

**Company Registration No. 1239120**  
**Registered charity number: 270860**

**ENGLISH LANGUAGE SERVICES  
INTERNATIONAL LIMITED**  
**(a company limited by guarantee)**

**Report and Financial Statements**

**31 December 2001**

**Deloitte & Touche**  
**London**



# **ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2001**

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# **ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2001**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

A J Pentecost	Chief Executive
J B Read	Director of Finance

#### **REGISTERED OFFICE**

106 Piccadilly  
London  
W1J 7NL

#### **BANKERS**

The Royal Bank of Scotland  
43 Curzon Street  
London  
W1Y 7RF

#### **SOLICITORS**

Lawrence Graham  
190 The Strand  
London  
WC2R 1JN

#### **AUDITORS**

Deloitte & Touche  
Chartered Accountants  
London

# ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

## GOVERNORS' REPORT

### REPORT OF THE GOVERNORS FOR THE YEAR ENDED 31 DECEMBER 2001

The Governors, who are also directors of the charity for the purposes of the Companies Act, present their report and financial statements for the year ended 31 December 2001.

The company was incorporated with a view to advancing the teaching of English as a foreign language within the United Kingdom and elsewhere throughout the world. It is a registered charity, number 270860. English Language Services International Limited is a trust corporation as certified by the Lord Chancellor's Office on 20 October 1977. The company has since its incorporation been acting as the sole corporate trustee of the Haycraft Trust. The principal activities of the Haycraft Trust have been the running of a teacher training college for the primary purpose of training people of all nationalities to teach the English language to foreigners.

Group financial statements include the activities of the company, the Haycraft Trust, International House Educational Trust Limited and International House Limited.

The company is now also the sole corporate trustee of International House Educational Trust Limited whose primary purpose is the teaching and training of teachers for any language.

The company is also the sole member of International House Limited whose share capital was acquired by the Haycraft Trust. In common with the other assets held by the company as trustee, the investment is not shown in the balance sheet of the company but is disclosed in the financial statements of the Haycraft Trust.

### INCOME GENERATION

During a difficult year for language schools in the United Kingdom, and especially in London, due mainly to the strong pound and the effects of the 11<sup>th</sup> September on the last quarter of the year, the charity's income increased from £5,008,052 to £5,084,977, excluding income from the sale of an investment. This represented, an increase of just under 2%.

All four main areas of the charity's activities saw results similar to those achieved during 2000, with the exception of Teacher Training, where income was limited to a certain extent by a lack of facilities during the summer months.

### RESOURCES EXPENDED AND SERVICES

The last year has continued the process of consolidating the charity's position in its key market segments, together with continued action to reduce the existing cost base of the charity to ensure that the charity remains in a position to continue to carry out its laid down objectives. However, some of these measures will not be fully effective until 2002.

### FUTURE DEVELOPMENTS

The charity is continuing to work with other educational organisations to develop new courses and new methods of delivering current courses to enable the Trust to both remain able to carry out its objectives and also to provide its beneficiaries with more convenient ways of obtaining the training they require in this modern fast changing world.

### FINANCIAL RESULTS

	Company £	Group £
Net movement in funds	(2,997)	(104,529)
Resources brought forward	2,044	2,602,366
Resources carried forward	<u>(953)</u>	<u>2,497,837</u>

## **GOVERNORS' REPORT**

### **RESERVES POLICY**

The Governors have conducted a review of the level of unrestricted reserves, by considering the financial risks associated with the various income streams, expenditure types and balance sheet items. The Governors aim to:

- Generate reserves for investment and for the long-term future of the overall organisation.
- Build a minimum cash reserve, which equates to 20% of Annual Fee Income (£900,000).
- Establish a Development Fund as soon as the minimum cash reserve target has been achieved, any amount over and above the minimum reserve to be transferred into the Development Fund for business development, capital projects and not for short-term cash calls up to a maximum of £1,500,000.
- Provide the Trust with longer-term investments to ensure the viability of the Trust in the medium to long term.

### **CHANGES IN FIXED ASSETS**

The movements in fixed assets during the year are set out in note 7 to the financial statements.

