

INTERNATIONAL HOUSE TRUST LIMITED

(a company limited by guarantee)

Report and Financial Statements

31 December 2009



Company Registration No 1239120
Registered Charity No 270860

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International House Trust Limited
OFFICERS AND PROFESSIONAL ADVISERS

COMPANY SECRETARY

Ian Powney

DIRECTOR OF THE LONDON SCHOOL

Steve Brent

REGISTERED OFFICE

16 Stukeley Street
London
WC2B 5LQ

BANKERS

Allied Irish Bank (GB)
10 Berkeley Square
London
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SOLICITORS

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London
EC4M 6YH

AUDITORS

Baker Tilly UK Audit LLP
1st Floor
46 Clarendon Road
Watford
Herts
WD17 1JJ

Report of the Board of Trustees for the year ended 31 December 2009

The Trustees of International House Trust Limited ("the Trust"), who are directors of the company for the purposes of the Companies Acts, submit their annual report and financial statements for the year ended 31 December 2009. As a registered charity, its statements appear in the format required by the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities (Revised 2005).

Reference Details

International House Trust Limited is a company limited by guarantee with no share capital (number 1239120), incorporated on 2 January 1976, and is also a charity registered with the Charity Commission (number 270860).

Trustees

The Trustees (with their committee responsibilities indicated in brackets) during the period up to the date of this report were

Michael Noonan, Chair (*D, F, I, N until 5 September 2009, R*)
Anne Peters, Vice-Chair (*A, D, F until 7 February 2009, N, R*)
Matthew Bullock (*A, F, L, N, R*)
Deborah Cameron (*N from 5 September 2009*)
Anne Chan (*retired 6 April 2010*)
Glen Davie (*retired 14 April 2009*)
Angela Dean (*appointed 16 June 2009*) (*F from 27 October 2009, A, L from 24 November 2009*)
Michael Elger, Treasurer (*A, F, L, R*)
Carol Madison Graham (*appointed 16 June 2009*) (*D from 13 October 2009*)
Christopher Greenwood (*D, F from 7 February 2009*)
Jeremy Hardie (*A, D, I*) (*retired 14 April 2009*)
Jeremy Harmer (*I*)
Colin McMillan
Edward Prosser (*N from 5 September 2009*) (*retired 22 February 2010*)

Key *A = Audit Committee*
 D = Development Committee
 F = Finance and Property Committee
 I = Board of directors of International House World Organisation
 L = London School Board
 N = Nominations Committee
 R = Remuneration Committee

Objects, Achievements and Performance

The Trust exists for the advancement of education for the public benefit, through the teaching of languages – primarily English – and the training and professional development of language teachers both within the UK and overseas.

Its objects are realised principally through International House London, an internationally reputed language school which has been operating since 1953.

In shaping its objectives and planning its activities, the Trust has considered the Charity Commission's guidance on public benefit and fee charging. The Trust relies on fee income to cover its operating costs, and in setting the level of fees, the Trust gives careful consideration to the accessibility of the London School to those on low incomes

Objectives for 2009

The Trust's main objectives for 2009 were as follows:

- to continue to broaden the product offer in line with demand and opportunity;
- to meet or exceed the annual sales and financial targets through a combination of increased sales in the existing products plus new income streams from new products;
- to continue to operate the subsidised or free-places scheme for students with little or no income, such as refugees and asylum-seekers;
- to continue to work with partners to develop a number of distance learning programmes particularly in the fields of teacher training and educational management, and
- through the work of the London School and in cooperation with other affiliates of the IHWO network, and potentially with other external organisations, to identify and fund charitable initiatives

International House London

IH London operates in the top segment of the English language teaching market. It is accredited by the British Council and EAQUALS (The European Association for Quality Language Services) and is a member of the professional body representing the accredited English Language Teaching sector, English UK. It also has Investor In People (IIP) status. The London School has about 10% of the market in accredited language teaching in Central London and is developing its presence in the growing market for overseas students wishing to access tertiary education in the UK and requiring accreditation in English for such study.

