

YHA (England and Wales)

Financial statements

For the year ended 29 February 2012



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Legal and administrative details

Company registration number	282555
Charity registration number	306122
Registered office	Trevelyan House Dimple Road MATLOCK Derbyshire DE4 3YH
Chairman	Chris Darmon
Officers	Karl Shepherdson – Vice Chairman Alan Bourne – Treasurer
Trustees	James Blake David Bostock Steven Boyd MBE Mohammed Dhalech (co-opted 27/9/11) Lindsey Fairbrother Chris Hunt Sue Mackinnon Helen Maurice-Jones Rita Pearson Pauline Scott Joshua Snape (co-opted 27/9/11) Paula Yates
Trustees whose term of office ended during the year	Robert Smith (didn't seek re-election 16/7/11) Lindsey Porter (resigned 25/11/11)
Chief Executive & Secretary	Caroline White
Other senior staff members	
Property	Jake Chalmers MRICS
Operations, People & Performance	Alison Green CIPD
Finance	William Howarth ACMA
Marketing	Jamie Hutchinson

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

Triodos Bank BV
Brunel House
11 The Promenade
BRISTOL
BS8 3NN

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

Hlw Keeble Hawson
Commercial House
Commercial Street
SHEFFIELD
S1 2AT

Auditor:

Grant Thornton UK LLP
2 Broadfield Court
SHEFFIELD
S8 0XF

Legal and administrative details

Investment Fund Managers

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

Spiers & Jeffrey Stockbrokers
36 Reinfield Street
GLASGOW
G2 1NA

Report of the Trustees

The Trustees, who are also directors of YHA (England and Wales) Limited ("YHA"), present their report together with financial statements for the year ended 29 February 2012.

Charitable objects

The objective 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:

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.

Public Benefit

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

Our commitment to young people is paramount. During the year over 414,000 young people under 26 years of age 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.

Our accommodation and social spaces coupled with a tradition of sharing means everyone has the chance to mix with others.

We operate educational programmes for schools and groups of young people accompanied by teachers or leaders. YHA ran a series of Do It 4 Real summer camps for 900 young people. Working with partners such as Catch 22, Field Studies Council, Skills Force and Cumbria Connexions, we provided accommodation for 1,300 young people taking part in the National Citizen Service. We continued to deliver great programmes and experiences with a wide range of partners such as Rathbone, a UK wide voluntary sector organisation providing opportunities for young people, and CHIVA, dealing with HIV positive young people.

To ensure that young people are able to afford to stay with YHA we offer bursaries for them to take part in educational trips and group residential stays with their classmates, and we awarded grants totaling £187,000 to over 5,000 young people.

YHA is a partner in Mosaic, a national project in its third year of funding, led by the Campaign for National Parks, that aims to build sustainable links between black and minority ethnic communities and all of the National Parks in England.

YHA is part of Hostelling International, a UK charity, which promotes the education of all young people of all nations.

Report of the Trustees

Public Benefit (continued)

Through YHA, people of all ages and backgrounds are able to explore new places, enjoy new experiences and make lasting memories. Many of those who have enjoyed our warm hospitality come back as volunteers to ensure others have the same positive experiences. They give generously of their time in numerous ways such as running a hostel for a week or more at a time, organising or joining working parties to keep hostels and their grounds maintained and by supporting one of our appeals for funds.

Highlight of activities

Over the reporting period YHA has continued to inspire all, especially young people. Guests of all ages and backgrounds enjoyed over 1,758,000 overnight stays with YHA last year, an increase of 39,320 on the previous year including stays by more than 414,000 young people under 26 years of age. During the year YHA has:

- Supported 5,008 young people with our bursary fund, Breaks for Kids.
- Listened to our customers and responded to their needs resulting in our overall customer satisfaction rising from 85% to 86% and our net promoter score, a measure of whether our customers would recommend us to family and friends, has increased from 56% to 60%.
- Achieved Investors In People Silver and were named as "one to watch" in the Best Companies employee survey.
- Been supported by 108,500 hours of volunteering by 852 registered volunteers, of whom, one in four was under 26. During the year 770 people took part in working parties across our network helping with everything from hostel redecoration to the building of outdoor classrooms.
- Continued to deliver great programmes and experiences with a wide range of partners such as Rathbone, a UK wide voluntary sector organisation providing opportunities for young people; CHIVA, dealing with HIV positive young people, and Premiership Rugby.
- Delivered our own summer camps to 900 young people and accommodated 1,300 others taking part in the National Citizen Service.
- Invested in our network with major refurbishments of our hostels at Oxford Street (London), Rowen (Conwy) Poppit Sands (Pembrokeshire) Wells next to the Sea (Norfolk) Woody's Top (Lincolnshire) and the new YHA Castleton at Losehill Hall (Derbyshire).
- In partnership with the National Parks of England and the Council for National Parks helped build sustainable links with black and minority ethnic communities in England and extended the programme to young people in Wales.

Report of the Trustees

YHA Strategic and Operating plans

The Board agreed a strategic plan in 2008, setting out YHA's direction and focus for the following five years, to guide YHA and to give a clear direction for planning. A revised business and financial plan was agreed in March 2011. The plan includes a mission and vision, derived from YHA's charitable object.

