

Registered number: 04797376
Charity number: 1098422

Pestalozzi International Village Trust
(A company limited by guarantee)

Trustees' Report and Financial Statements

For the year ended 31 August 2018

Pestalozzi International Village Trust
(A company limited by guarantee)

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Chairman's statement
For the year ended 31 August 2018

The chairman presents his statement for the period.

It is almost 12 months since I took on the responsibility of chairing the Pestalozzi Board of Trustees and I should begin my report by acknowledging the exceptional contribution of my predecessor, Professor Derek Blackman, who served two separate terms as Chairman over a number of years. In addition I would like to thank all our donors for their continued support during a challenging year, in particular the Grieg Foundation, the Potterspury Lodge Trust and the Rayne Trust who committed multi-year support for the scholarship programme.

The most significant development during this financial year was the Board's decision in February that the current cohort of students should be the last to be resident in the Pestalozzi Village.

The changing political and economic landscape has had a detrimental impact upon our operations and funding, making it increasingly difficult to generate the full income required to cover our costs.

Despite the best efforts of everyone involved with the charity, little by little the gap between income and expenditure had widened and reached the point where we could, unfortunately, no longer continue to fund the Pestalozzi Scholarship Programme in its current format. A number of changes on the Board and Council ensued as detailed on the first page of the Trustee's report. In March 2018 we filed a Serious Incident Report outlining the measures we were taking to address the challenges that we faced. The Charity Commission responded positively to our proposals and we continue to move forward with the restructuring. This has inevitably led to redundancies, the costs of which are reflected in the accounts. Some of these have already been implemented but the majority will follow the departure of the second year students in July 2019.

We are of course disappointed that there will no longer be a Pestalozzi Village in East Sussex, but this is the necessary next step in the continuing evolution of the Pestalozzi programme. Education, students and our donors are changing and we feel now is the right time for us to change with them. We plan to continue to provide opportunities to high achieving, low income students in a new and more cost effective format. The Trustees have not yet decided upon the final shape of the new programme but at its core will be a scholarship programme through a third party that shares our ethos, for example United World Colleges. This will allow us the flexibility to match our programme to our income without the burden of the overheads of the estate and its facilities. The initial scale of the programme will be dependent upon the level of surplus proceeds from the sale of the estate, the continuing support of our donors and the success of our fund raising activity.

We would also like to set up a Pestalozzi Development Fund that our alumni can access for small amounts of seed capital to set up social enterprises or charities providing employment opportunities and support in their home communities.

Today life within the multi-cultural, multi-faith environment that is the Pestalozzi Village reflects the "head, heart and hands" educational philosophy of Johann Pestalozzi. Providing our students with an environment where experiences are shared, prejudices are dispelled and cultural differences are understood and embraced is vitally important. Whatever the next stage in Pestalozzi's evolution might be it will be designed to meet that need.

In 2017/18, at the Village, there were 16 Year One students and 22 Year Two's – a total of 38 students from nine national communities: Belize 2, Bhutan 4, India 3, Indonesia 4, Nepal 6, Tibet 5, Uganda 4, Zambia 4 and Zimbabwe 6.

All of our first year students took up places with Claremont Senior School. They were immediately made to feel very welcome and all of them took on roles within the Claremont student body alongside their studies.

I am delighted to report that once again A-Level results at the end of 2017/18 showed a significant improvement over the previous academic year. This year 22 students sat A-Levels, taking exams for a total of 75 qualifications between them. There was a strong focus on STEM subjects (Science, Technology, Engineering and Mathematics). Their achievements were impressive, with 88% of the results in the grades A*-C range when nationally the number of entries gaining A*-C was 78.4%. Pestalozzi students achieved 25 A*s and As – an impressive 36% of the entries. In comparison nationally 26.4% of entries scored A* or A. Thirteen Pestalozzi students achieved A* and A grades. These results are a tribute to students and teaching staff alike.

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Chairman's statement
For the year ended 31 August 2018

Because exam results come in so late, many of our Year 2 students will be taking a gap year to work and/or volunteer in their home countries before applying for university scholarships.

However, we are grateful to the following universities and colleges for providing scholarship places to Pestalozzi students: Evelyn Hone College, Zambia; University of Westminster; University of Wisconsin-Madison, USA; Haverford College, USA; Wellesley College, USA; London School of Economics; University of Texas at Tyler, USA; Berea College, USA; Connecticut College, USA; Pearson Institute of Higher Education, Midrand campus, South Africa; University of British Columbia, Canada; Grinnell College, USA; University of Rochester, USA; University of Edinburgh; Sherubtse College under the Royal University of Bhutan; Smith College, USA; University of Delhi; International Institute of Hotel Management, Kolkata; and Soka University, USA.

On the financial side, 2017/18 has been challenging. Legacy income was down by 66% and donations from individuals and trusts by over 30%. The detail can be seen in the accompanying accounts.

The concern expressed last year by Trustees about the Trust's long term financial position is being addressed through the restructuring. We remain indebted to the Grieg Foundation not only for their steadfast financial support of our scholarship programme but also for advancing the payment of the third instalment of their grant to help ensure a smooth transition to our new programme.

The fact that the estate is being sold has necessitated an impairment in the value of our fixed assets of £427,429 which includes the impact of the costs of the sale. We have also had to account for the known cost of redundancies which has all been included under general admin expenses.

Our Senior Management team worked extremely hard to keep costs under control and actual expenditure overall came in under budget for the fourth year in a row.

We are very proud of the fact that over the past 60 years more than 700 children and young people have come to Sedlescombe to benefit from Pestalozzi's support. We have some very impressive alumni whose achievements would not have been possible without the contribution of our many supporters.

In closing I would like to thank all our staff and volunteers for their contribution to Pestalozzi in 2017/18, under the leadership of our Chief Executive.

Finally, I would like to thank my co Trustees, our directors and all Council Members for their continued dedication, commitment and support. This is such a vital part of enabling Pestalozzi to fulfil its objectives and to help our students make a real and lasting difference in the world.