IH London ("the London School") is engaged not only in the teaching of English and other languages to the general public, primarily on a fee-paying basis, but also in the training of teachers to teach English and other languages. As part of our public benefit initiatives, the programme is also organised in such a way that students with little or no income, including asylum seekers and refugees, are given the opportunity of learning English at little or no charge.

In addition, the London School administers examinations on behalf of Cambridge ESOL (English for Speakers of Other Languages). In volume and revenue terms, IELTS (the International English Language Testing System) is the most important.

During the year the London School provided a range of courses to students in General English, Business English, Modern Languages, and Teacher Training. The duration of these courses ranged from 1 to 36 weeks.

IH London continued to operate the China English Language Teaching project, a blended learning course established in cooperation with a Chinese partner. It comprises three stages. Stage 1 gives teachers a sound theoretical basis for teaching English. Stage 2 focuses on developing the teachers' classroom practice and Stage 3 is designed to train the best teachers to deliver Stages 1 and 2 in their own context, thus ensuring a sustainable legacy of teacher training within the individual education bureaux. The Trinity Examination Board has agreed to moderate and certificate the Practical Teaching Skills phase of the China in-service teacher training programme.

Information about courses provided by the London School is shown on the International House London website, www.ihlondon.com

International House World Organisation

The Trust holds 50% of the authorised share capital (plus one Affiliate Member Share) of International House World Organisation Limited (IHWOL), a company serving an international affiliate network of 142 independent language schools in 53 countries, each bearing the International House brand name and employing a common methodology of teaching. The Trust further promotes its charitable objectives by engaging in initiatives in cooperation with IHWOL and with some of its affiliates.

Further detail about International House World Organisation is provided on the IHWOL website, www.ihworld.com

Identifying and funding charitable initiatives

The Trust provides funding for five IATEFL (International Association of Teachers of English as a Foreign Language) scholarships: two IATEFL John Haycraft Classroom Exploration Scholarships, one IATEFL International House Training & Development Scholarship and two IATEFL International House Global Reach Scholarships enabling participation at the annual IATEFL conference by teachers who could not otherwise afford the cost. In 2009 scholarships were awarded for £1,000 each to teachers from Israel, the Czech Republic, Cameroon (2) and Senegal.

The Trust provides a very substantial programme offering free lessons (or lessons at a nominal cost) in English as a Foreign Language to disadvantaged people in London, widening access to those who might not be able to afford the full cost of such courses. Those benefiting include refugees and asylum seekers, unemployed people, au pairs and others who can demonstrate their need. In 2009 over 2,000 such students attended courses, generally for 40 hours over 4 weeks. These courses are provided by supervised trainee teachers as part of their own training. Had the training been delivered by fully qualified teachers it would have been equivalent to over £1,100,000 in fees charged (about 13% of income).

The Trust is at an advanced stage of discussions with two London charities with a view to providing free English language training to other groups of disadvantaged people in 2010.

Further detail about the activities of the charity, and about the trustees, is shown on the charity's website, www.ihtrust.org

Financial Review

Performance in 2009

Total incoming resources, excluding share of income from the joint venture, for 2009 amounted to £8,201,149 (2008: £7,958,793). The net income of the Trust was £323,808 in 2009 (2008: £708,092). Charitable expenditure for the year amounted to £7,835,417 (2008: £7,197,892).

Balance sheet

The Trust repaid £240,864 of its long-term borrowings, reducing the borrowings to £5,913,237. These borrowings are secured on the property at 16 Stukeley Street and are repayable over the next 16 years. Net indebtedness stood at £4,844,030 at the year end.

