

YHA (England and Wales)

Financial statements

For the year ended 28 February 2014



Company registration number: 282555

Charity registration number: 306122

Registered office: Trevelyan House
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Derbyshire
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Index

Report of the Trustees incorporating the Strategic Report	1 – 18
Report of the independent auditor	19 – 20
Principal accounting policies	21 – 23
Consolidated statement of financial activities	24
Balance sheets	25
Consolidated cash flow statement	26
Notes to the financial statements	27 – 43

Report of the Trustees incorporating the Strategic Report

The Trustees, who are also Directors of YHA (England and Wales) ("YHA"), present their report together with financial statements for the year ended 28 February 2014.

Charitable objects

The principal objective set out in the Memorandum of Association of YHA is "to help all, especially young people of limited means, to a greater knowledge, love and care of the countryside and appreciation of the cultural values of towns and cities, particularly by providing Youth Hostels or other accommodation for them in their travels, and thus to promote their health, recreation and education".

Mission and Vision

The Board agreed a three-year business plan for implementation from March 2011 to February 2014. The plan included a mission and vision, derived from YHA's charitable object, which has driven our strategy over the last 3 years and has been included at the heart of our latest plans running from March 2014 through to February 2017.

Mission:

To inspire all, especially young people, to broaden their horizons, gaining knowledge and independence through new experiences of adventure and discovery.

Vision:

YHA is aiming to reach out and enhance the lives of all young people.

Over the three years of the plan YHA aspires to reach one million young people.

Public Benefit Statement

In setting our objectives and planning activities our Trustees give careful consideration to the Charity Commission's general guidance on public benefit.

Our commitment to young people is paramount. During the last year 368,880 young people under 26 years old enjoyed safe, healthy, fun and active experiences with us, leading to:

- Growth in learning, skills and self-development
- Engagement with diverse people and communities
- Exploration of wider horizons of culture and education.

We operate educational programmes for schools and groups of young people accompanied by teachers or leaders. Last year saw 339,894 overnight stays by these groups.

YHA ran a series of summer camps for 600 young people. In addition, working with partners such as Challenge, the Football League Trust and Hollowford Centre, we provided accommodation for 1,800 young people taking part in the National Citizen Service. We continued to deliver great programmes and experiences with a wide range of partners including the Duke of Edinburgh Awards Scheme.

To increase the opportunities for young people to stay with YHA we offer bursaries for them to take part in educational trips and group residential stays with their classmates. Last year we awarded grants totaling £238,000 to 5,754 young people.

Report of the Trustees incorporating the Strategic Report

Public Benefit Statement (continued)

YHA is a partner in the Mosaic Youth Project which aims to build skills, citizenship, health and confidence of young people aged 16-24 facing social and economic exclusion through engaging with the National Parks Authority and YHA.

YHA is part of Hostelling International, the operating name of the International Youth Hostel Federation, a UK charity, which promotes the education of all young people of all nations.

Through YHA, people are able to volunteer in a wide range of roles such as running a small Youth Hostel for a week, joining working parties to keep hostels and their grounds maintained, and supporting our summer camps programme as team leaders. Last year YHA had 1,416 active volunteers who contributed 152,547 hours of support to the organisation. Over a quarter of these volunteers were under 26 giving them valuable work experience and the opportunity to learn new skills.

Report of the Trustees incorporating the Strategic Report

STRATEGIC REPORT

Strategic review

To deliver our mission and vision, YHA is in the final year of a three-year strategic plan based on four key strategic areas:

- Developing talented people and teams
- Putting the customer first in everything we do
- Reaching more people through experiences and partnerships
- Achieving a Financially Sustainable Network

Developing talented people and teams

Our employees play a leading role in delivering our strategic plans and we recognise the need to invest in their development and skills. We use the Best Companies™ employee survey as a measure of engagement. In February 2014 YHA was delighted to attain 69th position in the Times Top 100 not-for-profit organisations to work for.

The learning and development function is a critical part of our work with staff. All employees continue to have individual performance reviews with their manager twice a year. This provides an opportunity to discuss performance and development needs and identify career aspirations at YHA. In 2013/14 5.2 training days per employee were provided across our network of Youth Hostels and National Office.

Our employees in management roles need to be inspirational leaders capable of sharing the vision and strategy of YHA with their teams. In 2013 YHA was awarded Institute of Leadership and Management (ILM) accreditation as an affiliated centre. This means we can run and assess accredited courses for our employees and volunteers which will be verified by Leeds Metropolitan University. This is a fantastic recognition of the value and quality of our training provided to our staff to support them in their careers at YHA.

We continue to run our award-winning cost effective employee benefits programme, YHA Rewards, available to both permanent and temporary staff. We are delighted with the internal and external recognition of this programme.

The enthusiasm and commitment of our volunteers sets YHA apart from other organisations. In 2013/14 we have increased the range of roles available for volunteers at YHA and crucially, increased the number of young volunteer opportunities available. The number of active volunteers was 1,416 in 2013/14 of which 27% were young volunteers aged under 26. Young volunteers contribute across many of the different volunteer roles for example, work experience, student placements and summer camp team leaders. In 2013/14 152,547 volunteering hours were recorded at YHA which is almost £1 million worth of donated time at national minimum wage. In 2014 we achieved Investors in Volunteers accreditation recognising the commitment and support YHA provides to its volunteering community.

In 2013/14 we have launched YHA's youth network, Base25. This initially began as a Young Advisors programme in which employees under the age of 26 worked together to provide feedback on YHA projects. We thought this would lead onto a YHA Youth Council but following feedback from young people involved, we recognised we needed a more informal approach. The network gives us a way of promoting and packaging volunteer roles and events that are relevant to a whole range of young people in a fresh and vibrant way. It also gives YHA the chance to build and develop a network of young people with a deeper connection to YHA that can be tapped into for decision making and who have opportunities to represent YHA at youth events.

Report of the Trustees incorporating the Strategic Report

Putting the customer first in everything we do

During the three-year business plan period we wanted to improve our customer feedback systems and satisfaction scores. Overall customer satisfaction has risen from 85% in 2010/11 to 88% in 2013/14 and our net promoter score, a measure of whether our customers would recommend us to family and friends, has increased to a fantastic 65% in 2013/14.

Our members are our most loyal and valued customers. We have focused on improving the value of our membership benefits over the last two years. In 2013 we revitalised our membership communications by launching the monthly Wanderer e-newsletter and we significantly improved the benefits available including free Wi-Fi in Youth Hostels and discounts on high street brands. In the summer of 2013 we launched a new personalised and modernised membership pack and membership card. Accordingly we have seen membership renewals increase from 65% in 2012/13 to 69% this year, beating our targets. Our under-26 membership volumes have not increased as much as we would like and this will remain a focus for us in our new business plan for the period 2014 to 2017.

In 2013 we set up a dedicated e-commerce team to promote YHA on-line and through social media.

We set ourselves an extremely ambitious target of 20% growth in like-for-like overnights. During the past three years we have put in place new initiatives that have shown we can influence our booking volumes and grow the number of overnights taken at YHA. In a difficult economic and competitive environment we have seen our like-for-like overnights grow by 6.9% in 2013/14 and a focus on growth and income will remain for 2014 to 2017.

Reaching more people through experiences and partnerships

YHA has expanded the specific educational activities organised and run for educational groups. Our educational products are linked to the National Curriculum therefore supporting teachers' needs. We have achieved Learning Outside the Classroom accreditation at 27 Youth Hostels including two new site awards in 2013, demonstrating the quality and safety of the experience we provide.

Working in partnership with Government, statutory bodies and other third sector organisations is a key way in which we can reach more young people. In 2013 we continued to run our summer camps programme for 600 young people. 83 bursaries were awarded on this programme.

National Citizen Service (NCS) is the flagship policy that the Coalition Government uses to engage with 16-year-olds. As part of the five-week programme, young people take a residential away from their communities to build relationships and skills for work and life. In 2013 YHA provided residential accommodation for 1,800 people in partnership with Challenge, Football League Trust and Hollowford Centre amongst others.

We want all young people to have the chance to take part in our educational experiences, irrespective of their financial ability. This year we have supported 5,754 young people through our Breaks for Kids bursary fund that gives financial assistance to young people who might not otherwise be able to join their friends and classmates on a Youth Hostel trip with their school.

The Enterprise scheme is a way for YHA to maintain a wide network, partnering with a variety of accommodation providers many of which are private organisations, Community Trusts and Social Enterprises, or simply individuals wanting to be a part of YHA. Through our Enterprise scheme YHA now has 22 Youth Hostels, 18 Bunk Houses and is associated with 4 University Student Accommodation sites, all forming part of our network. Additionally there are now a total of 22 camping barns.

Report of the Trustees incorporating the Strategic Report

Reaching more people through experiences and partnerships (continued)

We continue to engage with our local communities and promote YHA through our national YHA Day in September.

Our parliamentary influence is at an unprecedented scale now due to the sustained focus on developing relationships with MPs. Membership of the All Party Parliamentary Youth Hostel group now stands at 86. This is a great mechanism for engaging with MP's about YHA, interacting with local constituency Youth Hostels and building up our portfolio of contacts in the relevant Government departments

Achieving a Financially Sustainable Network

If YHA can generate more income from its services, and reduce operating costs, we can increase our cash surplus which is then available to reinvest into our network and services.

During the three-year business plan period we knew that as our network of Youth Hostels reduced in size, our ability to increase the number of overnights would be limited, but we did expect our income per overnight to increase across the period. However, over the three year business plan period, economic pressures and a competitive market has created real pressure on our income line such that our income per overnight has fallen by 1.8% from 2010/11 to 2013/14.

At the same time we were significantly affected by cost increases. These included utility cost increases of £0.4 million and pension cost increases of £0.5 million which directly impacted 2013/14 performance.

We previously made a commitment to review central staffing structures as the size and shape of the business changed in line with the capital strategy. During the 2011-2014 business plan period we have reduced our central costs by 10% (£0.9 million).