Name Prof. Stuart Laing
Chairman

Date 12 April 2019

Pestalozzi International Village Trust
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Trustees' report
For the year ended 31 August 2018

Patron	HRH The Duke of Gloucester KG GCVO
Trustees	Prof. D Blackman (Chair - To January 2018) Ms K Beaudry (To March 2018) Mr D Bennett (From March 2018) Mr G Card (To February 2018) Mr S Endersby (To January 2018) Mr N Farraj (To February 2018) Mr Alex Ffrench (From January 2018) Mr M Forster (From March 2018) Mr R Hodgson (From April 2018) Prof. S Laing (Chair) Mr P Lynam (From January 2018 to February 2018) Mr R Meade (From January 2018 to February 2018) Sir R Owen (To January 2018) Ms Victoria Shin (To February 2018) Mr Satnam Singh (From January 2018 to March 2018) Mr C Uwakaneme (To January 2018) Mr R Ward (To January 2018)
Council	Mr D Bennett (To March 2018) G Card (From February 2018) Mr S Endersby (From January 2018) Mr M Forster (To March 2018) Dr S Henderson Mr R Meade (To January 2018) Mr J Page OBE (To January 2018) Mrs D Patel Mrs J Pennock Mr G Peters DL (To January 2018) Mr S Singh (To January 2018) Mr A Whittington
Institutional Members	Mr Ranjan Mathai - <i>Indian High Commissioner</i> HE Ms Perla Maria Perdomo - <i>Belizean High Commissioner</i> Mr Chonpel Tsering - <i>Representative of HH The Dalai Lama</i> HE Mr Paul William Lumbi - <i>Zambian High Commissioner</i> Mr Michael Rutland OBE - <i>Bhutanese Honorary Consul</i> HE Mr TM Hamzah Thayeb - <i>Indonesian Ambassador</i> HE Mrs Joyce Kakuramatsi Kikafunda - <i>Ugandan High Commission</i>
Chief Executive and Company Secretary	Mrs S Walton
Senior Management	Ms M Alexander - <i>Student Programme Manager</i> Ms L Russell-Dean – <i>Chief Operating Officer</i> Mr J Weber – <i>Fundraising and Marketing Manager</i>
Bankers	Barclays Bank plc 207-208 Queens Road, Hastings, East Sussex TN34 1QP
Auditors	Kreston Reeves LLP Chartered Accountants Statutory Auditors 37 St Margaret's Street, Canterbury, Kent CT1 2TU
Registered Office	Ladybird Lane, Sedlescombe, Battle, East Sussex TN33 0UF
Charity Number	1098422
Company Number	04797376

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Trustees' report (continued)
For the year ended 31 August 2018

The Trustees present their Annual Report, which incorporates the Strategic Report, together with the audited Financial Statements of Pestalozzi International Village Trust (the company and the group) for the year ended 31 August 2018. The Trustees confirm that the Annual Report and the Financial Statements of the company and the group comply with the current statutory requirements, the requirements of the company's and the group's governing documents and the provisions of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

Constitution

Pestalozzi International Village Trust (PIVT) was constituted and incorporated in England and Wales on 12 June 2003 and on 1 September 2003 took over the activities, assets and liabilities of the Pestalozzi Children's Village Trust (PCVT), which had been formed under a Trust Deed dated 30 November 1957. PIVT is both a registered charity (1098422) and a limited company (04797376).

Since the company and the group qualifies as small under section 383, the strategic report required of medium and large companies under The Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013 is not required.

Objectives and Activities

Policies and objectives

In setting objectives and planning for activities, the Trustees have given due consideration to the general guidance published by the Charity Commission relating to public benefit.

PIVT promotes the educational philosophy of Johann Heinrich Pestalozzi (1746 - 1827), of which the principle component is the concept of a balanced programme of education 'for the head, heart and hands'.

PIVT awards scholarships to exceptional 16 -19 year olds who are academically gifted but have limited educational prospects in their home countries. All these young people have demonstrated their enthusiasm for helping to make a difference in their communities.

Since 1997 PIVT students have spent the two years of their scholarship residing in a multi-cultural, multi-faith community in East Sussex, UK. Bringing students together in this way helps them to understand their differences and breaks down any cultural or religious prejudices they may hold. PIVT supports and promotes international understanding through the interaction of these young people, not only with their fellow students but also with the local community. The students attend either a local college or a nearby private school. All students are encouraged to volunteer in local charities and engage with a wide range of local youth and community groups.

The students study for A levels, and undertake a broad range of extracurricular activities, gaining an holistic education focused on Johann Pestalozzi's principles. PIVT scholarships give these young people an opportunity they would not otherwise receive – the chance to develop their potential, pursue their dreams and go on to make a real and lasting difference in the world.

The 16 students that began their scholarships in August 2017 are the last that will reside in the Pestalozzi Village. At the beginning of 2018 the Board of Trustees took the difficult decision to sell the Pestalozzi estate and find a new and more cost effective way of providing scholarships in line with PIVT's objectives. It is hoped that this new programme of support might begin as early as September 2019.

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Trustees' report (continued)
For the year ended 31 August 2018

Volunteers and Fundraising

The Trustees are extremely grateful and fortunate to have received the support of many local volunteers. The volunteers show outstanding commitment to PIVT through a variety of activities, including educational and extracurricular support for the students, acting as student host families, providing support with fundraising, marketing, administration and estate activities.

International volunteers are invaluable in assisting the student programme team and the Trustees are grateful for the support of the British Council and Ecorys UK who work together to deliver the European Erasmus+ initiative in the UK.

Furthermore, the Trustees remain grateful for the ongoing support of all who provide PIVT with much needed funding in what continues to be a difficult time for many voluntary organisations.

PIVT has been fortunate to receive significant financial contributions from the Grieg Foundation in Norway to provide enhanced support of student scholarships.

In addition The Trustees were delighted to receive the generous support of the Rayne Trust as well as the Potterspurty Lodge Trust and the Big Give. The Trustees are extremely grateful to other Trusts, Foundations, Friends of Pestalozzi groups, regular givers and alumni, along with Trustees, Council Members and staff for all their support during the year.

The Trustees seek to ensure that all fundraising activities by PIVT are undertaken with integrity and in a highly professional manner. PIVT does not engage external professional fund-raisers or commercial participators.

PIVT's focus is on providing its supporters with information about the students via regular newsletters and by participating in events. The Fundraising team seek to develop new contacts as well as maintaining good relationships with our existing supporters.

Many individuals and organisations such as our Friends' Groups raise funds for PIVT. PIVT seeks to instil in these individuals and groups, standards of fundraising equivalent to those applied to its own campaigns. PIVT strives to adhere to recognised fundraising standards as set by the government and related bodies, in particular The Charities (Protection and Social Investment) Act 2016.

PIVT does not indulge in, nor tolerate, aggressive campaigning. Furthermore, to protect vulnerable people and other members of the public we do not share database information. We are pleased to report that no complaints about our fundraising have been notified to the Trustees during the year.

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Trustees' report (continued)
For the year ended 31 August 2018

Achievements and performance

Student numbers decreased in 2017/18 to 38 and have further reduced since the end of the financial year to 16 to reflect the Board's decision to sell the Pestalozzi estate and develop a new and more cost effective way of providing scholarships. A programme of educational support is currently provided by PIVT staff and volunteers, in partnership with the teaching staff from Claremont Senior School (Claremont).

At the end of the academic year 2017/18, 22 students sat a total of 75 examinations. Of these 88% of the grades achieved were in the range of A* to C, some 10% better than the national average. One third of the results were graded A* to A, again 10% better than the national average. These excellent results reflect the hard work undertaken by staff and students alike supported by Sussex Coast College, Hastings and Claremont Senior School.