Reserves policy

The Trust's reserves are constituted wholly by unrestricted funds. As at 31 December 2009, the Trust's reserves stood at £8,557,652. The Trust pursues a policy of maintaining and where possible increasing the Trust's reserves. The Trustees regularly review the level of reserves, taking account of

- the charitable purpose of the Trust,
- operational and financial risks,
- reserves which may be needed for future charitable developments,

The free reserves of the Trust (defined as total unrestricted funds less the book value of fixed assets) stood at £(6,560,765) at 31 December 2009. Although the free reserves are negative, the Trust operates with a sound capital structure. The property was financed by external borrowings of £5,913,237, giving underlying free reserves of £(647,528). This is funded by Course Fees in Advance of £1,669,448, and the cash balance was £1,069,207.

Outlook for the future

During the year, the Trustees conducted an annual review of the major risks faced by the Trust and have taken appropriate steps to mitigate risk. The main financial risk facing the Trust, as identified by the trustees, lies in the performance of the London School and its ability to service the Trust's bank borrowings. This risk is reduced by close oversight of the trading performance of the London School.

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 the IH London school, the potential impact of the worldwide economic outlook, possible changes in UK legislation and the company's obligations and covenants under agreements relating to property, the bank loan and other contracts, and have drawn up detailed trading and cash flow projections to December 2011. The Trustees are satisfied that the company is a going concern.

Structure, Governance and Management

The Trust is governed by the Memorandum and Articles of Association of the company adopted on 2 January 1976 and last amended on 28 September 2009, having obtained the prior consent of the Charity Commission. All Trustees must be members of the Trust, 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 members of the Nominations Committee. Candidates are appointed as Trustees by a resolution passed at a Board meeting. New Trustees are provided with an induction pack of information on the Trust and the Trust's activities. Induction and training includes meeting key executives of the London School and IHWO and the chairs of the various committees.

The Board convened 4 times during 2009 and exercised its responsibilities with the aid of six committees during the year: the London School Board, to which the management of the London School reports; the Development Committee; the Finance and Property Committee; the Audit Committee; the Nominations Committee; and the Remuneration Committee. In addition, the Trust was represented on the board of directors of IHWO by two Trustees and the Director of the London School.

The Board of Trustees delegated day-to-day responsibilities for the management of the Trust to the Company Secretary (until 31 July 2009 Rosemary Spencer, from 1 August 2009 Ian Powney), and for the management of the London School to Steve Brent as Director of the London School, Duncan Jackman as Business Development and Marketing Director of the London School, and Ian Powney as Finance Director from 1 August 2009, none of whom is a director of the company.

The London School Board (which met 6 times in 2009) was responsible for monitoring the operational performance of the London School. At its meetings, which were attended by the Board of Management of the London School, it received reports and accounts dealing with the current and expected performance of the School. It also recommended the London School's budget and staff remuneration policies for the approval of the Board of Trustees.

The Development Committee (which met 4 times in 2009) is responsible for developing the charitable mission of the Trust outside the present scope of the London School's operations. One project for teaching English to orphaned children in Romania in association with International House Bucharest was chosen for funding and five scholarships were set up with IATEFL. The Committee developed proposals for free English language training to disadvantaged people through London charities with a view to implementation in 2010.

The Finance and Property Committee (which met 6 times in 2009) was responsible for advising the Board of Trustees on matters such as loan servicing, capital expenditure and issues relating to property. The Audit Committee (which met once in 2009) is responsible for monitoring the management of the risks facing the Trust. During the year the committee received the report from the Trust's independent auditors on the 2008 report and statutory accounts and recommended these for approval by the Board of Trustees.

The Nominations Committee (which met once in 2009) is responsible for reviewing the composition and governance of the Board of Trustees and developing policies for managing Trustee rotation and conflicts of interest, and overseeing the induction process for new Trustees. The Remuneration Committee (which met twice in 2009) is responsible for reviewing and agreeing remuneration policies for senior management.