During the three year period we tried new approaches at an operational level to increase our food and beverage income and to control costs. We introduced new menus and drinks promotions, improved our procurement practices and focused on promotions and special offers targeted at our customers. We reviewed our winter opening patterns and implemented training for staff on catering margins and food and beverage wastage. Despite food price increases we significantly improved our food margins during the period generating an additional £0.2 million by 2013/14.

Capital Investment continues to play a key role in re-shaping a financially sustainable hostel network. In the 3 years from 2011 to 2013 YHA has invested £17.1m across its network. 57 hostels have now been refurbished and 46% of YHA bed spaces have been invested in. During 2013/14 major refurbishment projects were completed at Ambleside, Canterbury, Malham (North Yorks), Stratford-upon-Avon and York Youth Hostels. A new 61 bed Youth Hostel was also opened by Her Majesty The Queen in the South Downs National Park. These investments have significantly raised the external profile of YHA, enhancing both customer reach and youth appeal. This year also saw the commencement of further investment projects at Cambridge, Pen-Y-Pass (Snowdonia), Black Sail (Lake District National Park), Edale (Peak District National Park) and Brighton, all of which will be completed in 2014/15.

Partnership projects play a key role in further enhancing the reach of YHA. The Sill is an exciting partnership project that should see Northumberland National Park Authority and YHA come together in one building incorporating a landscape discovery centre and a 90 bed Youth Hostel. This project has made significant progress in both development and fund-raising during 2013. A long term strategic partnership is also in the early stages of development with the Eden Project in Cornwall and YHA is also actively pursuing long term development opportunities with partners in London.

Report of the Trustees incorporating the Strategic Report

Achieving a Financially Sustainable Network (continued)

YHA would also like to acknowledge the generous financial support received in 2013 from organisations to redevelop existing Youth Hostels including:

- at YHA Black Sail (Lake District), contributions from the Lake District National Park Authority totalling £20k enabled environmental improvements to be included in the project; a £33k contribution from DEFRA's Rural Agency enabled an extension to be completed; a further £15k from Cumbria Waste was invested in sustainable lighting and heating systems.
- at YHA Pen-Y-Pass (Snowdonia) a £23k contribution from Welsh Water is being invested in a new water treatment facility; and a £25k award from Hi Hostels sustainability fund will help fund a new energy efficient biomass boiler.
- at YHA New Forest (Burley) a £182k life-time donation will enable the YHA to develop future investment projects at this key location.

YHA would also like to acknowledge the generous financial support received in 2013 from the legacies of many of its past members. Together with life time donations, all of these contributions help to sustain long term investment in YHA's network, and are all greatly appreciated.

All of YHA's investment plans are supported and underpinned by planning at a regional level, focusing on customer trends and requirements. Projects are analysed by cross-directorate teams, and supported by robust business models to assess both potential and risk. Clear marketing strategies are developed for live projects to ensure that customers are kept informed and that hostel teams are fully equipped to provide excellent customer service.

Performance review

KPI review

The Board of Trustees of YHA agrees key performance indicators (KPI's) to measure the performance of the organisation. These are designed to cover the breadth of YHA's 4 key strategic themes embodied in both the 3 year business plan and annual operating plan. The most significant measures are as follows:

Volunteering Hours – this acknowledges the role and contribution of volunteering in the delivery of the mission.

Customer Net Promoter Score – this measures customer satisfaction and feedback.

Membership Renewals – used to measure engagement with YHA's core membership base.

Number of overnight stays – this defines YHA's overall "footprint", i.e. the objective measure of the extent to which YHA touches people's lives, enabling them to enjoy the experience we offer in YHA branded hostels.

Occupancy – calculated as the percentage of available bed nights, in YHA operated hostels, that have been used; this measure is designed to assess the extent to which YHA utilises its principal trading assets - its beds.

Guest spend per overnight – this measures the amount our customers pay for the experience and products YHA offers to its guests, crucial as YHA improves the quality of the accommodation and the experience it provides.

Report of the Trustees incorporating the Strategic Report

KPI review (continued)

Cash generated from trading – this is the key measure of the financial performance of YHA and measures the ability to generate cash to pay for investment in the network.

The following table shows the value of these measures over the past 4 years

	2014	2013	2012	2011
Volunteering Hours	152,000	120,000	109,000	95,000
Customer Net Promotion Score	65%	62%	60%	56%
Membership Renewals	69%	65%	63%	52%
Number of Overnights	1,755,000	1,744,000	1,759,000	1,719,000
Occupancy	54.0%	53.6%	54.3%	51.7%
Spend per overnight £.p	£22.32	£21.95	£22.50	£23.27
Net Cash generation from Operations	£0.1m	£0.1m	£0.2m	£0.5m

Financial performance review

	2014 £ million	2013 £ million	2012 £ million
Hostel revenues	40.0	39.1	39.8
Hostel direct costs	(28.1)	(26.9)	(28.0)
Hostel surplus	11.9	12.2	11.8
Membership and fundraising income	2.0	1.6	2.8
Non hostel costs	(8.3)	(7.9)	(8.4)
Surplus before maintenance and investment	5.6	5.9	6.2
Current year maintenance and investment	(3.7)	(3.9)	(4.1)
Loan repayment and interest on previous investment	(1.8)	(1.9)	(1.9)
Operating surplus	0.1	0.1	0.2

The format of the above operating statement is presented in line with YHA's internal management accounts. The reporting highlights the operating cash surplus generated to fund ongoing maintenance and investment in the hostel network. A reconciliation to the result shown in the statement of financial activities is shown at the bottom of this page.

In 2013/14 the surplus before maintenance and investment was £5.6m. This cash was then used to pay for on-going repairs and maintenance of £3.7m, including £1.1m of a capital nature. A further £1.8m was required to pay for interest and capital repayments on loans previously taken out to pay for major capital investments. A small cash surplus was achieved.

Trading in 2013/14 remained tough across the first half of the year but we did see more encouraging signs across the final six months both in terms of volumes and yield. This positive trend has continued into our forward orders which leaves us in a good position for 2014/15.

Report of the Trustees incorporating the Strategic Report

Financial performance review (continued)

Our cost lines were generally well controlled particularly labour and food margins but our hostel direct costs did see a £0.4 million increase in utility costs (in line with market price increases). Similarly our non hostel costs were impacted by a £0.5 million increase in top up pension contributions for our Growth Plan scheme (see note 17 on page 34). Both of these lines were expected and included in our budgets for the year.

The trading results set out above, reconcile to the results reported in the Statement of Financial Activities (SoFA), as follows:

	2014 £ million	2013 £ million	2012 £ million
Net surplus per management accounts	0.1	0.1	0.2
Loan repayments	0.8	0.7	0.7
Capital investments	1.1	1.3	1.7
Depreciation	(3.6)	(3.4)	(3.2)
Profit on property sales after re-organisation costs	2.2	2.4	1.7
Capital grants	0.4	0.6	-
Changes in accounting treatment	n/a	(0.8)	n/a
Non actuarial pension and investment movement	0.4	0.3	(0.1)
Operating statement surplus of income over expenditure	1.4	1.2	1.0

Going concern

The Trustees have prepared these financial statements on the going concern basis. The Trustees have reviewed forecasts to May 2015 and believe that the Charity will be able to meet its liabilities as they fall due. Based on the information currently available in respect of the future, the Trustees consider that the Charity has the plans and resources to manage its business risks successfully.

Future Plans

YHA Business Plan

We have set our new business plan for the next three years from 2014 to 2017. YHA's new three-year plan presents the organisation with exciting and challenging opportunities to enhance the lives of young people. We will aspire to engage with one million young people each year. We are identifying many ways in which young people can experience and interact with YHA and we anticipate that around half of this number will stay with us each year.

We have involved our staff and Trustees in our planning as every one of us has a part to play in ensuring we deliver our vision and ensure YHA thrives.

Report of the Trustees incorporating the Strategic Report

YHA Business Plan (continued)

Our objectives set out in our 2014/2015 Operating Plan are as follows:

- Inspiring our people - To launch an apprenticeship programme and develop our staff recognition process across YHA.
- Providing a world class hostel experience – Researching and planning for meeting customer expectations in our Youth Hostels in 2014.
- Customer engagement – Reviewing our brand awareness and customer communications.
- Growing our groups business – Focusing on growing and retaining our educational groups business and improving our website and communication of exclusive hire of Youth Hostels.
- The difference we make – Reaching one million young people. This project will examine how we demonstrate our impact on young people.
- Trading management – We continue to focus on increasing our income per overnight and reviewing our pricing and products.
- Capital strategy – We will continue to monitor the performance of our invested hostels and manage new refurbishment projects and Youth Hostel openings.

The Operating Plan is formally updated on a quarterly basis by the Executive Management Team. Key indicators for each of the strategic themes are used to ensure that progress is measured.

Risk Review

The major risks to which the charity is exposed have been identified as:

- Failure to shape the network and product through the capital strategy to be commercially viable and meet charitable objectives.
- Pressure on profitability while the capital strategy is being implemented.
- The pension deficit in the final salary and growth plan schemes continue to grow at an unsustainable cost to YHA.
- Insufficient financial resources to invest in customer facing technology.
- Slow or non-reaction to competitive factors which leads to business decline.
- The risk of a serious incident involving high numbers of staff and/or customers and/or damage to buildings. Hostels, National Office or Regions may not be able to operate for a long period of time at high cost to the business.
- Inadequate Child Protection for Under 18's whilst at YHA Hostels or on YHA Activities.
- Increase in capital value of estate and property leading to increased rent in our leasehold estate and reduced ability to acquire property to support our growth plan.

Controls have been identified to minimise and manage these and other risks. The effectiveness of the controls is monitored on a quarterly basis by both the Risk Management Group and the Performance and Audit Committee and, if necessary, further actions are identified to reduce the risks. Further details of how risk is managed within YHA are outlined on page 16.