Strategic Plan

To move towards this vision, over the next five years YHA aspires to double the number of young people who benefit from the YHA experience. Last year 414,800 young people stayed with YHA and the strategic plan aims to increase this to one million young people.

We have set four strategic themes to help us achieve the vision and these are:

- 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.

Operating Plan

Key objectives for 2011/12 were set out in YHA's Operating Plan. Projects were aligned to the four strategic themes taken from the Strategic Business Plan 2011. The key objectives were:

1. Develop the employee survey strategy
2. Leadership development programme
3. Youth participation strategy
4. Launching the new brand
5. Customer relationship management
6. Delivery of a customer service training programme
7. Developing customer feedback to inform our product
8. Group acquisition strategy and group retention strategy
9. Affiliation strategy
10. Revitalise breaks for kids, our bursary fund
11. Delivery of the capital strategy.

This year's activities

Developing talented people and teams

This year we achieved the Silver Award for Investors in People and we have also been named as "one to watch" in the Times Top 100 employers. Both recognised that we are developing the skills and abilities of all our people. If YHA is a great team to be part of, then our collective strength will move us forward.

The enthusiasm and commitment of our volunteers is key for YHA. Volunteers are involved in all aspects of YHA, from being a member of the Board of Trustees (all trustees are volunteers), to supporting our summer camps programme (this year all counsellors were volunteers). 852 volunteers are registered and one in four of these are young people under 26 years of age.

Report of the Trustees

This year's activities (continued)

We want more young people to take part in our work, to engage and support with YHA and we have set up a programme for young people to advise, work with and guide senior managers. Employees under the age of 26 work together as Young Advisors giving feedback on YHA projects and advising on the future strategy of YHA.

YHA keeps staff informed of matters affecting them as employees and the financial and economic factors affecting YHA through team briefings, consultations with employee representatives, weekly bulletins, and the publication of management information to all staff.

It is the policy of YHA that training, career development and promotion opportunities are available to all employees. Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with applicants' particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain and make reasonable adjustments to the workplace in order that their employment with YHA may continue.

Putting customers first

We continually measure and monitor feedback and know that customers are highly likely to recommend YHA to others – the best accolade we could have. Customers completed over 28,481 surveys last year after a stay with us and 55 hostels scored 90% or above for customer satisfaction. Our aim of achieving an overall customer satisfaction target of 86% was exceeded with a score of 86.4% and we also exceeded our targeted 59% Net Promoter score (a measure of the likelihood that people would recommend a stay with YHA) with a score of 59.9%.

We also measure satisfaction and the benefit of specific programmes like Do It 4 Real, our summer camps programme, where we know that 84.8% of parents/guardians gave 9 or 10 scores (very satisfied) for their child's overall satisfaction during camp.

We also know that more than 93% of young people taking part thought the content of camps was good or excellent. Feedback like this helps us make sure that what we are offering guests really is meeting their needs.

This year we made some of our accommodation available to customers booking through Booking.Com and Laterooms websites, opening YHA to new audiences. Our existing customers were able to take advantage of strong promotions with our "summer sizzler" and "winter warmer" offers. This helped to generate an increase of 60,538 (5.8%) in our Family and Individual overnights during the year.

Reaching more people through experiences and partnerships

Our accommodation and the activities we provide ourselves, or with partners, extend our opportunity to provide really great experiences for everyone, especially for young people.

We continued to provide Family Activity Breaks (FAB) with the Ministry of Defence and the Armed services and 34 bereaved service families benefitted from these breaks. A fundraising bike ride comprising YHA and Ministry of Defence teams raised £26,000 for the programme.

Report of the Trustees

This year's activities (continued)

We have expanded the activities organised and run for educational groups at our hostels, with national curriculum linked packages now available at 27 hostels, and we have achieved Learning Outside the Classroom accreditation at three of these with two more expected.

In 2011 we ran Do it for Real, our summer camps programme, for the first time without government funding and entirely supported by young volunteers, delivering great experiences to 900 young people. We have become a major partner in the delivery of the NCS, accommodating 1,300 young people and adults through our partnership with Catch 22, Field Studies Council, Skills Force and Cumbria Connexions.

Achieving a financially sustainable network

Over the next five years we plan to invest £44 million in our hostels to provide consistently high standards that deliver what our customers want and to really enhance the lives of young people.

The year began with major investment in London at our hostel just off Oxford Street and during the year we invested in Poppit Sands (Pembrokeshire), Rowen (Conwy), Wells-next-the-Sea (Norfolk) and Woody's Top (Lincolnshire).

At the end of the year we began projects at YHA Beverley (East Yorkshire), at YHA Grinton (Yorkshire) where a grant for £115,000 from the Rural Development Programme for England (RDPE) administered by DEFRA supported the project; and at Wilderhope (Shropshire) where the William Adlington Cadbury Charitable Trust, C B and H H Taylor Charitable Trust, the Edward and Dorothy Cadbury Trust, and an appeal to YHA members generously supported the work.

Sadly we have closed hostels at River Dart (Devon), Saffron Walden (Essex), Hunstanton (Norfolk), Derwentwater and Kendal (Cumbria), Totland (Isle of Wight) and in Newcastle. Despite the closures, we have continued to provide a great service to our customers with Hostel teams and contact centre staff working closely together to re-direct customers to the nearest most appropriate hostel. The money received from these hostel disposals is actively being used to fund the investment elsewhere in the network.