As in previous years the majority of students graduating in June 2018 gained funded places at a variety of prestigious universities, mostly based in the USA but including, inter alia, India, Canada and the UK.

Not all students take up university placements as soon as they leave PIVT and, as in previous years, a number of alumni have returned to their home countries to apply their academic achievements directly for the benefit of others through work and volunteering. Regular reports and updates are received from alumni, generally via social media, thus helping the Trustees measure and monitor the outcomes of the scholarship programme and its impact on society. Measuring this impact remained a key focus of 2017/18 and work continues to demonstrate how alumni are making a difference in the world.

Financial review

Total income for the year amounted to £702,958 (2017: £1,131,655) and included £69,412 (2017: £206,683) received from legacies. Total outgoings of £1,682,096 (2017: £1,301,302) included an impairment of £427,429 relating to the reduction in fair value of the land. A total of £1,064,519 (2017: £1,122,698) was expended on the student programme, representing 85% (2017: 86%) of expenditure excluding the impairment.

Net resources for the year showed a deficit of £979,138 after the inclusion of an impairment of £427,429 and redundancy costs of £99,640 (2017: deficit of £169,647, impairment £NIL and redundancy costs of £NIL). The detailed Financial Statements are set out on pages 14 to 38.

PIVT's trading subsidiary Pestalozzi Enterprises Limited (PEL) provided a small contribution to the charity during 2017/18. Taking into consideration the low level of trading undertaken by PEL and the fact the estate is to be sold the decision has been taken to close the company.

Investment policy

The liquid assets of PIVT comprise cash held in bank current and deposit accounts to meet the charity's short and medium term needs. Generally the Trustees adopt a low risk investment strategy.

Reserves policy

The charity's free reserves as at 31 August 2018 showed a deficit of £131,617 (2017: surplus £229,078). The designated fund relating to the fixed assets is being liquidated in order to cover this. The Trustees have long recognised the need to hold reserves sufficient to ensure that the costs of each two year scholarship are fully covered. The fact that this could not be achieved through fund raising alone was a key consideration in the Trustees' decision to liquidate the fixed assets and instigate a change in the scholarship programme to ensure that student numbers could be flexed up or down to match resources.

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Trustees' report (continued)
For the year ended 31 August 2018

Structure, governance and management

As a company limited by guarantee, PIVT's governing documents are its memorandum and articles of association. The charity is administered by a Board of Trustees, which consists of not less than five persons and currently stands at five. The Trustees and elected Office Holders are normally appointed by the Council at the Annual General Meeting. All Trustees are also directors of the charitable company for the purposes of the Companies Act. Furthermore, all Trustees are members of the Council. Council Members are the members of the company under the company's articles of association.

The current Trustees are listed on page 1.

The Trustees and elected Office Holders provide a wide range of expertise and contacts to PIVT. Trustees and Council Members make monthly visits to PIVT to inspect and report to the Board on all aspects of the charity, including the students' experiences and well-being, as well as the operational practices within PIVT.

One formal Council meeting is held each year following the Annual General Meeting. A minimum of four meetings of the Board of Trustees are held during the year, to which all Council Members are invited as observers. As the number of Trustees has reduced during the year and full Board meetings have been scheduled monthly to address all the issues associated with both the current programme and the restructuring of PIVT the sub-committees that had been running in previous years have now been disbanded.

The skills, interests and expertise of the Council Members are reviewed regularly and the Trustees are grateful for the many and varied contributions that they make to PIVT.

The Board reviews applications for membership to the Council and Board of Trustees. It considers the skill-sets required for the sound governance of the charity and succession planning within the Board of Trustees. One third of Trustees retire from office at each AGM but may stand for re-election. Trustees normally step down from the Board when they have served for two three-year terms, although PIVT's articles of association do not define a maximum term of office.

There is a formal induction and training programme for Trustees, and a regular review of governance procedures. All Trustees are made aware of relevant governance documentation and are provided with training opportunities as required.

The Trustees, who have overall responsibility for the charity, delegate the day to day operational management of PIVT to the Chief Executive Officer (CEO). The CEO is supported by the Senior Management Team (SMT). Meetings of the SMT are held regularly to ensure the smooth running of the charity and progress is reported at Board meetings.

The Trustees are undertaking a full review of PIVT's governing documents with a view to bring them in line with Charity Commission best practice.

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Trustees' report (continued)
For the year ended 31 August 2018

Associated organisations

The Trustees are indebted to the many organisations and individuals who support PIVT with the delivery of its aims and objectives, including:

- Sussex Coast College Hastings and Claremont Senior School for the provision of A level courses and for the dedication and support of their staff.
- The DEL Foundation, the Kidu Foundation, the Central Tibetan Administration, SOS Children's Villages, the Quicken Trust, the Higher Life Foundation, Bloom Nepal School, JETS, Budhanilkantha School and other international partnership organisations who provide support to PIVT and student candidates throughout the selection process.
- Friends of Pestalozzi Groups in the Isle of Man and Lewes for their support with fundraising and for raising awareness of PIVT's work.

The Trustees are especially appreciative of the generous support of PIVT's Patron HRH The Duke of Gloucester KG GCVO and for the active and informed interest that he and the Duchess continue to take in the life, work and development of PIVT.

Pay policy for senior staff

PIVT seeks to ensure that its remuneration policy and practices are compatible with effective risk management. This is done by embedding the following principles into its Pay Policy:

- remuneration is compatible with the risk management and risk tolerance of the charity;
- remuneration supports the charity's strategy, objectives, values and long-term interests; and
- employees in senior positions have appropriate authority and are remunerated adequately in accordance to their functions.

This policy aims to attract and retain people with the right mix of skills and experience who share the charity's values and are prepared to work together as a team.

To put this policy into practice, appropriate levels of remuneration must be taken into account. The Trustees benchmark the pay of senior staff by reference to Croner's Pay and Benefits taking account of the charity's location.

The Trustees maintain oversight and control over senior staff salaries to ensure pay levels remain appropriate. However, the CEO has authority to make decisions, following discussion with the Chairman, around salary adjustments necessary to meet operational need within the overall agreed budget. Different levels of increase may be awarded to different staff if felt appropriate by the CEO, and employees receive written notification of any salary awards made to them.

In addition to public holidays, full time staff receive 22 days annual leave per calendar year. This is adjusted pro-rata as required for part time personnel and joiners/leavers. Staff are invited to join the organisation's auto enrolment pension scheme when reaching the eligibility criteria.

The Trustees approve and review annually the general principles of the remuneration policy. Salaries are reviewed annually but must be affordable given the financial performance of the charity. Pestalozzi is proud to be a member of the Living Wage Foundation and the charity has budgeted for all personnel to receive the "living wage" as a minimum work reward.