Report of the Trustees incorporating the Strategic Report

GOVERNANCE AND ADMINISTRATION

Board of Trustees

Organisation

The Board of Trustees has overall responsibility for the work of YHA, in particular setting strategy, direction and targets. During 2013/14 they met 6 times. Some responsibilities are delegated by the Board to the Performance and Audit Committee and the Remuneration Committee. The Board delegates day to day management to the Chief Executive and Executive Team.

The Board of Trustees reports to the Annual General Meeting (AGM) of the Company. Around 110 people are members of the Company. They are delegates elected by the three England Regional councils and the Welsh Council, supplemented by the Honorary Officers, representatives from Affiliated Societies and the Affiliated Groups Conference, and the Trustees. The Board is elected by the AGM assisted by recommendations from the Council Nominations Panel (CNP).

The Board of Trustees has 15 members. The Chief Executive is not a member of the Board. Tenure on the Board is limited to a maximum of two three-year terms. All the Trustees are unpaid volunteers recruited from the wider YHA membership.

One trustee, Stephen Boyd, came to the end of his 1st term of office on 13 July 2013 and did not stand again. One Trustee, Pauline Scott, came to the end of her 2nd term and was not eligible to stand again. The Vice Chairman, Karl Shepherdson, chose not to stand again, and was replaced by Peter Gaines for a one-year term. Three Trustees, Lindsey Fairbrother, Harry Horton and Helen Maurice-Jones all stood again and were re-elected along with two new trustees, Chris Roberts and Nicola Scrivings.

Training

New Trustees attend a 2-day induction course including the opportunity to visit and stay in local hostels. The training is based on the guidelines set down by the National Council for Voluntary Organisations and covers:

- Governance – role and responsibility of Trustees, governance structure and reform, Articles of Association.
- Briefings on key issues currently being discussed by the Board.
- Meetings with each member of the Executive Team and their support staff to gain an insight into the operational areas of the organisation.
- Trustees are supplied with a comprehensive manual containing key policies and documents and papers from recent and relevant Board meetings.

Elections to the Board

Candidates are proposed by the Council Nominations Panel (CNP) who report directly to the AGM. The panel interviews potential Trustees and puts forward a short-list of nominations to the AGM.

The CNP is made up of:

- An independent Chairman/Chairwoman
- A Trustee representative
- Two representatives from the floor of the AGM
- Plus, in a non-voting but advisory capacity, the People and Performance Director
- The independent Panel Chairman is a person not at the time a Trustee, regional chairman or regional leader or a member of YHA's staff, nominated by the CNP to the AGM.

The Board advises the Panel of the skills, knowledge and experience desirable among new Trustees in order to achieve a balance of skills and experience in the Board of Trustees.

Report of the Trustees incorporating the Strategic Report

Board of Trustees (continued)

The CNP is tasked with advertising for and interviewing potential Trustees. Suitable candidates are then nominated for election at the AGM bearing in mind the skill gaps on the Board that need to be filled.

40 people applied to become Trustees and CNP nominated eight candidates to the AGM in July 2013, five of whom were elected by the AGM.

Members of the Board of Trustees at 28th February 2014

Chris Darmon, Chairman

Chris was elected to the Chair at the AGM in 2007. He has had a lifelong interest and involvement in YHA, which began in 1963 aged just 12. Graduating in 1974, Chris undertook a PGCE at Keele University. He is Chairman of Geo Supplies, a specialist supplier to geologists across the world, and is an adult tutor on his own classes and for the University of Sheffield. He organises and leads geological tours across the UK and to Iceland and Tenerife.

Peter Gaines, Vice Chairman

Peter joined the Board in 2012 to fill a casual vacancy and was elected Vice Chairman in 2013. Previously he worked for 30 years as an executive in the petrochemicals industry before establishing a successful business consultancy to progress interest in UK/EU renewable energy policy and sustainable governance. He also chairs the Remuneration Committee.

Alan Bourne, Treasurer

Alan has been YHA's Treasurer since 2001. As Treasurer he is also Chairman of the Performance and Audit Committee. He is a Chartered Public Finance Accountant, working as the Data Management Team Leader at Surrey County Council.

James Blake

James has been a YHA Trustee since 2002. He has spent the majority of his career in senior roles in local and central government and is currently Chief Executive of St Albans City and District Council.

Lindsey Fairbrother

Lindsey is a qualified pharmacist who runs her own healthcare company providing policy, commercial and technical advice to healthcare providers throughout the UK. She also owns a community pharmacy in Derbyshire, providing healthcare to the local community and supplying pharmaceuticals and management support to out of hours doctors' services throughout the county. Lindsey is a member of the Remuneration Committee.

Harry Horton

Harry was co-opted to the Board in 2012 and elected to the Board in 2013. He is currently studying for a masters degree in Broadcast Journalism at the University of Sheffield and has previously worked at Manchester Airport and been a trustee at Sheffield Students' Union.

Chris Hunt

Chris was elected to the Board in 2011 and runs his own IT consultancy business, having worked as a freelance database developer since 1997.

Sue MacKinnon

Sue was elected as a Trustee in 2001 and re-elected at the 2011 YHA AGM. She is a member of the Remuneration Committee. Before retiring, Sue worked for an international food manufacturing company where, among other tasks, she was responsible for setting up and administering the quality assurance programme 'ISO 9001'.

Report of the Trustees incorporating the Strategic Report

Members of the Board of Trustees at 28th February 2014 (continued)

Helen Maurice-Jones

Helen spent her childhood growing up in a Youth Hostel and worked in several as a teenager becoming involved in YHA governance in 1984. She trained in Floristry and Horticulture and then spent a few years travelling abroad, returning to work in local government. Helen spends most of her time managing and working on the family nursery.

Francesca Miles

Fran joined the Board of Trustees in 2012. For her day-job Fran works on building some of the biggest global brands such as Iberdrola, ASDA and Skoda as well as working with charities and government organisations in developing brand positions and consumers communications.

Chris Roberts

Chris was elected as Trustee in 2013 for a one-year period. He is an international business lawyer, qualified in the UK and USA, who has worked as a solicitor in private practice and then in-house for large corporates. He has previously served as a Trustee of charities active in housing and homelessness/resettlement.

Nicola Scrivings

Nicola was elected as Trustee in 2013. She has Director level experience (20 years) in commercial roles with Royal Mail. Currently she is Chair of Cambridge Housing Society, Non-Executive Director of Cambridgeshire Community Services and a Commissioner for Audit Commission. Nicola is a member of the Performance and Audit Committee.

Vinay Talwar

Vinay has been a Trustee since 2012. He spent the first half of his career working for NGOs, and is now a career diplomat at the Foreign and Commonwealth Office. He has served overseas in Guatemala, New York, Brussels, South Sudan and India. Vinay is currently on secondment to the UK Parliament. He is the Trustee Representative on the Council Nominations Panel.

Paul Wright

Paul became a YHA Trustee in 2012. After graduating with a degree in computer science from the University of York in 2006, he now works in BT's research and technology department in Ipswich. Paul is a member of the Performance and Audit Committee.

Paula Yates

Paula joined the Board in 2011. She is a qualified teacher with 30 years of working within a variety of different local authorities in schools and informal social education settings. Her career including teaching in an LEA boarding school, through a range of Youth Service and Community Education Service positions ending up as an Assistant Director of Children's Services within Cheshire County Council.

The table below presents the composition of the Board of Trustees and number of meetings attended during the period.

	Board meetings attended	Current Term of Office		Board meetings attended	Current Term of Office
James Blake	5 of 6	July 2015	Helen Maurice-Jones	6 of 6	July 2016
Alan Bourne	6 of 6	July 2016	Fran Miles	2 of 6	July 2015
Steven Boyd*	1 of 1	n/a	Chris Roberts	4 of 5	July 2014
Chris Darmon	6 of 6	July 2015	Pauline Scott*	1 of 1	n/a
Lindsey Fairbrother	5 of 6	July 2016	Nicola Scrivings	5 of 5	July 2016
Peter Gaines	5 of 6	July 2014	Karl Shepherdson*	1 of 1	n/a
Harry Horton	6 of 6	July 2016	Vinay Talwar	4 of 6	July 2015
Chris Hunt	5 of 6	July 2014	Paul Wright	6 of 6	July 2015
Sue Mackinnon	6 of 6	July 2014	Paula Yates	6 of 6	July 2014

*stood down at the 2013 AGM.

Report of the Trustees incorporating the Strategic Report

Disclosures of Interest

No Trustee had, during or at the end of the year, any interest in contracts that are significant in relation to YHA's business other than disclosed in note 7 of the financial statements. For the purposes of company law, the Trustees listed above are also the Directors of YHA.

Executive Team

Chief Executive & Secretary: Caroline White

Other senior staff members:

Property	Jake Chalmers MRICS
Operations, People & Performance	Allison Green CIPD (resigned January 2014)
People	Karen Shotbolt (appointed February 2014)
Finance	William Howarth ACMA
Sales & Marketing	Joe Lynch MIDM
Operations	Jerry Robinson CIPD FCMI (appointed March 2014)

Committees

Performance and Audit Committee

The Performance and Audit Committee is a sub-committee of the Board of Trustees. The Committee met quarterly last year and is currently composed of

- The Treasurer Alan Bourne who acts as the Chairman of this committee
- Two Trustees: Nicola Scrivings and Paul Wright
- Two co-opted members, Clare Hildred a PWC qualified chartered accountant who has held senior management positions, including 10 years at Board level, in the pharmaceutical manufacturing and engineering sectors, and Tom Sadler a chartered accountant currently working for the National Audit Office.

The Committee agrees the programme for Internal and External Audits; considers reports from the auditors; considers the annual Financial Statements before submission to the Board; reviews the performance of the Internal and External Auditors; advises the Board regarding the adequacy of its risk register, policy, and management of risk; reviews the full risk register on an annual basis, and every quarter reviews the high level significant risks and any changes to the full risk register; devises and tests key measures against which the performance of the organisation can be judged and reviews and reports to the Board on YHA's performance against key measures and policies agreed by the Board.