We continue to open new hostels. In partnership with the Berwick Preservation Trust we opened YHA Berwick at the beginning of the year and after six months more than 6,000 overnight stays had been recorded, well above expectations. During the year we purchased Losehill Hall from the Peak District National Park Authority which officially opens on May 1st 2012; and work on a new hostel at Itford Farm near Newhaven in the South Downs, in partnership with the Heritage Lottery Fund, delayed whilst additional funding was sought, is now on track to open in 2012.

As a business we continue to review the efficiency of our operations. A major piece of work was undertaken on group retention which has resulted in an increase on forward orders for 2012. We also reviewed our winter trading period where a mixture of strong offers and cost controls saw us generate over £0.5million more cash in the network than in the same period last year. At the end of the year we undertook a review of the Sales & Marketing, Finance and IT departments to ensure we have the right structures to support the business over the next 3 to 5 years. These will also deliver savings of over £0.4million.

Report of the Trustees

Plans for future periods

Our objectives for the year ahead are set out in our operating plan aligned to the four strategic themes and taken from our 3-year business plan. The objectives are:

1. Develop the employee survey strategy
2. Youth participation strategy
3. Volunteering strategy
4. Customer retention
5. Customer acquisition
6. Pricing
7. IT strategy
8. Enterprise strategy
9. Partnerships strategy
10. Delivery of the capital strategy
11. Phoenix project
12. Increasing cost efficiencies.

The operating plan is reviewed each month by the Executive team and formally updated on a quarterly basis and reported to the Board. Key indicators for each of the strategic themes are used to ensure that progress is measured.

To ensure that we achieve the goal of doubling the number of young people who experience YHA and so enhance lives of young people, we will continue our work to communicate and consult with young people. We intend to communicate directly through social media, other organisation's websites and through developing direct links with young people so that they have increased opportunities to communicate with us. A key measure will be having more young people engaged as Young Advisors.

Over the next year we will also focus on attracting more young people to stay with YHA as well as retaining customers by developing a range of additional benefits to our members.

We will continue our investment programme and during the coming year major refurbishments have already been agreed at our hostels in Ambleside (Cumbria) Canterbury (Kent) Malham (West Yorkshire), Stratford on Avon (Warwickshire), and York (Yorkshire), as well as opening the delayed Itford Farm project as YHA South Downs.

Organisation and Board of Trustees

The Board of Trustees has overall responsibility for the work of YHA; in particular setting strategy, direction and targets. During 2011/12 they met seven times. Some powers are delegated by the Board to the Performance & Audit Committee (PAC) and the Remuneration Committee (RemCo). The Board delegates day to day management of the organisation to the Executive Management Team.

The Board reports to the Annual General Meeting (AGM) of the Company. The members of the Company are largely delegates elected by the Regional (3) and Wales Councils but supplemented by the Honorary Officers, representatives from Affiliated Societies and the Affiliated Groups Conference, and the Board – around 110 individuals in total. The Board of Trustees is elected by the members at the AGM assisted by recommendations from the Council Nominations Panel (CNP). The CNP has four members; an independent chairman and two others elected by the members at the AGM plus a Board trustee.

Report of the Trustees

Organisation and Board of Trustees (continued)

The Board of Trustees has 15 members and has the power to co-opt two further trustees (but has filled only one). The Chief Executive is not a member of the Board. Unless elected as an officer, 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. 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. Trustees receive induction training in accordance with guidelines set down by the National Council for Voluntary Organisations.

One Trustee (Robert Smith) came to the end of his term of office on 16 July 2011 and chose not to stand again. Three Trustees did stand again and were re-elected (Chris Hunt, Sue Mackinnon and Lindsey Porter). One further Trustee (Paula Yates) was elected to the Board. Two Trustees were co-opted to serve with effect from 27 September 2011 until the 2012 AGM (Mohammed Dhalech who was also co-opted last year, and Joshua Snape who was co-opted to fill a casual vacancy). One Trustee (Lindsey Porter) resigned with effect from 25 November 2011.

Key performance indicators

The Board of Trustees of YHA has historically agreed a set of key performance indicators to measure the performance of the organisation. The five most significant measures are as follows:

- (a) **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.
- (b) **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 is utilising its principal operating assets, its beds.
- (c) **Number of members** – membership is a significant part of the support YHA receives from the public. This will be a particularly important indicator of continuing support during the period of significant change upon which YHA is embarked.
- (d) **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.
- (e) **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. These cash figures now tie in with the figures in our internal management accounts as outlined in the following financial review section, the figures for 2009 and 2010 have been restated but equivalent figures are not available for 2008.