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Trustees' report (continued)
For the year ended 31 August 2018

Risk

With the majority of income derived from voluntary contributions, funding remains the principal uncertainty facing PIVT. The Trustees have taken steps to mitigate that risk by agreeing to change the way in which PIVT's charitable objectives are delivered. The Trustees decided at the beginning of 2018 that the current cohort of students would be the last to be resident in the Village in Sedlescombe. Batcheller Monkhouse were appointed in June 2018 to arrange a sale of the estate.

The Board of Trustees are now directly responsible for all of the matters that had been delegated to sub-committees. A risk register notes potential areas of risk and their severity. A rolling programme of review is undertaken by the SMT and the Trustees and systems and procedures have been established to manage identified risks.

Plans for future periods

Batcheller Monkhouse secured a number of credible offers for the PIVT estate and a preferred bidder, PGL Limited was approved by the Trustees in October 2018. Contracts were exchanged in February 2019 with completion anticipated in April 2019. The Trustees have agreed that net proceeds from the sale will be used to do two things. The first of these is to set up a scholarship programme with an organisation that shares PIVT's ethos and values. This will enable PIVT to continue to provide the final two years of high quality secondary education to academically gifted young people from some of the world's poorest communities. The scale of this programme will be dependent upon the successful completion of the estate sale and the level of surplus achieved. The second is to set up a Development Fund to allow Pestalozzi alumni to access seed capital for their own charitable or social enterprises. This would demonstrate very clearly the wider positive impacts of the Pestalozzi scholarship programme and how our alumni add value in both their work and their charitable endeavours. The details of this fund are being developed now and will be dependent upon the successful completion of the estate sale.

The final cohort of students will leave the Village in July 2019. The nature and scale of the operation will change at this point with redundancies inevitable. The costs of redundancies, £99,640, have been provisioned for in this financial year.

The new scholarship programme will require a smaller team encompassing fundraising, marketing, alumni liaison and selection staff with some administration support.

Trustees' responsibilities statement

The Trustees 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. 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 charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable 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;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the charitable group will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company and the group's transactions and disclose with reasonable accuracy at any time the financial position of the charitable group 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.

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Trustees' report (continued)
For the year ended 31 August 2018

Disclosure of information to auditors

Each of the persons who are Trustees at the time when this Trustees Report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable group's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any information needed by the charitable group's auditors in connection with preparing their report and to establish that the charitable group's auditors are aware of that information.

In preparing this report, the Trustees have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the Trustees, on 12 April 2019 and signed on their behalf by:

Prof. S Laing, Trustee

Pestalozzi International Village Trust
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Independent auditors' report to the members of Pestalozzi International Village Trust

Opinion

We have audited the financial statements of Pestalozzi International Village Trust (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 August 2018 set out on pages 14 to 38. 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 group's and of the parent charitable company's affairs as at 31 August 2018 and of the group's incoming resources and application of resources, including its 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 Charities Act 2011.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

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 group's or the parent 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.

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Independent auditors' report to the members of Pestalozzi International Village Trust

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the Trustees' report is inconsistent in any material respect with the financial statements; or
- the parent charitable company has not kept sufficient accounting records; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Trustees' responsibilities statement, 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 group's and the parent 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 group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

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Independent auditors' report to the members of Pestalozzi International Village Trust

Auditors' responsibilities for the audit of the financial statements

We have been appointed as auditor under section 151 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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 Auditors' 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 Auditors' report.

Use of our report

This report is made solely to the charitable company's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charitable company's trustees those matters we are required to state to them in an Auditors' 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 its trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Kreston Reeves LLP

Chartered Accountants
Statutory Auditors

Canterbury
12 April 2019

Kreston Reeves LLP are eligible to act as auditors in terms of section 1212 of the Companies Act 2006.

Pestalozzi International Village Trust
(A company limited by guarantee)

Consolidated statement of financial activities incorporating income and expenditure account
For the year ended 31 August 2018

	Note	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Income and endowments from:					
Donations and legacies	2	339,212	326,855	666,067	1,079,633
Fundraising and other trading activities	3,4	36,515	-	36,515	51,931
Investments	5	376	-	376	91
Total income and endowments		376,103	326,855	702,958	1,131,655
Expenditure on:					
Raising funds	4,6	119,508	30,444	149,952	136,239
Charitable activities	7,8	1,176,440	326,854	1,503,294	1,136,213
Other expenditure	9	28,850	-	28,850	28,850
Total expenditure	12	1,324,798	357,298	1,682,096	1,301,302
Net expenditure before other recognised gains and losses		(948,695)	(30,443)	(979,138)	(169,647)
Net movement in funds		(948,695)	(30,443)	(979,138)	(169,647)
Reconciliation of funds:					
Total funds brought forward		3,747,198	30,443	3,777,641	3,947,288
Total funds carried forward		2,798,503	-	2,798,503	3,777,641

The notes on pages 18 to 38 form part of these financial statements.

Pestalozzi International Village Trust
(A company limited by guarantee)
Registered number: 04797376

Consolidated balance sheet
As at 31 August 2018

	Note	£	2018 £	2017 £
Fixed assets				
Tangible assets	17	<u>3,930,663</u>	<u>4,544,101</u>	
Total tangible assets			3,930,663	4,544,101
Current assets				
Stocks		2,339	2,339	
Debtors	20	43,896	49,185	
Cash at bank and in hand		<u>243,448</u>	<u>350,598</u>	
		289,683	402,122	
Creditors: amounts falling due within one year	21	<u>(1,322,203)</u>	<u>(167,989)</u>	
Net current assets			<u>(1,032,520)</u>	<u>234,133</u>
Total assets less current liabilities			<u>2,898,143</u>	<u>4,778,234</u>
Creditors: amounts falling due after more than one year	22	-	-	(1,000,593)
Provisions for liabilities	24	<u>(99,640)</u>		
Net assets			<u><u>2,798,503</u></u>	<u><u>3,777,641</u></u>
Charity Funds				
Restricted funds	25	-	-	30,443
Unrestricted funds:				
Revaluation reserve	25	1,213,410	1,736,667	
Other designated funds	25	<u>1,716,710</u>	<u>1,781,453</u>	
		2,930,120	3,518,120	
Unrestricted income funds	25	<u>(131,617)</u>	<u>229,078</u>	
Total unrestricted funds			<u>2,798,503</u>	<u>3,747,198</u>
Total funds			<u><u>2,798,503</u></u>	<u><u>3,777,641</u></u>

The company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime. The financial statements were approved by the Trustees on 12 April 2019 and signed on their behalf, by:

Prof. S Laing, Trustee

The notes on pages 18 to 38 form part of these financial statements.