Remuneration Committee

The Remuneration Committee is a sub-committee of the Board of Trustees. The committee met twice last year and is composed of:

- The Vice Chairman Peter Gaines who acts as Chairman of this committee
- Two Trustees: Lindsey Fairbrother and Sue MacKinnon
- The Committee has the option to co-opt a member with relevant experience but did not choose to do so last year

Report of the Trustees incorporating the Strategic Report

Committees (continued)

Remuneration Committee (continued)

The committee determines the remuneration of the Directors, and the remuneration of the Chief Executive in consultation with the National Chairman; determines the terms and conditions of employment of the Directors, and also the terms and conditions of employment of the Chief Executive in consultation with the National Chairman. In determining these the Committee makes such external consultations and comparisons as may be necessary to ensure that the pay and emoluments of YHA staff are fair in value to those having similar responsibilities and circumstances in organisations in the not for profit and commercial sectors (excluding financial) and considers strategic HR matters which impact on our financial position or our position as an employer, e.g. pensions, performance management.

Financial control and Risk Management

Trustee Responsibilities

The Trustees (who are also directors of YHA for the purposes of company law) are responsible for preparing the Report of the Trustees incorporating the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of YHA and the group and of the incoming resources and application of resources including the income and expenditure of YHA and the group for that year.

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 estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that YHA and the group will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the company and ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of YHA and the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees confirm that:

- so far as each Trustee is aware, there is no relevant audit information of which the YHA auditors are unaware; and
- the Trustees have taken all steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the YHA's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the Trustees incorporating the Strategic Report

Financial control and Risk Management (continued)

Reserves Policy

As a charity YHA is obliged by the Charities Commission to set a policy on reserves which establishes a level which is appropriate for YHA.

YHA's reserves policy is set to manage unforeseen financial difficulties, and not to fund its future capital strategy. The level of reserves is set based on forecast income and expenditure and the likelihood of material risks crystallising which would not be covered by future income or insurance.

The reserves policy is set with regard to the:

- Strategic capital strategy
Set by the Board within the context of a five year time frame.
- The annual budget
Set to ensure our future expenditure levels are matched to the income we receive from operating youth hostels.
- Risk management process
Which assesses the impact and likelihood of all risks to the YHA.

YHA has introduced an active reserves monitoring process managed by the Performance and Audit Committee (PAC) and governed by the Trustees. At the quarterly risk register review the PAC assess the impact and likelihood of uninsured risks to create an expected value which is reduced by the assessment of mitigating controls to set the appropriate level of short term reserves to be held.

The PAC will report if these reserves have been used and the consequent impact on the long term strategy. In the event of a movement beyond the reserves limit the PAC would report immediately to the Board with recommendations for action.

Investment Policy

Investments have been acquired in accordance with the powers of the Trustees, primarily in respect of endowment funds and total £0.9 million at the end of this financial year. Close Wealth Management and Speirs & Jeffrey Stockbrokers manage the assets on YHA's behalf, to maximise income at an acceptable level of risk. The funds are benchmarked against the FTSE all share index -2%, and the FTSE 100 index -2%. YHA investment funds experienced a +0.3% increase in 2013/14 against these FTSE all share index growth of 8.5% (6.5% target) and FTSE 100 growth of 7% (5% target).

Borrowing and Financial Instruments Policy

YHA uses financial instruments, comprising overdrafts and borrowings secured against property. The main purpose of these financial instruments is to finance the working capital cycle of YHA and finance longer-term capital needs.

The policies for managing the risks open to YHA are summarised below and remain unchanged from the previous year:

- YHA's financing and treasury policy governs the way that YHA borrows money and how it manages its interest risk.
- YHA's overdraft facility is designed to finance working capital, and in particular to manage the cash effect of the seasonal nature of its income.
- Other borrowings are designed to be appropriate for the type of asset being financed. Thus IT equipment and software is likely to be financed over no more than five years, equipment no more than ten years and property will be financed over twenty years.

Report of the Trustees incorporating the Strategic Report

Financial control and Risk Management (continued)

Borrowing and Financial Instruments Policy

YHA's interest rate risk is managed through a portfolio of borrowings. With the current low interest rates YHA has now fixed interest rates on 66% of its bank loans for periods of between 2 and 13 years.

Risk Management Group

The Board of Trustees is ultimately responsible for risk management in YHA, setting the control framework, the risk appetite and approving major decisions affecting YHA's risk management or profile. The Board annually approves YHA's risk management plan, including the risk register, and reviews the effectiveness of YHA's internal control and risk management system.

The Performance and Audit Committee (PAC) has delegated authority from the Board to review and manage risk and the organisational risk register is the key tool used to record risks within YHA. The PAC:

- Reviews the risk management policy and processes annually.
- Reviews and agrees on an annual basis the significant risks to which YHA is exposed.
- Ensures that sufficient action is being taken to mitigate the risks.
- Provides the Board of Trustees with an annual statement of assurance on risk management and internal controls and corporate governance.
- Ensures that the control environment is sufficient to ensure the effective management of risk.
- Monitors compliance with charity commission and corporate governance requirements.

In 2013 a revised Risk Management Group was formed under the Chairmanship of the Director of Property. The new group is smaller and more focused on key organisation level risk. The group is drawn from all directorates to ensure that risk management is embedded in all directorates. Individuals on the group are responsible for identifying action plans for all lower level risks and for bringing these to the Risk Management Group as required.

Insurance Policy

YHA has insured Trustees and officers of the company against liability for wrongful acts in relation to the charitable company, as permitted under Section 532 of the Companies Act 2006.

Report of the Trustees incorporating the Strategic Report

LEGAL AND ADMINISTRATIVE DETAILS

Bankers:

Lloyds TSB Bank plc
Large Corporate Sector
Butt Dyke House
33 Park Row
NOTTINGHAM
NG1 6GY

Santander Bank
Carlton Park
Narborough
LEICESTER
LE19 0AL

Co-Operative Financial Services
New Century House,
MANCHESTER
M60 4ES

Solicitors:

Browne-Jacobson
44 Castle Gate
NOTTINGHAM
NG1 7BJ

Russell Cooke
2 Putney Hill
LONDON
SW15 6AB

Taylor & Emmet LLP
20 Arundel Gate
SHEFFIELD
S1 2PP

Auditor:

Grant Thornton UK LLP
2 Broadfield Court
SHEFFIELD
S8 0XF

Report of the Trustees incorporating the Strategic Report

LEGAL AND ADMINISTRATIVE DETAILS (CONTINUED)

Investment Fund Managers:

Close Wealth Management
10 Crown Place
Clifton Street
LONDON
EC2A 4FT

Speirs & Jeffrey Stockbrokers
36 Reinfeld Street
GLASGOW
G2 1NA

Internal Auditors

Baker Tilly are the internal auditors for YHA and act as an assurance function to provide an independent and objective opinion to YHA on the design and operation of the internal control environment.

Appointment of Auditors

In accordance with S485(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

In approving the Report of the Trustees, the Trustees are also approving the Strategic Report in their capacity as company directors.

ON BEHALF OF THE TRUSTEES



C Darnon
Chairman
17 May 2014

Independent auditor's report to the members and trustees of YHA (England and Wales)

We have audited the financial statements of YHA (England and Wales) for the year ended 28 February 2014 which comprise the principal accounting policies, the consolidated statement of financial activities, the balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditor

As explained more fully in the Trustees' responsibilities statement set out on page 14, 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 28 February 2014 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 Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members and trustees of YHA (England and Wales)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records or returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Michael Redfern
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
SHEFFIELD
20 May 2014

Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with the Statement of Recommended Practice: "Accounting and Reporting by Charities" (revised 2005), applicable accounting standards and the Companies Act 2006. They have been prepared under the historical cost convention except that investments are carried at valuation.

The principal accounting policies of YHA have remained unchanged from the previous year.

Going concern

The Trustees have prepared these financial statements on the going concern basis. The Trustees have reviewed forecasts to May 2015 and believe that the Charity will be able to meet its liabilities as they fall due. Based on the information currently available in respect of the future, the Trustees consider that the Charity has the plans and resources to manage its business risks successfully.

Basis of consolidation

The group financial statements consolidate those of YHA and of its subsidiary undertakings (see note 10). Subsidiaries are defined as entities where the parent charity has control and derives financial benefit and are consolidated on a line by line basis.

Income

Donations, gifts and legacies are recognised in the statement of financial activities when there is certainty over receipt and all conditions have been met. Membership subscriptions are recognised when received.

Income generated from the operation of youth hostels represents the amount receivable by YHA for goods supplied and services provided, excluding value added tax and net of trade discounts. Consequently, the income due from a particular guest is recognised when that guest stays with YHA. Payment received from guests in advance of their stay is recorded as deferred income (see note 13).

Commercial income from YHA Trading Limited represents goods supplied and services provided by that company to its customers and are recognised when the goods or services are delivered.

The Charity carries out work for government bodies and income under these contracts is recognised once milestones attached to income have been met. Incoming resources on government contracts are included in the statement of financial activities when the Charity is entitled to the income and the amount can be quantified with reasonable accuracy.

Grants

Revenue grants are credited as incoming resources when they are receivable provided conditions for receipt have been complied with, unless they relate to a specified future period, in which case they are deferred.

Grants for the purchase of fixed assets are credited to restricted incoming resources when receivable.

Income from investments

Investment income is recognised when receivable.

Principal accounting policies

Fund accounting

Restricted funds are those for which specified purposes were laid down by the donor or grant-giving body. Expenditure for those purposes is charged to the appropriate fund.

Unrestricted funds are donations and other incoming resources received or generated for expenditure on the general objectives of YHA.