Statement of trustees' responsibilities

The Trustees (who are also directors of International House Trust Limited for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the group for that period. In preparing these financial statements, the Trustees are required to

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (Statement of Recommended Practice),
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 charitable company will continue in business

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable 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 charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware.

- there is no relevant audit information of which the charitable company's auditor is unaware, and
- 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.

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office

On behalf of the Board of Trustees



Michael Noonan
Chair

Date 13 April 2010

International House Trust Limited**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL HOUSE TRUST LIMITED**

We have audited the group and parent charity financial statements of International House Trust Limited ("the financial statements") for the year ended 31 December 2009 on pages 10 to 23.

This report is made solely to the charitable company's members, as a body, in accordance with sections 495 and 496 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.

Respective responsibilities of trustees and auditors

The Trustees' (who are also the directors of the company for the purposes of company law) responsibilities for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006. We also report to you whether in our opinion the information given in the Trustees' Report is consistent with those financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charitable company's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of Trustees' remuneration specified by law are not made.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and charitable company's circumstances, consistently applied and adequately disclosed.

International House Trust Limited**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL HOUSE TRUST LIMITED**

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2009 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended,
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006, and
- the information given in the Trustees' Report is consistent with the financial statements

Baker Tilly UK Audit LLP

SUDHIR SINGH (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
1st Floor
46 Clarendon Road
Watford
Herts
WD17 1JJ

20 April 2010

International House Trust Limited**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (Incorporating an Income and Expenditure Account)**

Year ended 31 December 2009

	Note	Total unrestricted funds 2009 £	Total unrestricted funds 2008 restated £
INCOMING RESOURCES			
Incoming resources from generated funds			
Activities for generating funds			
rental income		345,000	343,646
Investment income			
interest receivable		8,078	20,132
from joint venture		23,677	23,500
Incoming resources from charitable activities			
London School income	2	7,824,394	7,571,515
Share of joint venture income	8	320,000	265,932
TOTAL INCOMING RESOURCES		8,521,149	8,224,725
Costs of generating funds charitable activities			
London School	3	7,021,397	6,841,292
Other Trust costs	3	814,020	356,600
Governance costs		7,835,417	7,197,892
Share of joint venture expenditure	8	41,924	52,809
		312,283	271,881
TOTAL RESOURCES EXPENDED		8,189,624	7,522,582
NET INCOMING RESOURCES		331,525	702,143
Net income			
Company		323,808	708,092
Share of profit/(loss) in joint venture	8	7,717	(5,949)
NET INCOME FOR THE YEAR		331,525	702,143
Reconciliation of funds			
Total funds brought forward		8,377,949	7,675,806
Total funds carried forward		8,709,474	8,377,949

All of the above results are derived from continuing activities

International House Trust Limited (Company Registration No· 1239120)
CONSOLIDATED BALANCE SHEET
As at 31 December 2009

		2009	2008
	Note	£	restated £
FIXED ASSETS			
Tangible fixed assets	6	15,055,096	15,492,383
Intangible fixed assets	7	63,321	84,974
Investments	8	151,822	144,105
		<u>15,270,239</u>	<u>15,721,462</u>
CURRENT ASSETS			
Debtors	9	1,700,904	1,356,009
Cash at bank and in hand		1,069,207	295,963
		<u>2,770,111</u>	<u>1,651,972</u>
CREDITORS: amounts falling due within one year	10	<u>(3,115,168)</u>	<u>(2,705,550)</u>
NET CURRENT LIABILITIES		<u>(345,057)</u>	<u>(1,053,578)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		14,925,182	14,667,884
CREDITORS: amounts falling due after more than one year	11	<u>(5,704,708)</u>	<u>(6,125,935)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(511,000)</u>	<u>(164,000)</u>
NET ASSETS		<u>8,709,474</u>	<u>8,377,949</u>
FUNDS			
Unrestricted general funds		8,557,652	8,233,844
Other reserves – share of joint venture other reserves	8	151,822	144,105
TOTAL FUNDS		<u>8,709,474</u>	<u>8,377,949</u>