Pestalozzi International Village Trust
(A company limited by guarantee)
Registered number: 04797376

Company balance sheet
As at 31 August 2018

	Note	£	2018 £	2017 £
Fixed assets				
Tangible assets	16	<u>3,930,663</u>	4,544,101	4,544,101
Total tangible assets			3,930,663	4,544,101
Investments	18		<u>2</u>	<u>2</u>
			3,930,665	4,544,103
Current assets				
Stocks		2,339	2,339	
Debtors	20	71,217	64,522	
Cash at bank and in hand		<u>213,505</u>	<u>331,582</u>	
		287,061	398,443	
Creditors: amounts falling due within one year	21	<u>(1,319,581)</u>	<u>(164,310)</u>	
Net current assets			(1,032,520)	234,133
Total assets less current liabilities			2,898,145	4,778,236
Creditors amounts falling due after more than one year	22		-	(1,000,593)
Provisions for liabilities			(99,640)	
Net assets			2,798,505	3,777,643
Charity Funds				
Restricted funds	24		-	30,443
Unrestricted funds:				
Revaluation reserve	24	1,213,410	1,736,667	
Other designated funds	24	<u>1,716,710</u>	<u>1,781,453</u>	
		2,930,120	3,518,120	
Unrestricted income funds	24	<u>(131,615)</u>	<u>229,080</u>	
Total unrestricted funds			2,798,505	3,747,200
Total funds			2,798,505	3,777,643

The company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime. The financial statements were approved by the Trustees on 12 April 2019 and signed on their behalf, by:

Prof. S. La...

The notes on pages 18 to 38 form part of these financial statements.

The company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime. The financial statements were approved by the Trustees on 12 April 2019 and signed on their behalf, by:

Prof. S. La...

The notes

Pestalozzi International Village Trust
(A company limited by guarantee)

Consolidated statement of cash flows
For the year ended 31 August 2018

	Note	2018 £	2017 £
Cash flows from operating activities:			
Net cash provided by/(used in) operating activities	27	<u>(218,309)</u>	<u>8,408</u>
Cash flows from investing activities:			
Interest from investments		376	91
Proceeds from the sale of investment property		-	274,305
Purchase of tangible fixed assets		-	(41,908)
Proceeds from sale of tangible fixed assets		<u>155,660</u>	<u>-</u>
Net cash provided by investing activities		<u>156,036</u>	<u>232,488</u>
Cash flows from financing activities:			
Repayments of borrowings		(25,528)	(25,528)
Cash inflows from new borrowing		-	93,128
Net cash (used in)/provided by financing activities		<u>(25,528)</u>	<u>67,600</u>
Change in cash and cash equivalents in the year		<u>(87,801)</u>	<u>308,496</u>
Cash and cash equivalents brought forward		<u>328,587</u>	<u>20,091</u>
Cash and cash equivalents carried forward	28	<u><u>240,786</u></u>	<u><u>328,587</u></u>

The notes on pages 18 to 38 form part of these financial statements.

Pestalozzi International Village Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2018

1. Accounting policies

Pestalozzi International Village Trust is a company, limited by guarantee, with a company registration number of 04797376, which is incorporated in England and Wales.

The charity's registered office is Ladybird Lane, Sedlescombe, Battle, East Sussex, TN33 0UF.

The charitable activities of the charity is to promote the educational philosophy of Johann Heinrich Pestalozzi, by awarding scholarships to exceptional 16-19 year olds who are academically gifted but have limited educational prospects in their home countries.

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Pestalozzi International Village Trust meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

The Statement of financial activities (SOFA) and Balance sheet consolidate the financial statements of the company and its subsidiary undertaking. The results of the subsidiary are consolidated on a line by line basis.

No separate SOFA has been presented for the company alone as permitted by section 408 of the Companies Act 2006.

1.2 Company status

Pestalozzi International Village Trust is a company limited by guarantee. The members of the company are the Trustees and Council Members named on page 3. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per Council Member.

1.3 Going concern

The charity's main source of income is from its charitable objectives being the receipt of donations and legacies to provide scholarships to exceptional 16-19 year olds who are academically gifted but have limited educational prospects in their home countries. Additionally, as detailed in note 31, following the period end the charity sold their estate for which they received sales proceeds totalling £4,000,000. These proceeds will help sustain the charity in the future.

In order to meet its day to day working capital requirements, the charity is dependent upon these donations, legacies and the sales proceeds from the estate.

After making enquires, the Trustees have a reasonable expectation that the Charity will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the financial statements.

Pestalozzi International Village Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2018

1. Accounting policies (continued)

1.4 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the company and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the company for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

1.5 Income

All income is recognised once the company has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

For legacies, entitlement is taken as the earlier of the date on which either: the company is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the company has been notified of the executor's intention to make a distribution. Where legacies have been notified to the company, or the company is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Donated services or facilities are recognised when the company has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use of the company of the item is probable and that economic benefit can be measured reliably.

On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the company which is the amount the company would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Other income is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

Notes to the financial statements
For the year ended 31 August 2018

1. Accounting policies (continued)

1.6 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities. Support costs are those costs incurred directly in support of expenditure on the objects of the company and include project management. Governance costs are those incurred in connection with administration of the company and compliance with constitutional and statutory requirements.

Costs of generating funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

Charitable activities and Governance costs are costs incurred on the company's educational operations, including support costs and costs relating to the governance of the company apportioned to charitable activities.

All expenditure is inclusive of irrecoverable VAT.

1.7 Basis of consolidation

The financial statements consolidate the accounts of Pestalozzi International Village Trust and all of its subsidiary undertakings ('subsidiaries').

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own income and expenditure account.

1.8 Tangible fixed assets and depreciation

All assets costing more than £2,000 are capitalised.

Tangible fixed assets are carried at cost or deemed cost, net of depreciation and any provision for impairment. Deemed cost represents the fair value of certain freehold properties owned by the charity, at the charity's date of transition to FRS 102, 1 September 2014. Under the cost model, freeholder property will not be subject to further revaluations.

Tangible fixed assets are carried at cost or deemed cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost or deemed cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold land	-	Not depreciated
Buildings	-	2% straight line
Plant and machinery	-	20% - 25% straight line
Motor vehicles	-	20% straight line

Pestalozzi International Village Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2018

1. Accounting policies (continued)

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Revaluation of tangible fixed assets

As permitted by Financial Reporting Standard 102, the charity has elected not to adopt a policy of revaluation of tangible fixed assets. The charity will retain the book value of land and buildings, previously revalued at 16 September 2014 as deemed cost. Under the cost model, land and buildings will not be subject to any further revaluations.

1.9 Investments

Investments in subsidiary undertakings are valued at cost less provision for impairment.

1.10 Operating leases

Rentals under operating leases are charged to the Statement of financial activities on a straight line basis over the lease term.

1.11 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

1.12 Deferred income

In accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" effective 1 January 2015, grants received in advance and specified by the donor as relating to specific accounting periods or alternatively which are subject to conditions which are still to be met, and which are outside the control of the charity or where it is uncertain whether the conditions can or will be met, are deferred on an accruals basis to the period in which they relate. Such deferrals are included in creditors in the financial statements.