When grants and donations are received for a specific purpose involving capital investment, the cash will be recorded against a restricted fund. When the investment has been made, the relevant capital asset will be recorded against the relevant fund, and depreciation of the asset charged against the fund. Once any restrictions on the use of the asset have expired, the asset will be transferred from the restricted fund to YHA's unrestricted funds.

Tangible fixed assets

Individual fixed assets costing more than £250 are capitalised at cost.

Tangible fixed assets are stated at cost, net of depreciation. No depreciation is charged during the period of development or construction.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their expected useful lives. The rates generally applicable are:

Freehold properties	2.5% reducing balance
Leasehold properties	amortised over the shorter of the economic useful life and the length of the lease
Fixtures and fittings	15% reducing balance
Computers	25% straight line

Assets under construction represent spend and work-in-progress on partially complete assets that are not in productive use in the business. This will principally be (but not exclusively) major refurbishment and development projects in YHA's estate portfolio and business systems/ IT infrastructure projects.

Assets under construction are carried at cost and are not depreciated until they come into use and are capitalised in the asset register. Where the date of capitalisation is later than the date of productive use, a retrospective depreciation adjustment is made to correct NBV.

Investments

Assets held for investment purposes are valued at market value at the balance sheet date, except for investments in trading subsidiaries, which are held at cost, as the trustees believe that the market value of the trading subsidiary is not materially different to its cost.

Net gains and losses on revaluations and disposals during the year are included in the statement of financial activities.

Expenditure

Expenditure, which is charged on an accruals basis, is allocated between:

- Expenditure incurred directly in the fulfilment of YHA's objectives (direct charitable). This includes head office support costs which are directly attributed to the operation of youth hostels.
- Expenditure incurred directly in the effort to raise voluntary contributions (membership, fundraising and publicity).
- Expenditure incurred in the governance of YHA. This includes internal and external audit costs, chief executive costs and similar governance costs.

Principal accounting policies

Financial instruments

Financial liabilities are classified according to the substance of their governing contractual arrangements.

Where the contractual obligations of financial instruments are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the statement of financial activities. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability. Financial liabilities are initially recognised at fair value then subsequently at amortised cost.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the statement of financial activities over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the statement of financial activities on a straight line basis over the lease term.

Retirement benefits

Defined contribution group personal pension schemes

Contributions payable to the schemes in respect of each accounting period are included in the statement of financial activities in that period.

Defined benefit pension scheme

The scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the attained age method on the basis of triennial valuations, and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the group.

The current service cost and costs from settlements and curtailments are included in the statement of financial activities. Past service costs are spread over the period until the benefit increases vest. The net of interest on the scheme liabilities and the expected return on scheme assets is included in interest payable or investment income as appropriate. Actuarial gains and losses are reported in the consolidated statement of financial activities.

Multi-employer defined benefit schemes, where it is not possible to identify the share of assets and liabilities attributable to YHA, are accounted for as if they were a defined contribution scheme in line with FRS 17.

Consolidated statement of financial activities (incorporating the consolidated income and expenditure account)

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2014 £'000	Total 2013 £'000
Income						
Incoming resources						
Incoming resources from generated funds						
Voluntary income:						
Membership subscriptions and related income	1	1,212	-	-	1,212	1,245
Grants receivable	2	-	467	-	467	569
Other donations, gifts and legacies		293	525	-	818	449
Activities for generating funds:						
Commercial income from YHA Trading Limited		4,136	-	-	4,136	4,237
Investment and similar income	3	36	28	-	64	29
		<u>5,677</u>	<u>1,020</u>	<u>-</u>	<u>6,697</u>	<u>6,529</u>
Incoming resources from charitable activities:						
Income from operating youth hostels		36,366	-	-	36,366	35,146
Other incoming resources:						
Net gain on disposal of tangible fixed assets		2,170	-	-	2,170	2,419
		<u>44,213</u>	<u>1,020</u>	<u>-</u>	<u>45,233</u>	<u>44,094</u>
Total incoming resources						
Resources expended						
Cost of generating funds:						
Membership costs	5	372	-	-	372	286
Other fundraising costs	5	148	-	-	148	182
Costs of operating YHA Trading Limited	5	3,331	-	-	3,331	3,518
		<u>3,851</u>	<u>-</u>	<u>-</u>	<u>3,851</u>	<u>3,986</u>
Charitable activities:						
Costs of operating youth hostels	5	39,346	490	-	39,836	38,745
Governance costs	5	177	-	-	177	182
		<u>43,374</u>	<u>490</u>	<u>-</u>	<u>43,864</u>	<u>42,913</u>
Total resources expended						
Net incoming resources before transfers		839	530	-	1,369	1,181
Transfer between funds		69	(69)	-	-	-
		<u>908</u>	<u>461</u>	<u>-</u>	<u>1,369</u>	<u>1,181</u>
Net incoming resources after transfers						
Realised gains on investments (excluding endowment asset investments)		10	-	-	10	17
		<u>918</u>	<u>461</u>	<u>-</u>	<u>1,379</u>	<u>1,198</u>
Surplus on income over expenditure*						
Realised gains on endowment investments		-	-	133	133	89
Unrealised losses on investments		(9)	-	(130)	(139)	(92)
Actuarial (loss)/gain on defined benefit pension scheme		(570)	-	-	(570)	64
		<u>339</u>	<u>461</u>	<u>3</u>	<u>803</u>	<u>1,259</u>
Net movement in funds						
Fund balances brought forward at 1 March 2013		41,224	2,264	764	44,252	42,993
Fund balances carried forward at 28 February 2014		<u>41,563</u>	<u>2,725</u>	<u>767</u>	<u>45,055</u>	<u>44,252</u>

All income was from continuing operations.

*Information up to and including the surplus of income over expenditure represents the information required by the Companies Act 2006. It excludes movements on endowment funds and unrealised gains on investments in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (revised 2005).

The accompanying accounting policies and notes form an integral part of these financial statements.

Balance sheets

	Note	Group		Company	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
Fixed assets					
Tangible assets	9	82,182	79,072	82,182	79,072
Investments	10	888	885	889	886
		<u>83,070</u>	<u>79,957</u>	<u>83,071</u>	<u>79,958</u>
Current assets					
Stocks	11	308	276	308	276
Debtors	12	1,020	1,846	1,020	1,846
Cash at bank and in hand		2,533	3,234	2,533	3,234
		<u>3,861</u>	<u>5,356</u>	<u>3,861</u>	<u>5,356</u>
Creditors: amounts falling due within one year	13	<u>13,079</u>	<u>11,982</u>	<u>13,080</u>	<u>11,983</u>
Net current liabilities		<u>(9,218)</u>	<u>(6,626)</u>	<u>(9,219)</u>	<u>(6,627)</u>
Total assets less current liabilities		73,852	73,331	73,852	73,331
Creditors: amounts falling due after more than one year					
Provisions for liabilities	14	24,496	24,868	24,496	24,868
	15	563	643	563	643
Net assets excluding pension liability		48,793	47,820	48,793	47,820
Defined benefit pension scheme liability	17	(3,738)	(3,568)	(3,738)	(3,568)
Net assets including pension liability		<u>45,055</u>	<u>44,252</u>	<u>45,055</u>	<u>44,252</u>
Funds					
Endowments	18	767	764	767	764
Restricted funds	19	2,725	2,264	2,725	2,264
		<u>3,492</u>	<u>3,028</u>	<u>3,492</u>	<u>3,028</u>
Unrestricted funds excluding pension liability		45,301	44,792	45,301	44,792
Pension reserve	17	(3,738)	(3,568)	(3,738)	(3,568)
Total unrestricted funds		<u>41,563</u>	<u>41,224</u>	<u>41,563</u>	<u>41,224</u>
Total charity funds	20	<u>45,055</u>	<u>44,252</u>	<u>45,055</u>	<u>44,252</u>

The financial statements were approved by the Board of Trustees on 17 May 2014.

C Darmon



Trustees

A H Bourne



Company registration number: 282555

The accompanying accounting policies and notes form an integral part of these financial statements

Consolidated cash flow statement

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	21	<u>5,279</u>	<u>3,036</u>
Returns on Investment and Servicing of Finance			
Investment Income (including interest received)	3	64	29
Interest paid	4	<u>(1,156)</u>	<u>(1,266)</u>
Net cash outflow from returns on investment and servicing of finance		<u>(1,092)</u>	<u>(1,237)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		<u>(7,179)</u>	<u>(7,251)</u>
Sale of tangible fixed assets		<u>3,226</u>	<u>5,876</u>
Net cash outflow from investing activities		<u>(3,953)</u>	<u>(1,375)</u>
Financing			
Receipts from borrowings		-	1,221
Repayment of borrowings		<u>(624)</u>	<u>(618)</u>
Capital element of finance lease rentals		<u>(311)</u>	<u>(106)</u>
Net cash (outflow)/inflow from financing		<u>(935)</u>	<u>497</u>
(Decrease)/increase in cash	22	<u>(701)</u>	<u>921</u>

The accompanying accounting policies and notes form an integral part of these financial statements

Notes to the financial statements

1 Membership and related income

	2014 £'000	2013 £'000
Membership income received directly by the group	<u>1,212</u>	<u>1,245</u>

2 Grants and contracts

	2014 Restricted Funds (Capital) £'000	2014 Restricted Funds (Other) £'000	2014 Total £'000	2013 Total £'000
Grants receivable in the year	<u>467</u>	<u>-</u>	<u>467</u>	<u>569</u>

All grants receivable in the year related to restricted funds.

3 Investment income

	2014 £'000	2013 £'000
Listed stocks and shares	28	16
Cash and deposits	<u>36</u>	<u>13</u>
	<u>64</u>	<u>29</u>

4 Interest payable

	2014 £'000	2013 £'000
Pension cost	24	58
On bank loans, overdrafts and other loans	1,076	1,156
Finance charges in respect of finance leases	<u>56</u>	<u>52</u>
	<u>1,156</u>	<u>1,266</u>

Interest payable is included within other direct costs (see note 5).