### **GOVERNANCE AND INTERNAL CONTROL**

Applications for trusteeship are by personal invitation of an existing trustee, and after due consideration by the full board of trustees. One third of the trustees retire by rotation each year and are eligible for re-election. Trustees normally meet six times a year, unless additional meetings are considered necessary. The Finance and General Purposes Committee and the Personnel and Remuneration Committees also meet six times a year, prior to each board meeting.

Company law requires the Governors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and the group and of the income and expenditure of the group for that period. In preparing those financial statements, the Governors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Governors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The systems of internal control employed in the charity are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:

- An annual budget approved by the trustees.
- Regular consideration by the trustees of the financial results and variances from budget.
- Delegation of authority and segregation of duties.
- The development during 2002 of system to identify and manage risk.

## GOVERNORS' REPORT

A sub committee of Trustees is being set up to develop the systems to identify and manage risk, and its task over the remainder of 2002 and 2003 is to:

- identify the major risks, to which the Company is exposed;
- review the risks exposed;
- establish systems to mitigate these risks; and
- establish systems to ensure that the identified risks are regularly reviewed and revised as necessary.

## RELATIONSHIPS WITH RELATED PARTIES AND OTHER CHARITIES

The Company does not have any relationships with related parties. The Company has recently been working with the British Council to develop a new course, and is open to working with other charitable organisations, when such co-operation can be seen to benefit the stated objectives of both organisations. Relationships with non-charitable organisations are only considered provided that such relationships benefit the stated objectives of the Company.

## BOARD OF GOVERNORS

The following served as Governors during the year:

Glen Davie  
Monica Vincent (resigned 12 March 2002)  
William McAllister  
Brita Haycraft  
Anne Peters

Frances Pinter  
Anthony O'Brien (resigned 2 September 2001)  
Paula Kahn  
Michael Noonan  
Matthew Bullock

Those members of the Board of Governors, who are members of the company, each have an interest in the company as guarantors, which is limited to an amount not exceeding £1.

William McAllister, Michael Noonan and Anne Peters retire by rotation in accordance with the Articles of Association (paragraph 47) and being eligible offer themselves for re-election.

## AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



John Read  
Secretary  
7<sup>th</sup> October 2002

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED**

We have audited the financial statements of English Language Services International Limited for the year ended 31 December 2001 which comprise the Consolidated Statement of Financial Activities, Balance sheets, Consolidated Cash flow statement and the related notes numbered 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of Governors and auditors**

The Governors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Governors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Governors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Governors' remuneration and transactions with the Company is not disclosed.

We read other information contained in the Governors' Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Governors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards 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 Governors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the 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 affairs of the Group and Company at 31 December 2001 and of the Group's incoming resources and resources expended, including its income and expenditure for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche  
Chartered Accountants and Registered Auditors  
London

70000 2002

# ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (Incorporating an Income and Expenditure Account) Year ended 31 December 2001

	Note	Total funds 2001 £	Total funds 2000 £
<b>INCOMING RESOURCES</b>			
Activities in furtherance of the charities objects			
- teaching and related income	2	5,036,358	4,960,993
Activities for generating funds			
- rental income		31,475	29,265
- interest receivable		17,144	17,794
<b>TOTAL INCOMING RESOURCES</b>		<b>5,084,977</b>	<b>5,008,052</b>
<b>CHARITABLE EXPENDITURE</b>			
<b>COSTS IN FURTHERANCE OF CHARITABLE OBJECTS</b>			
Direct charitable expenditure	4	5,268,548	5,388,309
Management and administration	4	48,927	40,942
Restructuring costs	4	-	15,025
Trading company expenditure	4	90,289	72,131
<b>TOTAL CHARITABLE EXPENDITURE AND RESOURCES EXPENDED</b>	4	<b>5,407,764</b>	<b>5,516,407</b>
<b>NET OUTGOING RESOURCES</b>	6	<b>(322,787)</b>	<b>(508,355)</b>
Gain on investment		218,258	-
<b>NET MOVEMENT IN FUNDS/INCOME AND EXPENDITURE FOR THE YEAR</b>		<b>(104,529)</b>	<b>(508,355)</b>
Funds balance brought forward at 1 January		2,602,366	3,110,721
<b>FUNDS BALANCE CARRIED FORWARD AT 31 DECEMBER</b>		<b>2,497,837</b>	<b>2,602,366</b>

All of the above results are derived from continuing activities. All funds in 2001 are unrestricted.