1.13 Interest receivable

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

1.14 Taxation

The company is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.15 Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

Pestalozzi International Village Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2018

1. Accounting policies (continued)

1.16 Cash at Bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.17 Liabilities

Liabilities are recognised when there is an obligation at the Balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the company anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

1.18 Financial instruments

The company 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 which are subsequently measured at amortised cost using the effective interest method.

1.19 Pensions

The charitable company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the charitable company to the fund in respect of the year.

Notes to the financial statements
For the year ended 31 August 2018

1. Accounting policies (continued)

1.20 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires key management to make judgements, estimates and assumptions that can affect the amounts reported for assets and liabilities, and the results for the year. The nature of estimation is such though that actual outcomes could differ significantly from those estimates.

The following judgements have had the most significant impact on amounts recognised in the financial statements:

Going concern

In the judgement of the Trustees it is appropriate to prepare the financial statements in accordance with the going concern basis of accounting. See note 1.3 for further details.

The following are the company's key sources of estimation uncertainty:

Tangible fixed assets

The charitable company has recognised tangible fixed assets with a carrying value of £3,930,663 at the reporting date (see note 17). These assets are stated at their cost less provision for depreciation and impairment. The company's accounting policy sets out the approach to calculating depreciation for immaterial assets acquired. For material assets such as land and buildings the company determines at acquisition reliable estimates for the useful life of the asset, its residual value and decommissioning costs. These estimates are based upon such factors as the expected use of the acquired asset and market conditions. At subsequent reporting dates the directors consider whether there are any factors such as technological advancements or changes in market conditions that indicate a need to reconsider the estimates used.

Where there are indicators that the carrying value of tangible assets may be impaired the company undertakes tests to determine the recoverable amount of assets. These tests require estimates of the fair value of assets less cost to sell and of their value in use. Wherever possible the estimate of the fair value of assets is based upon observable market prices less incremental cost for disposing of the asset. The value in use calculation is based upon a discounted cash flow model, based upon the company's forecasts for the foreseeable future which do not include any restructuring activities that the company is not yet committed to or significant future investments that will enhance the asset's performance. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well expected future cash flows and the growth rate used for extrapolation purposes.

Pestalozzi International Village Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2018

2. Income from donations and legacies

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Donations	257,750	326,855	584,605	860,900
Legacies	69,412	-	69,412	206,683
Deemed notional interest on beneficial loan	12,050	-	12,050	12,050
	<u>339,212</u>	<u>326,855</u>	<u>666,067</u>	<u>1,079,633</u>
Total donations and legacies	<u>339,212</u>	<u>326,855</u>	<u>666,067</u>	<u>1,079,633</u>
Total 2017	<u>610,964</u>	<u>468,669</u>	<u>1,079,633</u>	

3. Fundraising income

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Events	-	-	-	11,849
Rental income	17,468	-	17,468	2,365
Estate grants	(200)	-	(200)	1,668
Miscellaneous income	1,986	-	1,986	12,249
	<u>19,254</u>	<u>-</u>	<u>19,254</u>	<u>28,131</u>
Total 2017	<u>28,131</u>	<u>-</u>	<u>28,131</u>	

4. Trading activities

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Charity trading income				
Trading subsidiary income	17,261	-	17,261	23,800
	<u>17,261</u>	<u>-</u>	<u>17,261</u>	<u>23,800</u>
Fundraising trading expenses				
Trading subsidiary expenses	14,357	-	14,357	4,363
	<u>14,357</u>	<u>-</u>	<u>14,357</u>	<u>4,363</u>
Net income from trading activities	<u>2,904</u>	<u>-</u>	<u>2,904</u>	<u>19,437</u>

In 2017, of net income from trading activities, £19,437 was in respect of unrestricted funds and £NIL was in respect of restricted funds.

Pestalozzi International Village Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2018

5. Investment income

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Bank deposit interest received	376	-	376	91
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total 2017	91	-	91	
	<u> </u>	<u> </u>	<u> </u>	

6. Analysis of expenditure on raising funds

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Fundraising publicity	9,438	-	9,438	10,323
Cost of fundraising activities	11,599	-	11,599	9,046
Support costs for generating voluntary income	84,114	30,444	114,558	112,507
	<u>105,151</u>	<u>30,444</u>	<u>135,595</u>	<u>131,876</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total 2017	114,392	17,484	131,876	
	<u> </u>	<u> </u>	<u> </u>	

7. Analysis of expenditure on charitable activities

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Student programme	737,665	326,854	1,064,519	1,122,698
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total 2017	701,956	420,742	1,122,698	
	<u> </u>	<u> </u>	<u> </u>	

Pestalozzi International Village Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2018

8. Governance costs

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Auditors' remuneration	7,710	-	7,710	7,450
Auditors' non audit costs	3,636	-	3,636	4,354
Governance - Trustees expenses reimbursed	-	-	-	1,711
Governance - Impairment	427,429	-	427,429	-
	<u>438,775</u>	<u>-</u>	<u>438,775</u>	<u>13,515</u>

In 2017, of total Governance costs, £13,515 was in respect of unrestricted funds and £NIL was in respect of restricted funds.

9. Other expenditure

	Unrestricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Interest payable	16,800	16,800	16,800
Deemed notional interest on beneficial loan	12,050	12,050	12,050
	<u>28,850</u>	<u>28,850</u>	<u>28,850</u>
Total 2017	<u>28,850</u>	<u>28,850</u>	

10. Direct costs

	Student programme £	Total 2018 £	Total 2017 £
Loss on disposal of tangible fixed assets	(48,176)	(48,176)	695
Premises costs	167,020	167,020	184,706
Other direct costs	295,114	295,114	374,956
Wages and salaries	291,161	291,161	279,578
National insurance	16,718	16,718	15,653
Pension cost	2,988	2,988	1,403
	<u>724,825</u>	<u>724,825</u>	<u>856,991</u>
Total 2017	<u>856,991</u>	<u>856,991</u>	

Pestalozzi International Village Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2018

11. Support costs

	Student programme £	Total 2018 £	Total 2017 £
Indirect employee costs	4,612	4,612	16,355
General administrative expenses	128,674	128,674	34,048
Professional fees	21,556	21,556	9,712
Wages and salaries	97,187	97,187	108,378
National insurance	8,563	8,563	9,278
Pension cost	577	577	518
Depreciation	78,525	78,525	87,418
	339,694	339,694	265,707
Total 2017	265,707	265,707	

12. Analysis of Expenditure by expenditure type

	Staff costs 2018 £	Depreciation 2018 £	Other costs 2018 £	Total 2018 £	Total 2017 £
Expenditure on raising voluntary income	114,558	-	21,037	135,595	131,876
Costs of trading activities	-	-	14,357	14,357	4,363
Costs of raising funds	114,558	-	35,394	149,952	136,239
Student programme	417,194	78,525	568,800	1,064,519	1,122,698
Expenditure on governance	-	427,429	11,346	438,775	13,515
Other expenditure	-	-	28,850	28,850	28,850
	531,752	505,954	644,390	1,682,096	1,301,302
Total 2017	527,315	87,418	686,569	1,301,302	

13. Analysis of expenditure by activities

	Activities undertaken directly 2018 £	Support costs 2018 £	Total 2018 £	Total 2017 £
Student programme	724,825	339,694	1,064,519	1,122,698
Total 2017	856,991	265,707	1,122,698	

Pestalozzi International Village Trust
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Notes to the financial statements
For the year ended 31 August 2018

14. Net income/(expenditure)

This is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets:		
- owned by the charitable group	78,525	87,418
Impairment of fixed assets	427,429	-
Auditors' remuneration - audit	7,450	7,450
Auditors' remuneration - non audit	4,364	4,354
	<u> </u>	<u> </u>

During the year, no Trustees received any remuneration (2017 - £NIL).