The financial statements were approved by the Board of Trustees and authorised for issue on 13 April 2010 and signed on their behalf by



Michael Noonan

International House Trust Limited (Company Registration No 1239120)
COMPANY BALANCE SHEET
As at 31 December 2009

		2009	2008
	Note	£	restated £
FIXED ASSETS			
Tangible fixed assets	6	15,055,096	15,492,383
Intangible fixed assets	7	63,321	84,974
Investments	8	5,500	5,500
		<u>15,123,917</u>	<u>15,582,857</u>
CURRENT ASSETS			
Debtors	9	1,700,904	1,356,009
Cash at bank and in hand		1,069,207	295,963
		<u>2,770,111</u>	<u>1,651,972</u>
CREDITORS: amounts falling due within one year	10	(3,120,168)	(2,710,550)
NET CURRENT LIABILITIES		<u>(350,057)</u>	<u>(1,058,578)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>14,773,860</u>	<u>14,524,279</u>
CREDITORS: amounts falling due after more than one year	11	(5,704,708)	(6,125,935)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(511,000)	(164,000)
NET ASSETS		<u>8,558,152</u>	<u>8,234,344</u>
FUNDS			
Unrestricted general funds		8,558,152	8,234,344
TOTAL FUNDS		<u>8,558,152</u>	<u>8,234,344</u>

The financial statements were approved by the Board of Trustees and authorised for issue on 13 April 2010 and signed on their behalf by



Michael Noonan

International House Trust Limited
CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2009

	Note	2009 £	2008 £
Net cash inflow from operating activities	15	<u>1,502,860</u>	<u>1,737,009</u>
Returns on investment and servicing of finance			
Interest received		8,078	20,132
Interest paid		<u>(349,539)</u>	<u>(411,389)</u>
		<u>(341,461)</u>	<u>391,257</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets	6	(137,264)	(82,273)
Purchase of intangible fixed assets	7	(10,027)	(84,974)
Sale of tangible fixed assets		-	-
		<u>(147,291)</u>	<u>(167,247)</u>
Net cash inflow before loan repayments		<u>1,014,108</u>	<u>1,178,505</u>
Loan repayments	16	<u>(240,864)</u>	<u>(1,230,580)</u>
Increase/(decrease) in cash	16	<u><u>773,244</u></u>	<u><u>(52,075)</u></u>

1 ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been used consistently throughout the year and the preceding year except where explained below.

Basis of financial statements

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

Entities in which the group holds an interest on a long-term basis and are jointly controlled by the group are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the gross equity method.

No statement of financial activities for the charity itself has been provided following the exemption afforded by section 408 of the Companies Act 2006 and the Charities SORP paragraph 397, as the relevant figures for the charity itself can be derived from the consolidated statement of financial activities.

Income

Tuition fees are accounted for in the period in which the service is provided. Income charged in advance is deferred.

Investment income, rental income and trading income are accounted for in the period to which they relate.

Foreign exchange

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

Freehold property

All property costs except mechanical and electrical works are depreciated over 50 years. The separate cost of freehold land cannot be established without additional expenditure which is not considered to be justified, identifying this would not enable the user to better understand the financial statements. Mechanical and electrical works are depreciated over 20 years.

Leasehold property

Rentals applicable to operating leases are charged to the statement of financial activities over the period in which the cost is incurred.

The property at 106 Piccadilly was acquired in November 1976. The lease was renewed from December 1996 and expires in December 2010. All costs are written off as incurred. The property at 45 Hertford Street was acquired in October 1989. This is a lease for 25 years from 24 June 1988. All costs are written off as incurred.

1 ACCOUNTING POLICIES (CONTINUED)

Other fixed assets

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

- Computers, video equipment, language laboratories and equipment are depreciated over 3 years on a straight line basis.
- Furniture, fixtures and fittings are depreciated over 10 years on a straight line basis.
- Website development costs are amortised over 3 years on a straight line basis (2008: over 5 years)

Investments

Investments in subsidiaries and joint ventures are stated at cost in the company balance sheet, less provision for impairment.

