Finance and Systems to Interim Chief Executive Officer.

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 is a trustee of the Heritage Lottery Fund, 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 20 years of experience across business operations in Sales, Customer Service and IT with Fortune 500	F & GP

Trustees' Report

Year ended 31 December 2017

Name	Experience	Committee Membership
	companies including General Electric and Ingersoll Rand.	
Gavin Dudeney	Award-winning English language teacher, writer of teacher development books and an educational technology consultant. Former trustee and director of IATEFL (International Association of Teachers of English as a Foreign Language)	F & GP Public Benefit
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
Simon Greenall	An English Language Teaching textbook writer and past president of IATEFL (International Association of Teachers of English as a Foreign Language). He has published many books including exam material, adult and secondary courses, as well as radio for the BBC.	Nominations Public Benefit
Elizabeth McGlynn	Qualified accountant, who has worked across 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
Gillian Murray	Following a career in language teaching and educational publishing in Italy she is Chief Executive of Pilotlight, a UK mentoring charity.	Public Benefit (Chair) Audit Nominations
Maggie van Reenen	An independent communications and marketing consultant and has served as an executive and non-executive board member across a range of activities including Moorfields Eye Hospital NHS Foundation Trust.	Audit (Chair) Nominations F&GP Remuneration
Paul Mason	Successful business career including Bursar of St. Clare's, Oxford, Finance Director of the South Bank Centre and a partner in Ernst & Young.	F & GP (Chair) Remuneration Audit
Adrian Underhill	A DELTA qualified English language teacher, consultant, speaker, trainer and author in leadership development, 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
Fintan Somers	25 years' experience as CFO of a variety of businesses with Standard Chartered Bank, Lloyds Banking Group and Commercial Bank of Qatar. A graduate of the National University of Ireland and a fellow of the Institute of Chartered Accountants in Ireland.	F & GP

Trustees' Report

Year ended 31 December 2017

Board Committees

The **Audit Committee** (which met five times in 2017) is responsible for monitoring the management of the risks facing the Trust and reviewing the annual financial statements.

The **Nominations Committee** (which met once in 2017) 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 five times in 2017) 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 2017) is responsible for developing the company's wider access agenda.

The **Remuneration Committee** (which met twice in 2017) 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. 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 (IHW0)

The IHW0 Board met three times during 2017. The Trust can two appoint Directors. In April 2017 Simon Greenall stood down, and was replaced, in May 2017, by Joseph Lowe. Steve Brent continued until December 2017 when he stood down and in replacement the Trust appointed Ricard Alonso Ferre.

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

International House Trust Ltd

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Company 1239120



Trustees' Report

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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 6 June 2018 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Maggie Van Reenen'.

Maggie Van Reenen

Chair of the Audit Committee

6 June 2018

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

Year ended 31 December 2017

Opinion

We have audited the financial statements of International House Trust for the year ended 31 December 2017 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 2017 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.

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.

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 8, 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.

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

Year ended 31 December 2017

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the 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 incorporates the Directors' Report and Strategic Report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees Report (which incorporates the Strategic Report and the Directors' Report) has 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

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

Year ended 31 December 2017

misstatements in the Trustees Report (which incorporates the Directors' Report and Strategic 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
- we have not received all the information and explanations we require for our audit



Sam Coutinho (Senior Statutory Auditor)

10 Queen Street Place

EC4R 1AG

London

For and on behalf of haysmacintyre, Statutory Auditors

Dated:

7 June 2018

Statement of financial activities incorporating an income and expenditure account

Year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Income from:			
Charitable activities			
Teaching and learning	2	14,734	14,398
Investments		4	3
Other		47	93
Total		14,785	14,494
Expenditure on:			
Charitable activities	3	15,307	14,863
Total		15,307	14,863
Net (expenditure)	14	(522)	(369)
Net movement in funds		(522)	(369)
Reconciliation of funds:			
Funds brought forward		10,523	10,892
Total funds carried forward		10,001	10,523

All the above results relate to unrestricted funds.