The table on the following page shows the value of these measures over the past five years:

Report of the Trustees

Key performance indicators (continued)

	2012	2011	2010	2009	2008
Number of Overnights	1,758,668	1,719,348	1,713,840	1,713,613	1,730,929
Occupancy	54.3%	51.7%	52.2%	51.5%	49.8%
Number of members	209,689	218,054	219,841	226,328	213,233
Spend per overnight £.p	£22.62	£23.27	£22.78	£21.56	£20.52
Net Cash generation from / (absorbed by) Operations	£0.2m	£0.5m	£0.6m	(£1.3m)	*

*this information not collated before 2009

Financial review

	2012 £ million	2011 £ million	2010 £ million
Hostel revenues	39.8	40.2	39.4
Hostel direct costs	<u>(28.0)</u>	<u>(27.0)</u>	<u>(26.4)</u>
Hostel surplus	11.8	13.2	13.0
Membership and fundraising income	2.8	3.0	3.2
Non hostel costs	<u>(8.4)</u>	<u>(8.8)</u>	<u>(8.9)</u>
Surplus before maintenance and investment	6.2	7.4	7.3
Current year maintenance and investment	(4.1)	(4.4)	(4.1)
Loan repayment & interest on previous investment	<u>(1.9)</u>	<u>(2.5)</u>	<u>(2.6)</u>
Operating surplus	<u>0.2</u>	<u>0.5</u>	<u>0.6</u>

The format of the operating statement is presented in line with YHA's internal management accounts. The reporting highlights the operating cash surplus generated to fund ongoing maintenance & investment in the hostel network. A reconciliation to the result shown in the statement of financial activities is shown on page 12.

In 2011/12 the surplus before maintenance and investment was £6.2m. This cash was then used to pay for on-going repairs and maintenance of £4.1m, including £1.7m of a capital nature. A further £1.9m was required to pay for interest and capital repayments on loans previously taken out to pay for major capital investments. A residual cash surplus of £0.2m remained to part fund future capital strategy investments

The economic climate in 2011/12 remained tough and whilst there were some very encouraging signs in YHA performance our operating surplus finished the year below 2010/11 levels.

The opening of new sales channels, competitive pricing and some strong summer and winter offers saw our Family and Individual overnights increase by 60,538 (5.8%) during the year. However, our Group business was down by 21,218 (3.1%) a shortfall which hit at the beginning of the year and was caused by two factors: the withdrawal of local funding for some groups, and the short post Easter term which prevented a number of schools from finding time in the curriculum to accommodate a residential trip.

Report of the Trustees

Financial review (continued)

The impact of this was that whilst our overnight income grew, other income (especially food) was down on last year as groups who would normally book for full board and in many cases additional activities, were replaced by families and individuals whose take up of these additional sales is not as high.

Therefore despite additional volumes our total sales fell slightly from last year's levels, but were still up on 2009/10 levels.

Hostel costs had a difficult year with three key areas contributing to a £1.0m (3.7%) increase on 2010/11.

- Increases in the costs of experience and other sales – whilst we managed to increase income slightly (0.7%) to £2.62m, the cost of providing these increased by £577k (70.2%)
- Wages where the introduction of job evaluation to ensure equitable pay across our network resulted in a £250k (1.8%) increase.
- Rises in utility costs of £190k (7.8%)

Overall therefore our hostel margin reduced by £1.4m. A project looking at opportunities to increase margin and find potential cost efficiencies in 2012/13 has already begun.

Some of this reduction in margin was offset by reductions in non hostel costs (ie spend such as sales & marketing and business support functions which is not physically incurred in the network) which continued to show year on year savings with further savings already in place for next year.

The £6.2m surplus before maintenance and investment gave us £1.2m less than last year to reinvest into the network. Spending on maintenance was down by £0.3m on last year but in line with 2009/10, and our loan payments were reduced by £0.6m - the impact of the replacement of our existing AIB facility with a new £10million facility from the Co-op. This has an interest only 5 year period to ensure we are not paying back debt whilst we are trying to re-invest significant sums into the network.

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

	2012	2011	2010
	£ million	£ million	£ million
Net surplus	0.2	0.5	0.6
Loan repayments	0.7	1.3	1.3
Capital investments	1.7	1.6	1.4
Depreciation	(3.2)	(3.4)	(3.5)
Profit on property sales after re-organisation costs	1.7	0.8	0.5
Capital Grants	0	0.1	0.3
Non actuarial pension and investment movement	(0.1)	0.1	0.4
Operating Statement Surplus	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>

The FRS 17 valuation has returned to the level of 2 years ago but still represents a significant deficit (see note 16).

Based on the triennial valuation at September 2010 YHA have agreed with the Pension Trust additional contributions to address this deficit. These amounts, whilst significant, are slightly less than the amounts we have included in our 10 years finance projections and so will not significantly impact on our long term plans.

Report of the Trustees

Legacies and Donations

YHA is grateful to the following Charitable Trusts and Foundations:-

Sir Julian Hodge Charitable Trust	J N Derbyshire Trust
Four Winds Trust	Frazer Trust
Baron Davenport's Charity	Millenium Stadium Charitable Trust
Ramblers Holidays Charitable Trust	Grimmitt Trust
CB and HH Taylor Charitable Trust	Thames Wharf Charity
Lynn Foundation	AK and MM Hanton Trust
Open Gate	Wilfred and Elsie Elkes Charitable Foundation
Edward Cadbury Charitable Trust	Pelion Trust
Charles Brotherton Trust	Percy Hedley 1990 Charitable Trust +
Thomas Farr Charity	David Brooke Charity
Sir Jules Thorn Charitable Trust	Sir Cliff Richard Charitable Trust
Catherine Cookson Charitable Trust	The Rowlands Trust
The Strasser Foundation	The Fisherbeck Trust

Most of this was solicited, although some of these Trusts do make regular gifts that are not applied for each year.