Operating leases for hire of equipment

Operating lease rentals are charged to the statement of financial activities in the period in which the cost is incurred

Fund accounting

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the charitable objectives of the company. Restricted funds are funds subject to specific restrictive conditions imposed by funders or by the purpose of the appeal by which they were raised.

All income is shown in the statement of financial activities when the company is legally entitled to the income, has reasonable certainty of receipt, and the amount can be quantified with reasonable accuracy.

Research and development

Directly attributable costs of course development are deferred and released through the statement of financial activities over the period of income generation of the course.

Resources expended

Charitable expenditure comprises expenditure related to the direct furtherance of the company's charitable objectives. All expenditure is accounted for on the accruals basis. The cost headings comprise expenditure, including staff costs, directly attributable to the activity. Support costs are allocated to charitable activities on the basis of their use. Governance costs relate to compliance with constitutional and statutory requirements.

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

2 LONDON SCHOOL INCOME

	2009	2008
	£	restated
		£
Tuition fees		
- Language courses	5,194,455	5,378,039
- Teacher training courses	1,260,048	953,571
Trainees ancillary services	1,160,798	1,091,326
Other language services and income	209,093	148,579
	<u>7,824,394</u>	<u>7,571,515</u>

3 ANALYSIS OF CHARITABLE EXPENDITURE

	Direct costs	Support costs	Total 2009	Total 2008 restated
	£	£	£	£
London School	3,386,201	3,635,196	7,021,397	6,841,292
Other Trust costs	-	814,020	814,020	356,600
	<u>3,386,201</u>	<u>4,449,216</u>	<u>7,835,417</u>	<u>7,197,892</u>

Direct costs include sales commission, teaching salaries and fees, the costs of providing extra-curricular activities, canteen costs, educational materials and premises costs. Support costs include administrative salaries and all other costs of managing the London School

4 NET EXPENDITURE

Net expenditure is stated after charging

	2009	2008
	£	£
Depreciation	574,551	551,383
Amortisation	31,680	-
Auditor's remuneration		
- Audit fees	23,032	22,180
- Other services	690	-
Leasehold property rents and other operating leases	360,000	360,000
Interest payable	<u>349,539</u>	<u>411,389</u>

5 STAFF AND TRUSTEE COSTS

	2009	2008
	£	restated £
Gross wages and salaries	3,475,855	3,317,785
Social security costs	333,787	311,047
Pension costs	100,715	81,441
	<u>3,910,357</u>	<u>3,710,273</u>

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

	2009	2008
Employees earning between £80,001 and £90,000	1	1
Employees earning between £90,001 and £100,000	1	1
	<u>2</u>	<u>2</u>

Employer pension contributions were made for both these members of staff. The total contributions were £4,293 (2008: one member of staff £6,890).

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

	2009	2008
	number	number
Charitable expenditure	145	140
Governance	-	-
	<u>145</u>	<u>140</u>

The Trustees neither received nor waived any emoluments during the year (2008: £nil). 10 Trustees (2008: 8 Trustees) were reimbursed travelling expenses of £5,574 during the year (2008: £5,797).

6 GROUP AND COMPANY TANGIBLE FIXED ASSETS

	Freehold land and Buildings £	Furniture and equipment £	Total £
Cost			
1 January 2009	15,661,477	1,950,388	17,611,865
Additions	36,435	100,829	137,264
Disposals	-	(813,498)	(813,498)
	<hr/>	<hr/>	<hr/>
31 December 2009	15,697,912	1,237,719	16,935,631
Depreciation			
1 January 2009	695,908	1,423,574	2,119,482
Disposals	-	(813,498)	(813,498)
Charge for the year	380,554	193,997	574,551
	<hr/>	<hr/>	<hr/>
31 December 2009	1,076,462	804,073	1,880,535
Net book value			
31 December 2009	<hr/> 14,621,450 <hr/>	<hr/> 433,646 <hr/>	<hr/> 15,055,096 <hr/>
1 January 2009	<hr/> 14,965,569 <hr/>	<hr/> 526,814 <hr/>	<hr/> 15,492,383 <hr/>

There were no capital commitments at 31 December 2009.