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

Balance sheet

As at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible fixed assets	8	13,266	13,710
Intangible fixed assets	9	404	407
Investments	10	1	1
		13,671	14,118
Current assets			
Debtors	11	1,602	1,595
Short term deposits		501	-
Cash at bank and in hand		654	453
		2,757	2,048
Creditors: amounts falling due within one year	12	(3,636)	(5,643)
Net current liabilities		(879)	(3,595)
Net assets less current liabilities		12,792	10,523
Creditors: Amounts falling due after more than one year	13	(2,791)	-
Total net assets		10,001	10,523
The funds of the charity:			
Unrestricted funds		10,001	10,523
Total charity funds		10,001	10,523

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

The financial statements were approved and authorised for issue by the Board of Trustees on 6 June 2018 and signed on their behalf by:



Maggie Van Reenen
Trustee and Director

Cash flow statement

Year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities:			
Net cash provided by operating activities	i	35	(96)
Cash flows from investing activities:			
Interest received		4	3
Purchase of tangible fixed assets		(72)	(30)
Purchase of intangible fixed assets		(85)	(18)
Net cash (used in) investing activities		(153)	(45)
Cash flows from financing activities:			
Increase / (repayment) of borrowing		820	(436)
Net cash used in financing activities		820	(436)
Changes in cash and cash equivalents in the year		720	(577)
Cash and cash equivalents at 1 January 2017		453	1,030
Cash and cash equivalents at 31 December 2017	ii	1,155	453

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

	2017 £'000	2016 £'000
Net (expenditure) for the year (as per the Statement of financial activities)	(522)	(369)
Depreciation charges	604	657
Interest receivable	(4)	(1)
(Increase) / decrease in debtors	(7)	135
(Decrease) in creditors (excluding the bank loan)	(36)	(518)
Net cash inflow / (outflow) from operating activities	35	(96)

Note ii) Analysis of cash and cash equivalents

	1 January 2017 £'000	Cash flow £'000	31 December 2017 £'000
Cash at bank and in hand	453	201	654
Short term deposits	-	501	501
Total cash and cash equivalents	453	702	1,155

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, and UK Generally Accepted Practice as it applies from 1 January 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:

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.

Notes to the accounts

Category	Definition
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. 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.

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.

Notes to the accounts

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 defined contribution group personal pension (GPP) scheme operated through Scottish Widows is available to all permanent employees with three month's service. The employer's contribution is equal to 3% (2016: 7%) 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

	2017	2016
	£'000	£'000
Adult Language courses	4,276	4,656
Young learners	1,985	1,621
Teacher training courses	2,325	2,317
Examination fees	4,648	4,421
Accommodation	1,500	1,383
	14,734	14,398

3 Expenditure on charitable activities

	2017	2016
	£'000	£'000
Direct costs of teaching and examinations		
Adult Language courses	1,802	2,019
Young learners	1,871	1,454
Teacher training courses	1,123	1,077
Examinations	3,911	3,538
Accommodation	1,339	1,428
Other direct costs	111	115
	10,157	9,631
Support costs	5,150	5,232
	15,307	14,863

4 Expenditure on support costs and governance

	General Support	Governance	2017	2016
	£'000	£'000	£'000	£'000
Staff	2,289	38	2,327	2,564
Marketing and communications	507	-	507	478
Establishment and office	1,152	-	1,152	1,084
Finance, legal and professional	215	30	245	191
Depreciation	604	-	604	657
Interest payable	78	-	78	44
Other expenditure	237	-	237	214
	5,082	68	5,150	5,232

Notes to the accounts

5 Staff costs

	2017	2016
	£'000	£'000
Gross salaries	4,630	4,764
Social security costs	406	409
Employer's pension scheme contributions	332	397
	<u>5,368</u>	<u>5,570</u>
Self-employed and agency staff	260	392
	<u>5,628</u>	<u>5,962</u>

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:

	2017	2016
	Number	Number
Employees earning between:		
£120,001 and £130,000	-	-
£100,001 and £110,000	-	1
£90,001 and £100,000	-	-
£80,001 and £90,000	1	-
£70,001 and £80,000	1	1
£60,001 and £70,000	1	1
	<u>3</u>	<u>3</u>

Employer pension contributions totalling £7,781 (2016: £16,243) were made for the above employees. The aggregate remuneration, including any applicable employers' national insurance, severance payments and employers pension contributions for 'key management personnel' was £437,120 (2016: £471,042).

The average headcount of employees analysed by function was:

	2017	2016
	Headcount	Headcount
Charitable activities		
Examinations	119	92
Teaching	147	141
Support	58	57
	<u>324</u>	<u>290</u>

During the year redundancy and termination payments of £42,045 (2016: £46,658) were paid.

Notes to the accounts

6 Trustee remuneration

The Trustees neither received nor waived any emoluments during the year (2016: £nil). Six Trustees (2016: five Trustees) were reimbursed travelling expenses of £3,944 (2016: £4,149) during the year. Two (2016: Nil) Trustees were engaged in a teaching capacity with a total remuneration of £2,463 (2016: £Nil).