Trusts income amounted to £46,000 with a pledge of £50,000 from the W A Cadbury Charitable Trust. (This gift is due in March 2012).

The Wilderhope Manor development project and the Breaks for Kids fund received the majority of this kind support.

YHA was also grateful to be remembered in over 25 wills and funeral collections. This income amounted to £369,000 with individual legacies ranged from £250 to £75,000.

Trustees

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 on page one are the Directors of YHA.

Reserves

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.

Report of the Trustees

Reserves (continued)

The reserves policy is set with regard to the:

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

In 2012 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.

For 2012 the amounts required to fund unforeseen financial difficulties has been assessed at £1.0 million. This can be met by the existing £2.0 million overdraft facility in place with Lloyds TSB. Any longer term implications arising out of the reserves monitoring process would be fed back to the Board for incorporation into the revised capital strategy and could be funded by borrowing against our unsecured property assets which we estimate at £27 million out of a total portfolio of £95 million.

Investment policy, performance and objectives

Investments have been acquired in accordance with the powers of the Trustees, primarily in respect of endowment funds. 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 +0.2% increase in 2011-12 against these FTSE benchmarks.

Report of the Trustees

Trustees Responsibilities for the financial statements

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

Company law requires the Trustees to prepare financial statements for each financial year. 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 companies 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.

In so far as the Trustees are 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 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.

Risk management

The Board of Trustees is ultimately responsible for risk management in the organisation, setting the tone 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.

Report of the Trustees

Risk management (continued)

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.

A Risk Management Group has been established which includes a senior manager from each directorate and is chaired by the CEO. The group is responsible for identifying action plans for all other risks and for bringing these to the next Risk Management Group.

The major risks to which the charity is exposed are:

- That the current UK & global economic downturn impacts visitor numbers, average spend and the finances of YHA
- That the current size and diversity of network becomes unsustainable
- That the pension deficit in the Final Salary Scheme and Growth Plan grows
- The risk of a serious incident / disaster involving high numbers of staff or damage to buildings
- That the brand position is not strong enough to attract sufficient customers to grow our revenue.

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.

RSM Tenon 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

Derivatives and financial instruments

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 no more than twenty years.

Report of the Trustees

Interest rate risk

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 67% of its loans for periods of between 2 and 13 years.

Insurance effected for Trustees and offices

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

Payment policy

It is YHA's policy to state the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them.

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.

ON BEHALF OF THE TRUSTEES



C Darmon
Chairman
19 May 2012

Report of the independent auditor to the members and trustees of YHA (England and Wales)

We have audited the group and parent charitable company financial statements of YHA (England and Wales) Limited for the year ended 29 February 2012 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 and Trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charitable company's members and Trustees 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 and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 15, 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.

We have been appointed auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts.

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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

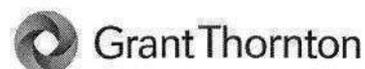
Opinion on financial statements

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 29 February 2012 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 Companies Act 2006 and the Charities Act 2011.

Opinion on other matter prescribed by the Companies Act 2006

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



Report of the independent auditor 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 and the Charities Act 2011 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate and sufficient accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's 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.

A handwritten signature in black ink, appearing to read 'Michael Redfern'.

Michael Redfern
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
SHEFFIELD
19 May 2012

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

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 financial statements have been prepared on the going concern basis. The trustees have assessed the going concern position of YHA (England and Wales) and its subsidiary and have no reason to believe that there is a material uncertainty that would affect the ability of the organisations to continue as a going concern for the foreseeable future. The trustees consider the foreseeable future to be 12 months from the date that the financial statements are signed.

The trustees have prepared financial forecasts and expect to maintain suitable financial facilities from the group's bankers to provide adequate ongoing finance, consistent with these forecast requirements.

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.

Principal accounting policies

Income from investments

Investment income is recognised when receivable.

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

Assets under construction are carried at cost and are not depreciated until they come into use.

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.

Principal accounting policies

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.

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.

Principal accounting policies

Retirement benefits (continued)