The company has no other recognised gains and losses other than those stated above. Accordingly a statement of Recognised Gains and Losses has not been presented.



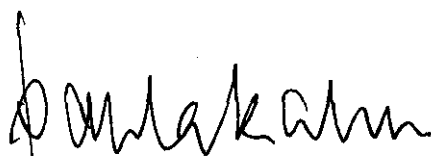
# ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

## CONSOLIDATED BALANCE SHEET As at 31 December 2001

	Note	2001 £	2000 £
<b>FIXED ASSETS</b>			
Tangible assets	7	5,970,325	6,227,684
Investments	8	2,333	46,652
		<u>5,972,658</u>	<u>6,274,336</u>
<b>CURRENT ASSETS</b>			
Debtors	9	973,648	863,285
Cash at bank and in hand		26,018	22,461
		<u>999,666</u>	<u>885,746</u>
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(2,308,530)</u>	<u>(2,106,206)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(1,308,864)</u>	<u>(1,220,460)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>4,663,794</u>	<u>5,053,876</u>
<b>CREDITORS: amounts falling due after more than one year</b>	11	<u>(2,165,957)</u>	<u>(2,451,510)</u>
<b>NET ASSETS</b>		<u>2,497,837</u>	<u>2,602,366</u>
<b>FUNDS</b>			
Unrestricted general funds		2,497,837	2,602,366
<b>TOTAL FUNDS</b>		<u>2,497,837</u>	<u>2,602,366</u>

The financial statements were approved by the Governors on 7<sup>th</sup> October 2002 and signed on their behalf by:

  
Anne Peters

  
Paula Kahn

# ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED


## BALANCE SHEET 31 December 2001

	Note	2001 £	2000 £
<b>CURRENT ASSETS</b>			
Debtors	9	532	3,554
Cash at bank and in hand		1,465	1,440
		<u>1,997</u>	<u>4,994</u>
<b>CREDITORS: amounts falling due within one year</b>	10	(2,950)	(2,950)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(953)</u>	<u>2,044</u>
<b>(DEFICIT)/FUNDS</b>			
Unrestricted general (deficit)/funds		<u>(953)</u>	<u>2,044</u>

These financial statements were approved by the Board of Directors on 7th October 2002.

Signed on behalf of the Board of Directors

  
Anne Peters

  
Paula Kahn

# ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

## CONSOLIDATED CASH FLOW STATEMENT Year ended 31 December 2001

	Note	2001 £	2000 £
Net cash inflow from operating activities	12	489,918	432,401
Returns on investments and servicing of finance	13	(254,881)	(273,176)
Capital expenditure and financial investment	13	226,537	(222,651)
Net cash inflow/(outflow) before financing		461,574	(63,426)
Financing	13	(285,554)	55,814
Increase/(decrease) in cash and cash equivalents	14	176,020	(7,612)

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2001

### 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. Group financial statements consist of the financial statements of the parent together with the results of the Haycraft Trust, International House Educational Trust and International House Limited. No separate statement of financial activities for the parent company has been presented as permitted by Section 230 of the Companies Act 1985. The parent company's loss for the year was £2,997 (2000: profit £3,197). These financial statements comply with the Statement of Recommended Practice 'Accounting and Reporting by Charities' and applicable accounting standards.

#### Freehold property

The property at 5/6 Yarmouth Place was acquired in September 1985 and the property at 1/4 Yarmouth Place was acquired in October 1993 by English Language Services International Limited on behalf of The Haycraft Trust. All costs are being depreciated over a 50 year period.

#### Leasehold property

- (i) The property known as St. James' (106 Piccadilly) was acquired in November 1976. The lease was renewed from December 1996 for a further 15 years. All costs are to be written off as incurred.
- (ii) 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 to be written off as incurred.