Until 4 April 2017 Simon Greenall was a director of International House World Organisation Ltd (IHWO), a company which is 50% owned by International House Trust. On 13 December 2017 Ricard Alonso was appointed as a director of the same company. See note 10.

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 2017 £'000	31 December 2016 £'000
Within one year	20	30
Between one year and five years	20	73
	40	103

8 Tangible fixed assets

	Freehold land and buildings £'000	Leasehold properties £'000	Fittings, furniture and equipment £'000	Total £'000
Cost				
1 January 2017	15,700	913	2,042	18,655
Additions	-	-	72	72
31 December 2017	15,700	913	2,114	18,727
Depreciation				
1 January 2017	3,154	187	1,604	4,945
Charge	320	66	130	516
31 December 2017	3,474	253	1,734	5,461
Net book value				
31 December 2017	12,226	660	380	13,266
1 January 2017	12,546	726	438	13,710

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.

Notes to the accounts

9 Intangible fixed assets

	Schoolworks £'000	Website £'000	On-line Education £'000	Total £'000
Cost				
1 January 2017	525	27	89	641
Additions	25	60	-	85
31 December 2017	550	87	89	726
Depreciation				
1 January 2017	133	12	89	234
Charge	77	11	-	88
31 December 2017	210	23	89	322
Net book value				
31 December 2017	340	64	-	404
1 January 2017	392	15	-	407

10 Investments

	2017 £'000	2016 £'000
International House World Organisation Ltd (at cost)	1	1

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 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 IHWO.

A summary of the results of IHWO are given below:

Profit and loss account - IHWO Limited	2017 £'000	2016 £'000
Turnover	776	755
Cost of sales	(124)	(102)
Gross profit	652	653
Administrative expenses	(619)	(626)
Other income and expenditure	1	4
Tax on profit	(2)	(6)
Profit for the year	32	25

Notes to the accounts

Balance Sheet - IHWO Limited	2017	2016
	£'000	£'000
Fixed assets	487	489
Current assets	228	233
Creditors: amounts falling due within one year	(108)	(142)
Net current assets	607	580
Provisions for liabilities	(29)	(34)
Net assets	578	546
International House Trust Ltd: 50% of shareholders' equity	289	273

During the year the Trust made payments to IHWO of £20k (2016: £22k) on normal commercial terms. No payments were paid to IHWO (2016: £Nil) to the Trust.

11 Debtors

	2017	2016
	£'000	£'000
Trade debtors	1,196	1,117
Other debtors	147	102
Prepayments	249	365
Staff loans and advances	10	11
	1,602	1,595

12 Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Loans repayable within one year	279	2,250
Trade creditors	866	784
Accruals	552	601
Taxation and social security	120	118
Deferred income: Course fees in advance	1,802	1,838
Other creditors	17	52
	3,636	5,643

13 Creditors: amounts falling due after more than one year

	2017	2016
	£'000	£'000
Loan repayable within two to five years	1,077	-
Loan repayable in more than five years	1,714	-
Creditors: amounts falling due after more than one year	2,791	-
Loan repayable within one year	279	2,251
Secured loan total	3,070	2,251

Notes to the accounts

The secured loan in 2016 was from Allied Irish Bank (UK) PLC. It was obtained to enable the purchase of the freehold land and building at 16 Stukeley Street in 2006. In February 2017 the loan was repaid (2016: £435,786). A new loan, over 15 years was taken out 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 £228,176 were made during the year.

14 Net expenditure for the year

This is stated after charging:

	2017	2016
	£'000	£'000
Depreciation	604	657
Auditor's remuneration:		
Audit fees	22	26
Leasehold property rent	254	218
Operating leases equipment	29	25
Interest payable	78	44

15 Analysis of net borrowing

	1 January 2017	Cash flow	31 Dec 2017
	£'000	£'000	£'000
Secured loan	(2,250)	(820)	(3,070)
Cash at bank and in hand	453	200	653
Short-term deposits	-	501	501
	(1,797)	(119)	(1,916)

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 11 members as at 31 December 2017 (2016: 10).

17 Financial Instruments

	2017	2016
	£'000	£'000
Financial assets measured at amortised cost	2,508	1,683
Financial liabilities measured as amortised	6,427	5,643

Financial assets measured as amortised cost comprise trade debtors, other debtors, staff loans and advances, cash at bank and in hand and short term deposits. Financial liabilities measured as amortised cost comprise creditors due within one year and creditors greater than one year.

18 Ultimate controlling party

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