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 2012 £'000	Total 2011 £'000
Income						
Incoming resources						
Incoming resources from generated funds						
Voluntary income:						
Membership subscriptions and related income	1	2,268	-	-	2,268	2,298
Grants receivable		-	2	-	2	82
Other donations, gifts and legacies		449	153	-	602	809
Activities for generating funds:						
Commercial income from YHA Trading Limited		1,194	-	-	1,194	1,060
Investment and similar income	3	-	21	-	21	22
		<u>3,911</u>	<u>176</u>	<u>-</u>	<u>4,087</u>	<u>4,271</u>
Incoming resources from charitable activities:						
Income from operating youth hostels		38,964	187	-	39,151	40,272
Government contracts		-	-	-	-	6,787
Other incoming resources:						
Net gain on disposal of tangible fixed assets		2,198	-	-	2,198	836
Total incoming resources		<u>45,073</u>	<u>363</u>	<u>-</u>	<u>45,436</u>	<u>52,166</u>
Resources expended						
Cost of generating funds:						
Membership costs		388	-	-	388	376
Other fundraising costs		243	-	-	243	297
Costs of operating YHA Trading Limited		1,165	-	-	1,165	940
		<u>1,796</u>	<u>-</u>	<u>-</u>	<u>1,796</u>	<u>1,613</u>
Charitable activities:						
Costs of operating youth hostels		41,941	462	-	42,403	49,372
Governance costs		209	-	-	209	190
Total resources expended	5	<u>43,946</u>	<u>462</u>	<u>-</u>	<u>44,408</u>	<u>51,175</u>
Net incoming resources before transfers		1,127	(99)	-	1,028	991
Transfer between funds		95	(95)	-	-	-
Net incoming resources after transfers		1,222	(194)	-	1,028	991
Realised gains/(losses) on investments (excluding endowment asset investments)		5	-	-	5	2
Surplus of income over expenditure*		1,227	(194)	-	1,033	993
Realised gains on endowment investments		-	-	34	34	13
Unrealised (losses)/gains on investments		(2)	-	(52)	(54)	69
Actuarial (loss)/gain on defined benefit pension scheme		(1,078)	-	-	(1,078)	1,233
Net movement in funds		147	(194)	(18)	(65)	2,308
Fund balances brought forward at 1 March 2011		39,770	2,517	771	43,058	40,750
Fund balances carried forward at 29 February 2012		<u>39,917</u>	<u>2,323</u>	<u>753</u>	<u>42,993</u>	<u>43,058</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	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
Fixed assets					
Tangible assets	9	79,518	77,938	79,518	77,938
Investments	10	871	870	872	871
		<u>80,389</u>	<u>78,808</u>	<u>80,390</u>	<u>78,809</u>
Current assets					
Stocks	11	294	324	294	324
Debtors	12	1,509	1,282	1,509	1,282
Cash at bank and in hand		2,313	705	2,313	705
		<u>4,116</u>	<u>2,311</u>	<u>4,116</u>	<u>2,311</u>
Creditors: amounts falling due within one year	13	<u>13,076</u>	<u>12,765</u>	<u>13,077</u>	<u>12,766</u>
Net current liabilities		<u>(8,960)</u>	<u>(10,454)</u>	<u>(8,961)</u>	<u>(10,455)</u>
Total assets less current liabilities		71,429	68,354	71,429	68,354
Creditors: amounts falling due after more than one year	14	<u>24,457</u>	<u>22,248</u>	<u>24,457</u>	<u>22,248</u>
Net assets excluding pension liability		46,972	46,106	46,972	46,106
Defined benefit pension scheme liability	16	<u>(3,979)</u>	<u>(3,048)</u>	<u>(3,979)</u>	<u>(3,048)</u>
Net assets including pension liability		<u>42,993</u>	<u>43,058</u>	<u>42,993</u>	<u>43,058</u>
Funds					
Endowments	17	753	771	753	771
Restricted funds	18	2,323	2,517	2,323	2,517
		<u>3,076</u>	<u>3,288</u>	<u>3,076</u>	<u>3,288</u>
Unrestricted funds excluding pension liability		43,896	42,818	43,896	42,818
Pension reserve	16	<u>(3,979)</u>	<u>(3,048)</u>	<u>(3,979)</u>	<u>(3,048)</u>
Total unrestricted funds		<u>39,917</u>	<u>39,770</u>	<u>39,917</u>	<u>39,770</u>
Total charity funds	19	<u>42,993</u>	<u>43,058</u>	<u>42,993</u>	<u>43,058</u>

The financial statements were approved by the Board of Trustees on 19 May 2012.

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	2012 £'000	2011 £'000
Net cash inflow from operating activities	20	<u>4,195</u>	<u>4,672</u>
Returns on Investment and Servicing of Finance			
Investment Income (including interest received)	3	21	22
Interest paid	4	<u>(1,642)</u>	<u>(1,438)</u>
Net cash outflow from returns on investment and servicing of finance		<u>(1,621)</u>	<u>(1,416)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		<u>(7,077)</u>	<u>(4,598)</u>
Sale of tangible fixed assets		<u>4,481</u>	<u>1,264</u>
Net cash outflow from investing activities		<u>(2,596)</u>	<u>(3,334)</u>
Financing			
Receipts from borrowings		11,650	-
Repayment of borrowings		<u>(9,921)</u>	<u>(1,243)</u>
Capital element of finance lease rentals		<u>(99)</u>	<u>(91)</u>
Net cash inflow/(outflow) from financing		<u>1,630</u>	<u>(1,334)</u>
Increase/(decrease) in cash	21	<u><u>1,608</u></u>	<u><u>(1,412)</u></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

	2012 £'000	2011 £'000
Membership Income received directly by the group	<u>2,268</u>	<u>2,298</u>

2 Grants and contracts

	2012 Restricted Funds (Capital) £'000	2012 Restricted Funds (Other) £'000	2012 Total £'000	2011 Total £'000
Grants Receivable in the year	<u>2</u>	<u>-</u>	<u>2</u>	<u>82</u>

All grants receivable in the year related to restricted funds.