7 GROUP AND COMPANY INTANGIBLE FIXED ASSETS

Website development

	£
Cost	
1 January 2009	84,974
Additions	10,027
	<hr/>
31 December 2009	95,001
Amortisation	
1 January 2009	-
Charge for the year	31,680
Disposals	-
	<hr/>
31 December 2009	31,680
Net book value	
31 December 2009	<hr/> 63,321 <hr/>
1 January 2009	<hr/> 84,974 <hr/>

8 INVESTMENTS

	Group 2009 £	Company 2009 £
At 1 January 2009	-	5,500
Investment in joint venture at 1 January 2009	144,105	
Share of joint venture profit for 2009	7,717	-
	<u>151,822</u>	<u>5,500</u>
Cost of investments and share of joint venture net assets at 31 December 2009		
	<u>151,822</u>	<u>5,500</u>

The company owns the entire share capital of International House Limited, a dormant company

The joint venture is a 50% shareholding in International House World Organisation Limited (IHWOL); results for the year ended 31 December 2009 have been sourced from its unaudited management accounts:

	Group 50% share £	IHWOL total £
Income	320,000	640,000
Expenditure	312,283	624,567
Profit	7,717	15,433
Shareholders' equity at 31 December 2009	151,822	303,644

9 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

GROUP AND COMPANY

	2009 £	2008 £
Trade debtors	1,203,094	791,796
Other debtors	132,713	73,296
International House World Organisation Limited	-	23,500
Prepayments and accrued income	344,022	392,541
Future course development costs	17,423	67,543
Staff loans and advances	3,652	7,333
	<u>1,700,904</u>	<u>1,356,009</u>
Group and company debtors		
	<u>1,700,904</u>	<u>1,356,009</u>

Of the total above, £67,500 (2008: £67,500) within other debtors is recoverable in greater than one year.

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	£	restated £
Loans repayable within one year (see note 12)	256,029	240,906
Trade creditors	773,863	611,726
Accruals	166,210	337,497
Other taxes and social security costs	122,173	135,591
Course fees in advance (see note 13)	1,669,448	1,379,830
Rent deposits	127,445	-
	<hr/>	<hr/>
Group creditors	3,115,168	2,705,550
	<hr/>	<hr/>
Amount due to subsidiary company	5,000	5,000
	<hr/>	<hr/>
Company creditors	3,120,168	2,710,550
	<hr/>	<hr/>

11 AMOUNTS FALLING DUE AFTER ONE YEAR
GROUP AND COMPANY

	2009	2008
	£	£
Loans repayable over 5 years	4,462,226	4,949,570
Loans repayable in 2 - 5 years	1,194,982	963,625
Rent deposits	47,500	212,740
	<hr/>	<hr/>
Total	5,704,708	6,125,935
	<hr/>	<hr/>

12 SECURED LOAN

	2009	2008
	£	£
Loans repayable over 5 years	4,462,226	4,949,570
Loans repayable in less than 5 years	1,451,011	1,204,531
	<hr/>	<hr/>
Total	5,913,237	6,154,101
	<hr/>	<hr/>

Bank interest charges: scheduled capital repayments of £240,864 were made during 2009, so that the outstanding loan stood at £5,913,237 as at 31 December 2009. This remaining loan will be repaid over the next 16 years. There is an overdraft facility of £500,000, this was unutilized at the year-end.

Security: the above loans are secured by a fixed charge on the freehold building at 16 Stukeley Street and by a fixed and floating charge over all other assets.