Notes to the financial statements

5 Total resources expended

Due to the structure of YHA it is considered that any allocation of support costs from costs of operating youth hostels would be immaterial.

	Direct Staff Costs £'000	Other Direct Costs £'000	Deprec'n £'000	Total 2014 £'000	Total 2013 £'000
Membership Costs	102	270	-	372	286
Other Fundraising Costs	92	56	-	148	182
Costs of Operating YHA Trading Ltd	1,889	1,442	-	3,331	3,518
Costs of Operating Youth Hostels	17,093	19,161	3,582	39,836	38,745
Governance Costs	-	177	-	177	182
Total resources expended	<u>19,176</u>	<u>21,106</u>	<u>3,582</u>	<u>43,864</u>	<u>42,913</u>

Depreciation comprises:	Total 2014 £'000	Total 2013 £'000
Depreciation on owned tangible assets	3,516	3,374
Depreciation on tangible assets held under finance lease	66	55
	<u>3,582</u>	<u>3,429</u>

Other direct costs comprise:

Repairs and maintenance of buildings - ongoing	2,707	2,555
Repairs and maintenance of buildings - dilapidation provision	(80)	643
Fuel, heat & light	2,361	2,095
Food and beverage costs	4,230	4,381
Activity & transport providers	519	708
Restructuring costs (including redundancy)	144	294
Travel	1,151	1,054
Communication costs	467	489
Cleaning and laundry	2,350	2,258
Interest payable (note 4)	1,156	1,266
Marketing and Publications	823	739
Insurance	412	384
Auditors' Remuneration - audit	31	33
Auditors' Remuneration - non-audit services	14	7
Operating lease rentals - land and buildings	1,284	967
Operating lease rentals - fixtures & fittings	235	288
Other direct costs	3,302	2,694
	<u>21,106</u>	<u>20,855</u>

Notes to the financial statements

6 Taxation

The charity's main activities are not chargeable to corporation tax. The profits chargeable to corporation tax in the subsidiary have been paid by gift aid to the parent charity, hence there is no remaining amount in the group chargeable to corporation tax.

7 Trustees and employees

All Directors are Trustees and all Trustees are Directors.

Staff costs during the year were as follows:	Group	
	2014 £'000	2013 £'000
Wages and salaries	15,819	15,739
Social security costs	1,139	1,169
Other pension costs	722	377
Redundancy costs	143	269
	<u>17,823</u>	<u>17,554</u>

The average number of employees of YHA during the year was 1,228 (2013: 1,148).

The full time equivalent number of employees was 846 (2013: 848).

Other pension costs includes amounts of £353,119 (2013: £nil) relating to additional contributions as part of the recovery plan for the multi-employer growth plan scheme agreed with the Pension Trust.

There was no management remuneration, contributions to a defined contribution pension scheme and compensation for loss of office paid during 2014 (2013: £nil).

The Chief Executive is the highest paid employee and is not a Trustee of the organisation. The Board of trustees neither received nor waived any emoluments during the year (2013: £nil).

The number of other staff, including the Chief Executive, whose emoluments for the year exceeded £60,000 was as follows:

	2014	2013
£60,000 - £69,999	1	1
£70,000 - £79,999	-	1
£80,000 - £89,999	4	2
£90,000 - £99,999	-	1
£100,000 - £109,999	-	-
£110,000 - £119,999	-	-
£120,000 - £129,999	-	-
£130,000 - £139,999	<u>1</u>	<u>1</u>

YHA made payments totalling £30,000 (2013: £30,000) into defined contribution schemes for 4 (2013: 4) of these employees.

Out of pocket expenses were reimbursed to Trustees as follows:

	2014 Number	2013 Number	2014 £'000	2013 £'000
Travel	<u>15</u>	<u>20</u>	<u>12</u>	<u>15</u>

During the year no goods were purchased from companies in which Trustees held an interest. No amounts were owing to such companies at the end of the financial year.

Notes to the financial statements

8 Charitable company results

The charitable company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own income and expenditure account in these financial statements. The results of YHA are summarised below:

	2014 £'000	2013 £'000
Total incoming resources	41,097	39,857
Gift Aid Donation from YHA Trading Limited	805	719
Total resources expended	<u>(40,533)</u>	<u>(39,395)</u>
Net incoming resources	1,369	1,181
Net investments gains	4	14
Actuarial (loss)/gain on defined benefit scheme	<u>(570)</u>	<u>64</u>
Net movement in funds	803	1,259
Funds:		
As 1 March 2013	<u>44,252</u>	<u>42,993</u>
At 28 February 2014	<u>45,055</u>	<u>44,252</u>

During the year the charitable company received a gift aid donation amounting to £804,674 (2013: £719,000) from its trading subsidiary.

9 Tangible fixed assets (group and company)

	Freehold L&B £'000	Long Leasehold L&B £'000	Short Leasehold L&B £'000	Fixtures, Fitting & equipment £'000	Assets under construction £'000	Total £'000
Cost						
At 1 March 2013	56,250	19,918	21,885	13,698	5,185	116,936
Transfers	3,752	1,093	64	54	(4,963)	-
Additions	2,082	352	418	2,105	2,791	7,748
Disposals	<u>(1,281)</u>	<u>-</u>	<u>-</u>	<u>(161)</u>	<u>(160)</u>	<u>(1,602)</u>
At 28 February 2014	<u>60,803</u>	<u>21,363</u>	<u>22,367</u>	<u>15,696</u>	<u>2,853</u>	<u>123,082</u>
Depreciation						
At 1 March 2013	14,744	2,899	11,197	9,024	-	37,864
Provided in the year	1,135	449	883	1,115	-	3,582
Disposals	<u>(442)</u>	<u>-</u>	<u>-</u>	<u>(104)</u>	<u>-</u>	<u>(546)</u>
At 28 February 2014	<u>15,437</u>	<u>3,348</u>	<u>12,080</u>	<u>10,035</u>	<u>-</u>	<u>40,900</u>
Net book amount						
At 28 February 2014	<u>45,366</u>	<u>18,015</u>	<u>10,287</u>	<u>5,661</u>	<u>2,853</u>	<u>82,182</u>
At 1 March 2013	<u>41,506</u>	<u>17,019</u>	<u>10,688</u>	<u>4,674</u>	<u>5,185</u>	<u>79,072</u>

All tangible fixed assets were used for charitable purposes.

Notes to the financial statements

9 Tangible fixed asset (group and company) (continued)

The net book amounts stated above include fixtures, fittings and equipment held under finance leases and similar hire purchase contracts of £489,000 (2013: £132,000) and freehold property held under finance leases and similar hire purchase contracts of £1,227,000 (2013: £1,258,000).

Depreciation of assets held under finance leases and similar hire purchase contracts was £62,000 (2013: £23,000) on fixtures, fittings and equipment and £31,000 (2013: £32,000) on freehold property.

10 Fixed asset investments

Total fixed asset investments comprise:

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Interest in group undertakings	-	-	1	1
Other fixed asset investments	<u>888</u>	<u>885</u>	<u>888</u>	<u>885</u>
Market value at 28 February 2014	<u><u>888</u></u>	<u><u>885</u></u>	<u><u>889</u></u>	<u><u>886</u></u>

Interests in group undertaking

At 28 February 2014 the charitable company held 100% of the allotted share capital of the following:

	Country of incorporation	Class of share capital held	Nature of business	Capital and reserves £	Result for the financial period £
YHA Trading Limited	England and Wales	Ordinary shares	Tourism & Leisure	100	-

Other fixed asset investments

	Group and company £'000
Market value as at 1 March 2013	885
Additions	840
Disposals	(840)
Realised and unrealised gain	<u>3</u>
Market value at 28 February 2014	<u><u>888</u></u>

Notes to the financial statements

10 Fixed asset investments (continued)

At 28 February 2014 the other fixed asset investments were held as follows:

	2014	2013
	£'000	£'000
Unit trusts/investments trusts	-	14
Listed stocks and shares	887	844
Cash	1	27
Market value at 28 February 2014	<u>888</u>	<u>885</u>

At 28 February 2014 the following investments represented more than 5% of the portfolio by market value:

	Percentage	Value
	%	£'000
Close Select Fixed Income Inc	<u>17.0</u>	<u>131</u>

11 Stocks

Group and Company	2014	2013
	£'000	£'000
Goods for resale	<u>308</u>	<u>276</u>

12 Debtors

Group and Company	2014	2013
	£'000	£'000
Trade debtors	168	241
Prepayments and accrued income	472	493
Other debtors	380	1,112
	<u>1,020</u>	<u>1,846</u>

Notes to the financial statements

13 Creditors: amounts falling due within one year

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Bank loans	663	650	663	650
Other loans	50	30	50	30
Trade creditors	1,726	3,178	1,726	3,178
Amounts due to group undertakings	-	-	1	1
Social security and other taxes	934	268	934	268
Other creditors	114	175	114	175
Accruals	2,078	1,886	2,078	1,886
Deferred income	7,328	5,680	7,328	5,680
Amounts due under finance leases	186	115	186	115
	<u>13,079</u>	<u>11,982</u>	<u>13,080</u>	<u>11,983</u>

14 Creditors: amounts falling due after more than one year

Group and Company	2014 £'000	2013 £'000
Bank Loans	22,833	23,579
Other loans	294	205
Amounts due under finance leases	1,271	1,084
Other amounts	98	-
	<u>24,496</u>	<u>24,868</u>

15 Provision for liabilities

	Dilapidations provision £'000
Balance at 1 March 2013	643
Arising in the year	(80)
Balance at 28 February 2014	<u>563</u>

The dilapidations provision represents obligations for rented properties which are due for renewal in the next 2 years. This has resulted in a provision for £0.6m.