3 Investment income

	2012 £'000	2011 £'000
Listed Stocks and shares	<u>21</u>	<u>22</u>

4 Interest payable

	2012 £'000	2011 £'000
Pension Cost	70	151
On bank loans, overdrafts and other loans	1,514	1,225
Finance charges in respect of finance leases	58	62
	<u>1,642</u>	<u>1,438</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 2012 £'000	Total 2011 £'000
Membership Costs	283	105	-	388	376
Other Fundraising Costs	137	106	-	243	297
Costs of Operating YHA Trading Ltd	-	1,165	-	1,165	940
Costs of Operating Youth Hostels	18,993	20,196	3,214	42,403	49,372
Governance Costs	-	209	-	209	190
Total resources expended	<u>19,413</u>	<u>21,781</u>	<u>3,214</u>	<u>44,408</u>	<u>51,175</u>

	Total 2012 £'000	Total 2011 £'000
Depreciation comprises :		
Depreciation on owned tangible assets	3,148	3,311
Depreciation on tangible assets held under finance lease	<u>66</u>	<u>66</u>

Other direct costs comprise :

Repairs and maintenance of buildings	2,398	2,773
Fuel, heat & light	1,914	1,749
Food and beverage costs	4,808	4,714
Activity & transport providers	938	6,194
Restructuring Costs	548	204
Travel	1,133	1,244
Communication Costs	514	522
Cleaning and laundry	2,245	2,492
Interest payable (note 4)	1,642	1,438
Marketing and Publications	688	1,052
Insurance	407	476
Auditors' Remuneration - audit	33	37
Auditors' Remuneration - non-audit services	27	9
Operating lease rentals : - land and buildings	914	941
Operating lease rentals : - fixtures & fittings	278	223
Other direct costs	3,294	2,923
	<u>21,781</u>	<u>26,991</u>

Activity and Transport costs in 2011 included £5,270,000 for government funded Do it 4 Real "DI4R" and Community Cohesion programmes.

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	
	2012	2011
	£'000	£'000
Wages and salaries	16,795	16,260
Social security costs	1,347	1,292
Other pension costs	680	447
Redundancy costs	548	204
	<u>19,370</u>	<u>18,203</u>

The average number of employees of YHA during the year was 1,184 (2011: 1,141).

The full time equivalent number of employees was 983 (2011: 912).

There was no management remuneration, contributions to a defined contribution pension scheme and compensation for loss of office paid during 2012 (2011: £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 (2011: £nil).

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

	2012	2011
£60,000 - £69,999	1	1
£70,000 - £79,999	-	2
£80,000 - £89,999	2	2
£90,000 - £99,999	2	-
£110,000 - £119,999	-	-
£120,000 - £139,999	1	1

YHA made payments of £27,000 (2011: £35,000) into defined contribution schemes for 5 of these employees.

Out of pocket expenses were reimbursed to Trustees as follows:

	2012	2011	2012	2011
	Number	Number	£'000	£'000
Travel	<u>16</u>	<u>17</u>	<u>15</u>	<u>12</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:

	2012 £'000	2011 £'000
Total incoming resources	44,242	51,105
Total resources expended	<u>(43,249)</u>	<u>(50,114)</u>
Net incoming resources	993	991
Net investments gains	20	84
Actuarial (loss)/gain on defined benefit scheme	<u>(1,078)</u>	<u>1,233</u>
Net movement in funds	(65)	2,308
Funds:		
As 1 March 2011	<u>43,058</u>	<u>40,750</u>
At 29 February 2012	<u>42,993</u>	<u>43,058</u>

During the year the charitable company received a gift aid donation amounting to £29,000 (2011: £120,000) 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 2011	56,234	22,100	20,072	15,636	1,527	115,569
Transfers	3,194	-	1,327	327	(4,848)	-
Additions	814	182	306	1,276	4,499	7,077
Disposals	<u>(3,103)</u>	<u>-</u>	<u>-</u>	<u>(171)</u>	<u>(150)</u>	<u>(3,424)</u>
At 29 February 2012	<u>57,139</u>	<u>22,282</u>	<u>21,705</u>	<u>17,068</u>	<u>1,028</u>	<u>119,222</u>
Depreciation						
At 1 March 2011	14,196	2,650	9,494	11,291	-	37,631
Provided in the year	1,235	368	765	846	-	3,214
Disposals	<u>(1,014)</u>	<u>-</u>	<u>-</u>	<u>(127)</u>	<u>-</u>	<u>(1,141)</u>
At 29 February 2012	<u>14,417</u>	<u>3,018</u>	<u>10,259</u>	<u>12,010</u>	<u>-</u>	<u>39,704</u>
Net book amount						
At 29 February 2012	<u>42,722</u>	<u>19,264</u>	<u>11,446</u>	<u>5,058</u>	<u>1,028</u>	<u>79,518</u>
At 29 February 2011	<u>42,038</u>	<u>19,450</u>	<u>10,578</u>	<u>4,345</u>	<u>1,527</u>	<u>77,938</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 £156,000 (2011: £183,000) and freehold property held under finance leases and similar hire purchase contracts of £1,290,000 (2011: £1,323,000).

Depreciation of assets held under finance leases and similar hire purchase contracts was £27,000 (2011: £32,000) on fixtures, fittings and equipment and £33,000 (2011: £33,000) on freehold property.