13 COURSE FEES IN ADVANCE

GROUP AND COMPANY

	£
At 1 January 2009	1,379,830
Release to statement of financial activities	(1,379,830)
Course fees for 2010	1,669,448
	<hr/>
Closing deferred income as at 31 December 2009	1,669,448
	<hr/> <hr/>

14 PROVISIONS FOR LIABILITIES AND CHARGES

GROUP AND COMPANY

	Onerous lease £	Dilapidations £	Total £
At 1 January 2009	164,000	-	164,000
Charge/(release) to statement of financial activities	(40,000)	387,000	347,000
	<hr/>	<hr/>	<hr/>
At 31 December 2009	124,000	387,000	511,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The property at 45 Hertford Street has been sublet for an annual amount less than the rent payable on the head lease. The onerous lease provision has been set up to provide in full for the shortfall between head lease rent payable and the sublease rent receivable on the 45 Hertford Street property. This provision is being released over the life of the head lease.

The dilapidations provision has been set up to provide in full for estimated costs including professional charges on the termination of the lease on the 106 Piccadilly property.

15 RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2009	2008
	£	£
Net incoming resources	323,808	708,092
Interest receivable	(8,078)	(20,132)
Interest payable	349,539	411,389
Depreciation	574,551	551,383
Amortisation	31,680	-
Increase/(decrease) in provisions	347,000	(74,350)
	<u>1,618,500</u>	<u>1,576,382</u>
(Increase)/decrease in debtors	(344,895)	348,740
Increase/(decrease) in creditors	229,255	(188,113)
	<u>229,255</u>	<u>(188,113)</u>
Net cash inflow from operating activities	<u>1,502,860</u>	<u>1,737,009</u>

16 ANALYSIS AND RECONCILIATION OF NET CASH/DEBT

	1 January	Cash	31 December
	2009	flow	2009
	£	£	£
Secured loan	(6,154,101)	240,864	(5,913,237)
Cash at bank and in hand	295,963	773,244	1,069,207
	<u>(5,858,138)</u>	<u>1,014,108</u>	<u>(4,844,030)</u>

	2009	2008
	£	£
(Increase)/decrease in cash in the year	(773,244)	52,075
Repayment of secured loan	(240,864)	(1,230,580)
Net (cash)/debt at 1 January 2009	5,858,138	7,036,643
	<u>5,858,138</u>	<u>7,036,643</u>
Net (cash)/debt at 31 December 2009	<u>4,844,030</u>	<u>5,858,138</u>

17 OPERATING LEASES

Land and buildings	2009	2008
	£	restated £
Annual commitments under non-cancellable operating leases are as follows		
Expiring within one year	225,000	-
Expiring in two to five years	135,000	360,000
	<u>360,000</u>	<u>360,000</u>

18 TAXATION STATUS

The company is a registered charity, and accordingly is exempt from taxation on its net income. As an educational body the company is exempt from charging VAT on its services. Where appropriate, expenditure is inclusive of irrecoverable VAT.

19 SHARE CAPITAL

The company is limited by guarantee and does not have share capital. Members are not entitled to any dividends or to a share in the assets on dissolution. Each member undertakes to contribute up to a maximum sum of £1 on winding up. Each member has one vote. There were 12 members as at 31 December 2009 (2008, 12).

20 RESTATEMENT OF 2008 PRIOR YEAR COMPARATIVE FIGURES

Some of the 2008 comparative figures in the Financial Statements have been restated for consistency in order to correct insignificant errors and in some cases because a different view has been taken of certain transactions which had been netted off.

21 GOING CONCERN

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 the IH London school, the potential impact of the worldwide economic outlook, possible changes in UK legislation and the company's obligations and covenants under agreements relating to property, the bank loan and other contracts, and have drawn up detailed trading and cash flow projections to December 2011. The Trustees are satisfied that the company is a going concern.