#### Other fixed assets

- (i) Other fixed assets are stated at cost.
- (ii) Computers, video equipment, language laboratories and furniture, fittings and equipment are depreciated at 20% on a straight line basis.
- (iii) Motor vehicles are depreciated on a 20% straight line basis.

#### Investments

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

#### Operating leases for hire of equipment

Operating lease rentals are written off to the Statement of Financial Activities over the period in which the cost is invoiced.

#### Fund accounting

General funds are available for use at the discretion of the Governors in furtherance of the general objective of the Group. Restricted funds are funds subject to specific restrictive conditions imposed by funders or by the purpose of the appeal.

All income is shown in the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

#### VAT

Only International House Limited is registered for VAT and therefore all relevant expenses of the other activities in the group include VAT.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2001**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Resources expended**

Direct charitable expenditure comprises expenditure related to the direct furtherance of the Group'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. Central overheads are allocated on the basis of their use with the aim of ensuring that those costs remaining within administration relate to the management of the Group's assets, organisational administration and compliance with constitutional and statutory requirements.

**2. TUITION FEE INCOME**

	2001 £	2000 £
Language courses	3,528,343	3,436,326
Teacher training courses	847,580	881,939
Teacher practice lessons	55,411	65,145
Students and trainees ancillary services	234,587	207,159
Affiliation subscriptions	369,545	309,521
Other language services and income	892	60,903
<b>TOTAL TEACHING AND RELATED INCOME</b>	<b>5,036,358</b>	<b>4,960,993</b>

Tuition fee income is stated after deducting direct expenses included in the fees relating to examination fees and providing books and materials. The amounts deducted were as follows:

	2001 £	2000 £
Language courses:		
- Examination fees	20,829	21,974
- Books and educational materials	39,193	29,974
	<u>60,022</u>	<u>51,948</u>
Teacher training courses:		
Examination fees	<u>64,965</u>	<u>62,712</u>

These direct costs are passed on to those attending the courses without any mark up. No charge is made by the group for the cost of booking the examinations or for purchasing materials on behalf of attendees.

# ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2001

### 3. DIRECT CHARITABLE EXPENDITURE

	2001 £	2000 £
Staff payroll costs and charges	3,138,374	3,139,468
School expenses and overheads	1,414,086	1,522,338
Costs of students and trainees ancillary services	150,663	160,895
Interest and charges	272,025	290,970
Depreciation	293,400	274,638
	<u>5,268,548</u>	<u>5,388,309</u>

### 4. TOTAL RESOURCES EXPENDED

	Staff costs £	Other Costs £	Total 2001 £	Total 2000 £
<b>Direct charitable expenditure:</b>				
Educational courses and services	3,138,374	1,979,511	5,117,885	5,227,414
Students and trainees ancillary services	59,752	90,911	150,663	160,895
	<u>3,198,126</u>	<u>2,070,422</u>	<u>5,268,548</u>	<u>5,388,309</u>
Restructuring costs	-	-	-	15,025
Charity management and administration	28,757	20,170	48,927	40,942
	<u>3,226,883</u>	<u>2,090,592</u>	<u>5,317,475</u>	<u>5,444,276</u>
<b>Non-charitable company expenditure:</b>				
Affiliation, language services and other	-	90,289	90,289	72,131
	<u>3,226,883</u>	<u>2,180,881</u>	<u>5,407,764</u>	<u>5,516,407</u>

### 5. STAFF COSTS

	2001 £	2000 £
Gross wages and salaries	2,965,687	2,955,658
Social security costs	261,196	275,391
	<u>3,226,883</u>	<u>3,231,049</u>

# ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2001

### 5 STAFF COSTS (CONTINUED)

The number of employees who earned £50,000 or more were:

	2001 Number	2000 Number
£65,000 - £69,999	1	-

The Governors neither received nor waived any emoluments during the year (2000: £Nil). They were reimbursed expenses of £1,209 during the year (2000: £1,722).