Notes to the financial statements

16 Borrowings

Borrowings are repayable as follows:

Group and Company 2014

	Within one year £'000	After one year and within two years £'000	After two years and within five years £'000	After five years £'000	Total £'000
Bank loans	663	704	4,573	17,556	23,496
Other loans	50	54	183	57	344
Finance leases	186	186	440	645	1,457
Total Borrowing	<u>899</u>	<u>944</u>	<u>5,196</u>	<u>18,258</u>	<u>25,297</u>
Cash at bank and in hand					<u>(2,533)</u>
Net Borrowings					<u><u>22,764</u></u>

Group and Company 2013

	Within one year £'000	After one year and within two years £'000	After two years and within five years £'000	After five years £'000	Total £'000
Bank loans	650	690	3,517	19,372	24,229
Other loans	30	32	110	63	235
Finance leases	115	74	262	748	1,199
Total Borrowing	<u>795</u>	<u>796</u>	<u>3,889</u>	<u>20,183</u>	<u>25,663</u>
Cash at bank and in hand					<u>(3,234)</u>
Net Borrowings					<u><u>22,429</u></u>

The Bank Loans are secured by fixed charges over certain properties of YHA and a floating charge over all the assets of YHA. Interest is charged at both fixed and variable rates.

17 Retirement benefits

Group and company

Historically YHA has operated a number of different Pensions Schemes:

A final salary defined benefit scheme administered by the Pensions Trust. This scheme is now closed to both memberships and accrual of future benefits but the residual liabilities of this scheme are disclosed within our accounts in line with FRS17 definitions.

YHA employees also had the opportunity to join the Pensions Trust Growth Plan. This is a multi-employer scheme which has progressed through four versions (or Series).

Although set up as defined contribution schemes, because of the guaranteed benefits they offered, Series 1 and 2 have subsequently been deemed to be defined benefit schemes. Series 3 which carried a guarantee that the value of investments would not fall, has also now be re-classified as a defined benefit scheme. Only Series 4 can be classified as a defined contribution scheme.

Notes to the financial statements

17 Retirement benefits (continued)

Group and company (continued)

Although Series 1 to 3 are defined benefit schemes as defined within FRS17, YHA is unable to identify its share of the underlying assets and liabilities of the schemes. Accordingly the contributions have been accounted for as if they were defined contribution schemes.

During the year, in line with its agreed staging date, YHA introduced the auto enrolment pension scheme for all new employees and for those existing employees who were not members of either the Growth Plan or the defined contribution scheme administered by Scottish Widows.

All auto enrolment contributions are paid into the Peoples Pension administered by B&CE Benefits.

Defined benefit pension scheme

YHA operated a defined benefit pension scheme for the benefit of staff. The assets of the scheme are administered by Trustees in funds independent from those of YHA and its subsidiary undertaking. Pension costs are assessed, on a triennial basis and in accordance with the advice of a qualified actuary using the projected unit method. The assumptions, which have had the most significant effect on the results of this year's valuation are those relating to the assumed discount rate used to value the scheme's liabilities, the rate of return on investments and the rates of increase in salaries and pensions.

The latest published actuarial valuation was carried out at 30 September 2010. The market value of scheme assets at that point was £11,422,000. The actuarial value of those assets was sufficient to cover 73% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

It was assumed that the investment returns would be 6.2% (before retirement), 4.0% (after retirement) per annum, that earnings increases would be 4.5% per annum, present and future pensions would increase at 2.6% per annum, and that the level of price inflation would be 3.0% per annum. In order to address the liability YHA had been making additional monthly contributions since January 2009 of £21,667. In agreement with the Trustees of the scheme this amount was increased to £34,834 per month from March 2012 and £35,878 per month from March 2013.

In order to minimise future liabilities the scheme was closed to new entrants at 31 December 2002, and to future accrual from 31 December 2011.

A further valuation was carried out in September 2013 and we have received the Scheme's initial valuation report. This included a draft Statement of Funding Principles together with a report setting out the detail behind the Trustee's proposed assumptions. This valuation indicated that whilst the assets of the scheme had increased to £14,660,000 this was sufficient to cover only 70% of the benefits that had accrued to members. YHA is currently in discussions with the Trustees and the Pensions Trust to agree the final technical provisions and an appropriate recovery plan.

Pension cost

The charge for the year was as follows:

	2014 £'000	2013 £'000
Defined contribution pension schemes	342	338
Multi-employer defined benefit scheme	380	39
	<u>722</u>	<u>377</u>

Included within the defined benefit contributions above are amounts of £353,119 (2013: £nil) relating to additional contributions as part of the recovery plan agreed with the Pension Trust.

The above charge is exclusive of top up contributions for the final salary pension scheme of £430,548 (2013: £418,008).

Notes to the financial statements

17 Retirement benefits (continued)

FRS17

In accordance with FRS 17 the net pension liability of the defined benefit scheme is included on the balance sheet of YHA. The most recent actuarial valuation of the scheme has been updated by an independent qualified actuary, taking account of the requirements of FRS17 to assess the liabilities of the scheme at 28 February 2014. Scheme assets are stated at their market value.

The principal assumptions used by the actuary were:

		2014	2013	2012
Inflation CPI		2.4%	2.3%	2.1%
Rate of increase in salaries		4.3%	4.2%	4.5%
Rate of increase of pensions		2.4%	2.3%	2.1%
		(CPI)	(CPI)	(CPI)
Rate of increase for deferred pensions	(pre 1 October 1999)	5.0%	5.0%	5.0%
	(post 1 October 1999)	3.2%	3.2%	3.4%
Discount rate		4.3%	4.5%	4.5%

The post-retirement mortality assumptions used to value the liability at 28 February 2014 is based on the "SAPS All pensioners 'amounts' tables, years of birth projection, Long Cohort with a minimum 1.25% improvement".

The life expectancy of a male member reaching age 65 in 2034 is projected to be 25.3 years (2013: 25.5 years) compared to 23.1 years (2013: 23.3 years) for someone reaching 65 in 2014. The life expectancy of a female member reaching age 65 in 2034 is projected to be 27.0 years (2013: 27.2 years) compared to 25.1 years (2013: 25.3 years) for someone reaching 65 in 2014.

The life expectancies in 2014 were based on CMI 2013 tables (2013: CMI 2011 tables). This has resulted in a reduction in projected life expectancies between the reported 2013 and 2014 assumptions.

The split of assets in the scheme and the expected long-term rates of return were:

	Rate of return %	2014 Value £'000	Rate of return %	2013 Value £'000	Rate of return %	2012 Value £'000
Equities	7.50%	7,254	7.20	6,636	7.10	5,923
Bonds	3.84%	5,474	3.55	6,615	3.65	6,306
Property	6.50%	996	6.20	891	6.10	776
LDI	3.50%	1,207	0.00	-	0.00	-
Other	0.50%	113	0.50	106	0.50	23
Total market value of assets		15,044		14,248		13,028
Present value of scheme liabilities		(18,782)		(17,816)		(17,007)
Net pension liability		(3,738)		(3,568)		(3,979)

Notes to the financial statements

17 Retirement benefits (continued)

The movement in the deficit in the year, included in the financial statements, was as follows:

	2014 £'000	2013 £'000
Contributions	82	82
Additional contributions	430	418
Expenses	(88)	(95)
Expected return on pension scheme assets	769	700
Interest on pension scheme liability	(793)	(758)
	<u>400</u>	<u>347</u>
Actuarial (loss)/gain (see below)	(570)	64
	<u>(170)</u>	<u>411</u>
Deficit in scheme at beginning of year	(3,568)	(3,979)
Deficit in scheme at end of year	<u>(3,738)</u>	<u>(3,568)</u>
Actual return less expected return on pension scheme assets	6	441
Experience gains and losses arising on the scheme liabilities	231	249
Changes in the assumptions underlying the present value of the scheme liabilities	(807)	(626)
Actuarial (loss)/gain	<u>(570)</u>	<u>64</u>

The net of the expected returns on pension scheme assets and interest on pension scheme liabilities of £24,000 (2013: £58,000) is included in interest paid.

Changes in the present value of the defined benefit obligation are as follows:

	2014 £'000	2013 £'000
Opening defined benefit obligation at 1 March	17,816	17,007
Expenses	88	95
Interest cost	793	758
Actuarial losses	576	377
Benefits paid	(491)	(421)
Closing defined benefit obligation at 28 February	<u>18,782</u>	<u>17,816</u>

Changes in the fair value of plan assets are as follows:

	2014 £'000	2013 £'000
Opening fair value of scheme assets at 1 March	14,248	13,028
Expected return	769	700
Actuarial gains	6	441
Employer contributions	512	500
Benefits paid	(491)	(421)
Closing fair value of scheme assets at 28 February	<u>15,044</u>	<u>14,248</u>

Notes to the financial statements

17 Retirement benefits (continued)

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Fair value of scheme assets at 28 February	15,044	14,248	13,028	11,921	10,487
Present value of defined benefit obligation at 28 February	(18,782)	(17,816)	(17,007)	(14,969)	(14,879)
Deficit in the scheme	(3,738)	(3,568)	(3,979)	(3,048)	(4,392)
Experience adjustments on scheme assets	6	441	233	462	1,440
Experience adjustments on scheme liabilities	231	(377)	(134)	302	171

Multi-employer defined benefit scheme

Under the definition set out in FRS 17, the Pensions Trust Growth Plan Series 1, 2 and 3 are multi-employer pension schemes. YHA is unable to identify its share of the underlying assets and liabilities of the schemes. Accordingly the contributions have been accounted for as if they were defined contribution schemes. Schemes 1 and 2 closed to new members in 2001, members of scheme 3 have the opportunity to remain in the scheme or join the Scottish Widows defined contribution scheme.