During the year, no Trustees received any benefits in kind (2017 - £NIL).

During the year expenses totalling £392 (2017: £1,711) were claimed by one (2016: six) Trustee. All expenses claimed were in relation to travel.

15. Auditors' remuneration

The Auditor's remuneration amounts to an Audit fee of £7,450 (2017 - £7,450), and Accountancy services of £4,634 (2017 - £5,598).

Pestalozzi International Village Trust
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Notes to the financial statements
For the year ended 31 August 2018

16. Staff costs

Staff costs were as follows:

	2018	2017
	£	£
Wages and salaries	494,687	490,801
Social security costs	33,228	33,803
Other pension costs	3,837	2,711
	<u>531,752</u>	<u>527,315</u>

The average number of persons employed by the company during the year was as follows:

2018	2017
No.	No.
33	31

Average headcount expressed as a full time equivalent:

2018	2017
No.	No.
25	29

No employee received remuneration amounting to more than £60,000 in either year.

The Trustees and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the group are considered to be key management personnel. As noted above no Trustees received any remuneration during the year (2017: £NIL) and total remuneration in respect of the Chief Executive and Senior Management Team is £104,347 (2017: £152,227).

Pestalozzi International Village Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2018

17. Tangible fixed assets

Group and Company	Land and buildings £	Plant and machinery £	Total £
Cost			
At 1 September 2017	4,728,474	503,947	5,232,421
Disposals	(107,484)	-	(107,484)
At 31 August 2018	4,620,990	503,947	5,124,937
Depreciation			
At 1 September 2017	189,232	499,088	688,320
Charge for the year	76,329	2,196	78,525
Impairment charge	427,429	-	427,429
At 31 August 2018	692,990	501,284	1,194,274
Net book value			
At 31 August 2018	3,928,000	2,663	3,930,663
At 31 August 2017	4,539,242	4,859	4,544,101

Included in land and buildings is freehold land at deemed cost of £804,516 (2017: £912,000), historic cost £98,311 (2017: £109,967) which is not depreciated.

The charity has revalued its freehold property in the past which now represents deemed cost as permitted by FRS 102.

The company's freehold property was independently revalued at 16 September 2014 to open market value of £3,663,300 by Martin Lacey Buckley, a Chartered Surveyor.

The estate has subsequently been marketed for sale with a fair value less costs to sell of £3,928,000, which is less than the carrying value in the accounts and therefore an impairment of £427,429 has been recognised this year.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

Group and Company	2018 £	2017 £
Cost	4,237,454	4,249,111
Accumulated depreciation	(1,233,055)	(1,140,347)
Net book value	3,004,399	3,108,764

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18. Fixed asset investments

Company	Shares in group undertakings
Market value	£
At 1 September 2017 and 31 August 2018	2

19. Principal subsidiary

Pestalozzi Enterprises Limited

Subsidiary name	Pestalozzi Enterprises Limited
Company registration number	00890936
Basis of control	Majority shareholder
Equity shareholding %	100%
Total assets as at 31 August 2018	£ 29,943
Total liabilities as at 31 August 2018	£ 29,941
Total equity as at 31 August 2018	£ 2
Turnover for the year ended 31 August 2018	£ 17,261
Expenditure for the year ended 31 August 2018	£ 17,261
Result for the year ended 31 August 2018	£ -

20. Debtors

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade debtors	2,640	7,237	2,641	3,794
Amounts owed by group undertakings	-	-	27,319	18,778
Other debtors	18	2,628	18	2,630
Prepayments and accrued income	41,238	39,320	41,237	39,320
	43,896	49,185	71,215	64,522

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21. Creditors: Amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Bank loans and overdraft	601,400	47,399	598,778	47,399
Other loans	401,675	-	401,675	-
Trade creditors	24,517	98,623	24,517	98,577
Other taxation and social security	5,597	8,348	5,597	7,775
Other creditors	2,551	494	2,551	494
Accruals	286,463	13,125	286,463	10,065
	1,322,203	167,989	1,319,581	164,310

Deferred income

	Group	Company
	£	£
Deferred income at 1 September 2017	-	-
Resources deferred during the year	284,113	284,113
Amounts released from previous years	-	-
Total	284,113	284,113

22. Creditors: Amounts falling due after more than one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Bank loan	-	598,918	-	598,918
Other loans	-	401,675	-	401,675
	-	1,000,593	-	1,000,593

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22. Creditors: Amounts falling due after more than one year (continued)

Creditors include amounts not wholly repayable within 5 years as follows:

	2018	Group	2018	Company
	£	2017	£	2017
		£		£
Repayable by instalments	-	490,066	-	490,066
Repayable other than by instalments	-	401,675	-	401,675
	<u>-</u>	<u>891,741</u>	<u>-</u>	<u>891,741</u>

The bank loan, which was amended on 22 August 2016, is secured by way of a 20 year mortgage over Oaklands Park Estate, Sedlescombe.

The amount in other loans is a loan from a non-financial institution and subject to the terms of the loan agreement is interest and repayment free. It is secured by way of a charge over The Pestalozzi Centre, Pestalozzi International Village, Sedlescombe.

Although the loan is repayment and interest free, in accordance with the SORP, deemed notional interest on the loan in the sum of £12,050 (2017: £12,050) has been recognised within income and expenditure and has been based on an equivalent market rate (see notes 2 and 9).

23. Financial instruments

	2018	Group	2018	Company
	£	2017	£	2017
		£		£
Financial assets measured at amortised cost	<u>13,417</u>	<u>9,867</u>	<u>40,736</u>	<u>25,982</u>

	2018	Group	2018	Company
	£	2017	£	2017
		£		£
Financial liabilities measured at amortised cost	<u>1,037,658</u>	<u>1,137,729</u>	<u>1,039,265</u>	<u>1,140,085</u>

Financial assets measured at amortised cost comprise trade debtors, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals, bank loans and other loans.