The average number of employees, analysed by function was:

	2001 Number	2000 Number
Direct charitable expenditure	207	212
Management and administration	2	2
	209	214

### 6. NET OUTGOING RESOURCES

Net outgoing resources is stated after charging:

	2001 £	2000 £
Depreciation	293,400	274,638
Auditors' remuneration		
- Audit fees	16,968	16,793
- Other services	221	2,850
Leasehold property rents and other operating leases	287,000	260,000
Interest payable	272,025	290,970

# ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2001

### 7. TANGIBLE FIXED ASSETS - GROUP

	Freehold land and buildings £	Furniture and equipment £	Total £
<b>Cost</b>			
1 January 2001	7,146,796	940,419	8,087,215
Additions	-	36,041	36,041
31 December 2001	7,146,796	976,460	8,123,256
<b>Depreciation</b>			
1 January 2001	1,236,001	623,530	1,859,531
Charge for the year	144,000	149,400	293,400
31 December 2001	1,380,001	772,930	2,152,931
<b>Net book value</b>			
31 December 2001	5,766,795	203,530	5,970,325
31 December 2000	5,910,795	316,889	6,227,684

Capital commitments at 31 December 2001 were £nil (2000: £2,199).

### 8. INVESTMENTS - GROUP

	2001 £	2000 £
At 1 January	46,652	46,652
Disposals	(44,319)	-
Cost 31 December	2,333	46,652

The parent company is the sole member of International House Educational Trust Limited, a company limited by guarantee with no share capital. The parent company is the sole corporate trustee of the Haycraft Trust. The Haycraft Trust holds 100% of the issued share capital of International House Limited, which comprises 5,000 £1 ordinary shares. The cost of those shares was £5,000. All the companies are registered in England.

Net Languages SL, situated in Spain, trades as International House Internet Language course. The Trust paid £46,652 for 25% of the share capital of this company. The objectives of this company are to provide distance English language training courses using information technology. During 2001 the Trust sold 95% of its holding in Net Languages SL for £262,558.



**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2001**

**9. DEBTORS: AMOUNT FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade and other debtors	568,361	478,185	532	3,554
Amounts due from Affiliates	102,542	117,830	-	-
Future course development costs	77,150	33,386	-	-
Prepayments	210,875	220,369	-	-
Staff loans and advances	12,618	13,515	-	-
VAT	2,102	-	-	-
	<u>973,648</u>	<u>863,285</u>	<u>532</u>	<u>3,554</u>

Of the total above, £67,500 (2000 - £67,500) within prepayments is recoverable in greater than one year.

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank overdraft	134,999	307,462	-	-
Trade creditors	432,976	302,823	-	-
Amounts owing to Affiliates	106,957	103,031	-	-
Other creditors	351,018	210,942	-	-
Accruals	70,963	161,666	2,950	2,950
Other taxes and social security costs	76,601	92,852	-	-
Course fees in advance	849,462	641,876	-	-
Loan repayment instalment (note 11)	285,554	285,554	-	-
	<u>2,308,530</u>	<u>2,106,206</u>	<u>2,950</u>	<u>2,950</u>

The bank overdraft is secured by a fixed second charge over the freehold buildings and a floating charge over the other fixed assets of the Haycraft Trust.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2001**

**11. SECURED LOAN**

	2001 £	2000 £
<b>Loans from 3i:</b>		
(i) Repayable by annual instalments of £56,250 payable on 31 August in each year (final payment on 31 August 2004)	168,750	225,000
(ii) Flexible term loan commitment agreement reducing by £183,333 per year on 31 December 1998 to 31 December 2003, followed by £366,666 per year on 31 December 2004 to 31 December 2007 and by £366,672 on 31 December 2008:		
Total borrowed at 31 December 2001	2,200,002	2,383,335
<b>Total loans from 3i</b>	2,368,752	2,608,335
Loan from Lombard Leasing	82,759	128,729
<b>Total loans</b>	2,451,511	2,737,064
Due in less than one year	285,554	285,554
Due in more than one year	2,165,957	2,451,510
	2,451,511	2,737,064

**3i Interest charges:**

- (i) £337,500 – interest payable at a fixed rate of 10.1% from the 12<sup>th</sup> anniversary of the loan on 19 July 1997.
- (ii) £1,650,000- payable at a fixed rate of 9.85% per annum until 3 October 1998. £750,000 – interest payable at a rate of 2.25% above whichever is the higher of 5% and the relevant LIBOR rate until 3 October 1998. From 4 October 1998 interest on the whole amount of £2,400,000 was payable at a rate of 2.25% above whichever is the higher of 5% or the relevant LIBOR rate.