The last completed actuarial valuation was in respect of the assets and liabilities of the scheme as at 30 September 2011. Those values and their comparison to the previous triennial valuation as at September 2008 were as follows:

	30 Sept 2011 Million	30 Sept 2008 Million
Assets	780.3	742.0
Present value of liabilities	(927.9)	(770.6)
Deficit	(147.6)	(28.6)

The assumptions that had the most significant effect on the valuation were as follows:

	30 Sept 2011	30 Sept 2008
Financial assumptions		
Market Implied Inflation	3.3%	3.7%
Long term gilt yield	3.5%	4.6%
Corporate Bond Yield	5.1%	7.3%
Discount rates		
Pre-retirement rate	4.9%	7.6%
Post retirement rate	4.2%	5.1%
Inflation		
RPI	2.9%	3.2%
CPI	2.4%	-

The deficit of £147.6 million represents a funding level of 84.1%. As a result of this the Trustees have put in place a revised recovery plan with the aim of eliminating this deficit via a combination of additional contributions from employers and investment returns over a period of 10 years from 1 April 2013.

Notes to the financial statements

17 Retirement benefits (continued)

The Pensions Trust have notified YHA that the additional contributions required from YHA (England and Wales) for the year from 1 April 2013 will be £385,220. The amount that has been paid in the year is £353,119 and will rise by 3% next year.

As part of the communication of this plan the Pensions Trust agreed that employers could request their professional advisers to undertake an investigation into a possible adjustment to the requested deficit contributions from April 2013.

YHA submitted a request on 11 December 2012 and is in ongoing discussions with a view to agreeing a longer repayment period.

18 Endowments

	At 1 March 2013 £'000	Realised gain £'000	Unrealised loss £'000	At 28 February 2014 £'000
Wilderhope Funds	115	9	(8)	116
Richards bequest	358	28	(26)	360
Peter Grant Fund	70	6	(5)	71
Peter Grant Endowment Fund	88	8	(7)	89
Merseyside YH Golden Jubilee Trust	133	82	(84)	131
	<u>764</u>	<u>133</u>	<u>(130)</u>	<u>767</u>

The Wilderhope Manor Fund and the Wilderhope Fund were created to provide financial support for the continuing use of Wilderhope Manor as a youth hostel.

The Richards bequest generates income to pay for providing "various equipment for inside and outside sports and games and material for handicrafts".

The Peter Grant funds were given to generate income for the maintenance of YHA Woody's Top (the endowment fund) and to give disadvantaged youngsters the opportunity to experience YHA.

The Merseyside Youth Hostel Golden Jubilee Trust Endowment provides assistance, financial or otherwise to "enable needy or handicapped young persons to enjoy the benefits of youth hostelling activities".

Notes to the financial statements

19 Restricted funds

Group and Company

	At 1 March 2013 £'000	Incoming resources £'000	Expenditure £'000	Transfers to/from unrestricted fund £'000	At 28 February 2014 £'000
Breaks 4 Kids Fund	553	84	(257)	(146)	234
Small Hostel Fund	42	82	(26)	(65)	33
FAB Camps	81	69	(122)	-	28
Capital Grants & Donations	1,397	719	(64)	158	2,210
Revenue Grants & Donations	-	24	(1)	-	23
Other	191	42	(20)	(16)	197
	<u>2,264</u>	<u>1,020</u>	<u>(490)</u>	<u>(69)</u>	<u>2,725</u>
				2014 £'000	2013 £'000
Restricted funds (capital)				2,210	1,397
Restricted funds (other)				515	867
				<u>2,725</u>	<u>2,264</u>

The **Breaks 4 Kids** fund has been a long-standing fundraising appeal designed to give financial support to groups of disadvantaged youngsters and provide the opportunity of a stay with YHA. The fund built up over a number of years from an allocation of Membership income. This restricted fund remains large enough to provide for any amounts granted over and above incoming resources in any year, so the focus remains on ensuring increased uptake of the scheme. During the year this was achieved with total spend of £257,000 (2013: £189,000) this includes £19,000 to cover the costs of fundraising and supporting the scheme this year. This is not something we have previously recognised so this year we have also included a £146,000 retrospective adjustment to cover spend between 2008 and 2013.

The **Small Hostels Fund** is supplemented by donations and legacies from people wishing to support the maintenance and development of YHA's small rural hostels. £26,000 was spent from the fund this year to support a number of capital & maintenance projects including those at Danywenalt, Lizard & Dartmoor.

FAB Camps are run in conjunction with the MoD to provide family and activity breaks for bereaved forces families.

Notes to the financial statements

20 Analysis of net assets between funds

Group

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total £'000
Tangible fixed assets	79,972	2,210	-	82,182
Investments	121	-	767	888
Current assets	3,346	515	-	3,861
Current liabilities	(13,079)	-	-	(13,079)
Long term liabilities	(25,059)	-	-	(25,059)
Pension liability	(3,738)	-	-	(3,738)
	<u>41,563</u>	<u>2,725</u>	<u>767</u>	<u>45,055</u>

Company

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total £'000
Tangible fixed assets	79,972	2,210	-	82,182
Investments	122	-	767	889
Current assets	3,346	515	-	3,861
Current liabilities	(13,080)	-	-	(13,080)
Long term liabilities	(25,059)	-	-	(25,059)
Pension liability	(3,738)	-	-	(3,738)
	<u>41,563</u>	<u>2,725</u>	<u>767</u>	<u>45,055</u>

21 Reconciliation of changes in resources to net cash inflow from operating activities

	2014 £'000	2013 £'000
Changes in resources	1,369	1,181
Depreciation	3,582	3,429
FRS 17 adjustment	(400)	(347)
Profit on sale of tangible fixed assets	(2,170)	(2,419)
Interest charge	1,156	1,266
Investment income	(64)	(29)
(Increase)/decrease in stock	(32)	18
Decrease in debtors	826	473
Increase/(decrease) in creditors	1,092	(1,179)
(Decrease)/increase in provisions	(80)	643
Net cash inflow from operating activities	<u>5,279</u>	<u>3,036</u>

Notes to the financial statements

22 Reconciliation of net cash outflow to movement in net debt

	Group	
	2014	2013
	£'000	£'000
(Decrease)/increase in cash	(701)	921
Cash inflow/(outflow) from movement in debt and lease financing	<u>935</u>	<u>(497)</u>
Change in net debt resulting from cashflows and movement in net debt	234	424
New loans/finance leases	<u>(569)</u>	<u>-</u>
Movement in net debt	(335)	424
Net debt at 1 March	<u>(22,429)</u>	<u>(22,853)</u>
Net debt at 28 February	<u>(22,764)</u>	<u>(22,429)</u>

23 Analysis of changes in net debt

	At 1 March 2013 £'000	Cash flows £'000	Non-cash changes £'000	At 28 February 2014 £'000
Cash in hand and at bank	3,234	(701)	-	2,533
Debt within one year	(680)	624	(657)	(713)
Debt after more than one year	(23,784)	-	657	(23,127)
Finance leases	<u>(1,199)</u>	<u>311</u>	<u>(569)</u>	<u>(1,457)</u>
	<u>(22,429)</u>	<u>234</u>	<u>(569)</u>	<u>(22,764)</u>
Cash in hand and at bank	3,234	(701)	-	2,533
Total borrowing & finance leases	<u>(25,663)</u>	<u>935</u>	<u>(569)</u>	<u>(25,297)</u>
	<u>(22,429)</u>	<u>234</u>	<u>(569)</u>	<u>(22,764)</u>

The non-cash changes represent a movement of bank loans between amounts due within one year and those due after more than one year.

The non-cash movement on finance leases of £569,000 represents new leases agreed in the year.

24 Capital commitments

The aggregate amount of capital expenditure contracted for but not provided in these financial statements is £280,000 (2013: £nil).

YHA has reviewed its disclosure policy on major capital investment projects in progress at financial year end. Capital commitments are now included for the remaining expenditure required to complete these projects. This is intended to reflect YHA's commercial intent and commitment to full completion of these projects, and may be in excess of the contractually binding liability as at 28 February 2014. The disclosure for 2014 includes projects in progress at Cambridge and Pen-Y-Pass (Snowdonia). Both projects are expected to be completed by June 2014.

Notes to the financial statements

25 Leasing commitments

Operating lease payments amounting to £1,770,000 (2013: £1,294,000) are due within one year. The leases to which these amounts relate expire as follows:

Group and Company	2014		2013	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
In one year or less	227	50	145	67
Between one and five years	73	415	30	259
In five years or more	1,005	-	793	-
	<u>1,305</u>	<u>465</u>	<u>968</u>	<u>326</u>

26 Transactions with Trustees and other related parties

There were no transactions with Trustees other than those disclosed in note 7. There were no material transactions with related parties.

As YHA Trading Limited is a wholly-owned subsidiary of YHA, YHA is exempt from the requirements of FRS 8 to disclose transactions with this company.

27 Contingent liabilities

As at 28 February 2014 there were two issues which could not be quantified but which could lead to a liability to YHA and are disclosed as contingent liabilities at the signing of these Financial Statements.

Refurbishment Costs

This relates to a contractor who completed work on two of our recent hostel refurbishments. The contractor is claiming that they undertook work in excess of the original contract and are seeking to recoup some of the additional costs they incurred. They have registered formal adjudications in relation to this matter but they have since been abandoned or withdrawn and no money has been paid. Subsequent to receiving these adjudication notices we have prepared formal final valuations for these projects which indicate that money may be due to YHA, though this is clearly contested by the Contractor. This matter will be resolved either through litigation or a commercial settlement aimed at avoiding further legal costs, this could give rise to a liability though not one which can be quantified at this stage.

Wage Costs

Following a recent HMRC audit we have provided figures in relation to the collection of payment for food by our staff who lived in our hostels in the last 3 year period, as requested by HMRC. HMRC have indicated that the food payments could have an impact on the rates of pay being paid to staff under the National Minimum Wage and give rise to a liability on YHA. No formal notice of underpayment by YHA has been given at this point. Whilst any notice would be contested by YHA we do recognise that this could result in a liability.

It is the intention of YHA to rigorously defend both these claims. Given the nature of these cases we do not feel it is possible to put a monetary figure on either of these liabilities but it is our view that these would not have a material impact on the results disclosed.