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24. Provisions

	Redundancy provision £
Group and Company	
At 1 September 2017	-
Additions	99,640
At 31 August 2018	99,640

Redundancy provision

At the year ended 31 August 2018, a decision was made to change the charity's operational model as explained in the Chairman's statement and Trustees report, this resulted in a redundancy provision being recognised.

25. Statement of funds

Statement of funds - current year

	Balance at 1 September 2017 £	Income £	Expenditure £	Transfers in/out £	Balance at 31 August 2018 £
Designated funds					
Designated fixed asset fund	3,518,120	-	-	(588,000)	2,930,120
General funds					
Income and expenditure reserves	229,078	376,103	(1,324,798)	588,000	(131,617)
Total Unrestricted funds	3,747,198	376,103	(1,324,798)	-	2,798,503
Restricted funds					
Restricted Funds - income funds	-	326,855	(326,855)	-	-
Sponsor work officer fund	30,443	-	(30,443)	-	-
	30,443	326,855	(357,298)	-	-
Total of funds	3,777,641	702,958	(1,682,096)	-	2,798,503

Notes to the financial statements
For the year ended 31 August 2018

25. Statement of funds (continued)

Transfers between funds

Income and expenditure reserves - the transfer of £588,000 is from the designated fixed asset fund. This transfer represents the movement in fixed assets during the year together with any repayments made to associated liabilities.

Prior year transfers between funds

Income and expenditure reserves - the net transfer of £398,110 is represented by a transfer of £10,000 from the designated capital expenditure fund and a transfer of £388,110 from the designated fixed asset fund.

Designated capital expenditure fund - the transfer of £10,000 reflects the amount spent on capital expenditure during the year.

Purposes of designated funds

Designated capital expenditure fund - This represents funds designated for future fixed asset purchases.

Designated fixed asset fund - This represents the book value of fixed assets less any associated liabilities and are deemed by the Trustees not to be freely available funds.

Purposes of restricted funds

Sponsor work officer fund - This represents funds which have been given to the charity to facilitate the recruitment and retention of individual donors. The sponsor work officer has been in the position since January 2017.

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Notes to the financial statements
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25. Statement of funds (continued)

Statement of funds - prior year

	Balance at 1 September 2016 £	Income £	Expenditure £	Transfers in/out £	Balance at 31 August 2017 £
Designated funds					
Designated capital expenditure funds	10,000	-	-	(10,000)	-
Designated fixed asset fund	3,906,230	-	-	(388,110)	3,518,120
	<u>3,916,230</u>	<u>-</u>	<u>-</u>	<u>(398,110)</u>	<u>3,518,120</u>
General funds					
Income and expenditure reserves	31,058	662,986	(863,076)	398,110	229,078
Total Unrestricted funds	<u>3,947,288</u>	<u>662,986</u>	<u>(863,076)</u>	<u>-</u>	<u>3,747,198</u>
Restricted funds					
Restricted Funds - income funds	-	420,742	(420,742)	-	-
Sponsor work officer fund	-	47,927	(17,484)	-	30,443
	<u>-</u>	<u>468,669</u>	<u>(438,226)</u>	<u>-</u>	<u>30,443</u>
Total of funds	<u>3,947,288</u>	<u>1,131,655</u>	<u>(1,301,302)</u>	<u>-</u>	<u>3,777,641</u>

Summary of funds - current year

	Balance at 1 September 2017 £	Income £	Expenditure £	Transfers in/out £	Balance at 31 August 2018 £
Designated funds	3,518,120	-	-	(588,000)	2,930,120
General funds	229,078	376,103	(1,324,798)	588,000	(131,617)
	<u>3,747,198</u>	<u>376,103</u>	<u>(1,324,798)</u>	<u>-</u>	<u>2,798,503</u>
Restricted funds	30,443	326,855	(357,298)	-	-
	<u>3,777,641</u>	<u>702,958</u>	<u>(1,682,096)</u>	<u>-</u>	<u>2,798,503</u>

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Notes to the financial statements
For the year ended 31 August 2018

25. Statement of funds (continued)

Summary of funds - prior year

	Balance at 1 September 2016 £	Income £	Expenditure £	Transfers in/out £	Balance at 31 August 2017 £
Designated funds	3,916,230	-	-	(398,110)	3,518,120
General funds	31,058	662,986	(863,076)	398,110	229,078
	<u>3,947,288</u>	<u>662,986</u>	<u>(863,076)</u>	<u>-</u>	<u>3,747,198</u>
Restricted funds	-	468,669	(438,226)	-	30,443
	<u>3,947,288</u>	<u>1,131,655</u>	<u>(1,301,302)</u>	<u>-</u>	<u>3,777,641</u>

26. Analysis of net assets between funds

Analysis of net assets between funds - current year

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £
Tangible fixed assets	3,930,663	-	3,930,663
Current assets	289,683	-	289,683
Creditors due within one year	(1,322,203)	-	(1,322,203)
Provisions for liabilities and charges	(99,640)	-	(99,640)
	<u>2,798,503</u>	<u>-</u>	<u>2,798,503</u>

Analysis of net assets between funds - prior year

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £
Tangible fixed assets	4,544,101	-	4,544,101
Current assets	371,679	30,443	402,122
Creditors due within one year	(167,989)	-	(167,989)
Creditors due in more than one year	(1,000,593)	-	(1,000,593)
	<u>3,747,198</u>	<u>30,443</u>	<u>3,777,641</u>

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27. Reconciliation of net movement in funds to net cash flow from operating activities

	2018 £	Group 2017 £
Net expenditure for the year (as per Statement of Financial Activities)	(979,138)	(169,647)
Adjustment for:		
Depreciation charges	78,525	87,418
Impairment of Tangible fixed assets	427,429	-
Interest on investments	(376)	(91)
Profit/(loss) on the sale of investment property	(47,812)	695
Decrease in debtors	5,291	174,451
Increase/(decrease) in creditors	198,132	(84,418)
Increase in provisions	99,640	-
Net cash (used in)/provided by operating activities	(218,309)	8,408

28. Analysis of cash and cash equivalents

	2018 £	Group 2017 £
Cash in hand	243,448	350,598
Overdrawn bank account	(2,662)	(22,011)
Total	240,786	328,587

29. Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £2,949 (2017 - £2,711). Contributions totalling £1,034 (2017 - £494) were payable to the fund at the balance sheet date and are included in creditors.

30. Related party transactions

During the year ended 31 August 2018 donations totalling £2,631 (2017: £4,550) were received from the Trustees.

31. Post balance sheet events

On 12 February 2019, the land and buildings owned by the charity was sold at a value of £4,000,000 less estate agent fees of 1.5% plus VAT. The carrying value of the land and buildings has been impaired to recognise this decrease in value, see Note 17.

32. Controlling party

In the opinion of the Trustees, there is no controlling party.