Further withdrawals may either be at a rate of 2.25% above whichever is the higher of 5% and the relevant LIBOR rates, or at a quoted fixed rate at the time of withdrawal for a period of not less than five years. A fee of 0.8% per annum is charged on the undrawn commitment amount. Minimum levels which must be maintained under the terms of the loan are £1,100,000 to 31 December 1999 and £550,000 to 31 December 2002.

**Lombard Finance interest charges:**

Interest is fixed for the duration of the 3 year loan. The total interest chargeable during the three years is £19,001.

**Security:**

The above loans from 3i and Lombard Finance are secured by first charges on the freehold properties of 1-4 and 5-6 Yarmouth Place, London W1, and fixed and floating charges on all other assets.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2001

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

	2001 £	2000 £
Net movement in funds	(104,529)	(508,355)
Interest receivable	(17,144)	(17,794)
Interest and charges payable	272,025	290,970
Depreciation charges	293,400	274,638
(Profit)/loss on sale of fixed assets	(218,259)	6,111
	<u>225,493</u>	<u>45,570</u>
Increase in debtors	(110,363)	(139,993)
Increase in creditors	374,788	526,824
	<u>489,918</u>	<u>432,401</u>

13. ANALYSIS OF CASH FLOWS

	2001 £	2000 £
(i) Returns on investment and servicing of finance:		
Interest received	17,144	17,794
Interest paid	(272,025)	(290,970)
	<u>(254,881)</u>	<u>(273,176)</u>
(ii) Capital expenditure and financial investment:		
Purchase of tangible fixed assets	(36,041)	(222,651)
Sale of tangible fixed assets	-	-
Sale of investment	262,578	-
	<u>226,537</u>	<u>(222,651)</u>
(iii) Financing:		
Loan from Lombard Finance	-	150,000
Loan repayment	(285,554)	(94,186)
	<u>(285,554)</u>	<u>55,814</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2001**

**14. ANALYSIS AND RECONCILIATION OF NET DEBT**

	1 January 2001 £	Cash flow £	Non cash £	31 December 2001 £
Debts due after one year	(2,451,510)	-	285,553	(2,165,957)
Debts due within one year	(285,554)	285,554	(285,553)	(285,553)
	(2,737,064)	285,554	-	(2,451,510)
Cash at bank and in hand	22,461	3,557	-	26,018
Bank overdraft	(307,462)	172,463	-	(134,999)
Net debt	(3,022,065)	461,574	-	(2,560,491)

	2001 £	2000 £
(Increase)/decrease in cash in the year	(176,020)	7,612
Additional finance	-	150,000
Finance repayments	(285,554)	(94,186)
Net debt 1 January	3,022,065	2,958,639
Net debt at 31 December	2,560,491	3,022,065

**15. OPERATING LEASES**

	2001		2000	
	Land and buildings £	Other £	Land and buildings £	Other £
Payments under non-cancellable operating leases are as follows:				
Within two to five years	-	14,805	-	4,785
After five years	287,000	-	260,000	-
	287,000	14,805	260,000	4,785

**16. TAXATION STATUS**

English Language Services International Limited (charity number 270860), International House Educational Trust (number 1045223) and The Haycraft Trust (number 312854), are registered charities, and accordingly are exempt from taxation on their results. The Trust as an educational body is exempt from charging VAT on its services. Where appropriate, expenditure is inclusive of VAT.

**17. CONTINGENT LIABILITIES**

There were no contingent liabilities at the year end (2000 - £nil).

**18. SHARE CAPITAL**

The company is limited by guarantee and does not have share capital.

# **ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2001**

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.