10 Fixed asset investments

Total fixed asset investments comprise:

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Interest in group undertakings	-	-	1	1
Other fixed asset investments	<u>871</u>	<u>870</u>	<u>871</u>	<u>870</u>
Market value at 29 February 2012	<u>871</u>	<u>870</u>	<u>872</u>	<u>871</u>

Interests in group undertaking

At 29 February 2012 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 2012 £'000
Market value as at 1 March 2011	870
Additions	236
Disposals	(255)
Realised and unrealised gain	<u>20</u>
Market value at 29 February 2012	<u>871</u>

Notes to the financial statements

10 Fixed asset investments (continued)

At 29 February 2012 the other fixed asset investments were held as follows:

	2012	2011
	£'000	£'000
Unit trusts/investments trusts	13	14
Listed stocks and shares	822	832
Cash	<u>36</u>	<u>24</u>
Market value at 29 February 2012	<u>871</u>	<u>870</u>

At 29 February 2012 the following investments represented more than 5% of the portfolio by market value:

	Percentage	Value
	%	£'000
iShares S&P 500 Index Fund	8.1	60
Threadneedle Ltn Am Inst 2 Acc	<u>6.4</u>	<u>47</u>

11 Stocks

Group and Company	2012	2011
	£'000	£'000
Goods for resale	<u>294</u>	<u>324</u>

12 Debtors

Group and Company	2012	2011
	£'000	£'000
Trade debtors	320	669
Prepayments and accrued income	651	503
Other debtors	<u>538</u>	<u>110</u>
	<u>1,509</u>	<u>1,282</u>

Notes to the financial statements

13 Creditors: amounts falling due within one year

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Bank loans and overdrafts	603	1,189	603	1,189
Trade creditors	2,834	3,297	2,834	3,297
Amounts due to group undertakings	-	-	1	1
Social security and other taxes	804	353	804	353
Other creditors	249	148	249	148
Accruals	2,324	2,380	2,324	2,380
Deferred income	6,156	5,299	6,156	5,299
Amounts due under finance leases	106	99	106	99
	<u>13,076</u>	<u>12,765</u>	<u>13,077</u>	<u>12,766</u>

14 Creditors: amounts falling due after more than one year

Group and Company	2012 £'000	2011 £'000
Bank Loans	23,258	20,943
Amounts due under finance leases	1,199	1,305
	<u>24,457</u>	<u>22,248</u>

15 Borrowings

Borrowings are repayable as follows:

Group and Company 2012	After two years and within five years				Total £'000
	Within one year £'000	After one year and within two years £'000	After five years £'000	After five years £'000	
Bank Loans and Overdrafts	603	645	2,727	19,886	23,861
Finance Leases	106	115	241	843	1,305
Total Borrowing	<u>709</u>	<u>760</u>	<u>2,968</u>	<u>20,729</u>	<u>25,166</u>
Cash at bank and in hand					<u>(2,313)</u>
Net Borrowings					<u>22,853</u>

Notes to the financial statements

15 Borrowings (continued)

Group and Company 2011

	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 and Overdrafts	1,189	1,218	4,193	15,532	22,132
Finance Leases	99	106	269	930	1,404
Total Borrowing	<u>1,288</u>	<u>1,324</u>	<u>4,462</u>	<u>16,462</u>	23,536
Cash at bank and in hand					(705)
Net Borrowings					<u>22,831</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.

During the year YHA moved some of its existing loans to the The Co-operative Bank. These loans are payable by 2031, have a fixed and variable element, and are at margins between 1.75% and 3.8% below amounts previously paid.

16 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 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 & 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.

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.

YHA now offers all its employees the opportunity to join a defined benefit scheme administered by Scottish Widows.

Notes to the financial statements

16 Retirement benefits (continued)

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 have been increased to £34,834 per month from March 2012.

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.

Pension cost

The charge for the year was as follows:

	2012 £'000	2011 £'000
Defined contribution pension schemes and multi-employer defined benefit scheme (contributions)	197	206
Defined benefit pension scheme (service cost)	243	241
	<u>440</u>	<u>447</u>

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 29 February 2012. Scheme assets are stated at their market value.

The principal assumptions used by the actuary were:

	2012	2011	2010
Inflation CPI	2.1%	2.9%	3.4%
Rate of increase in salaries	4.5%	4.9%	4.9%
Rate of increase of pensions	2.1%	2.9%	3.3%
	(CPI)	(CPI)	(RPI)
Rate of increase for deferred pensions	5.0%	5.0%	5.0%
	(pre 1 October 1999)		
	3.4%	3.4%	3.4%
	(post 1 October 1999)		
Discount rate	4.5%	5.5%	5.7%

Notes to the financial statements

16 Retirement benefits (continued)

The post-retirement mortality assumptions used to value the liability at 29 February 2012 is based on the "SAPS All pensioners 'amounts' tables, years of birth projection, Long Cohort with a minimum 1% improvement".

The life expectancy of a male member reaching age 65 in 2032 is projected to be 24.6 years (2011: 23.9 years) compared to 22.8 years (2011: 22.1 years) for someone reaching 65 in 2012. The life expectancy of a female member reaching age 65 in 2032 is projected to be 26.1 years (2011: 25.4 years) compared to 24.5 years (2011: 23.8 years) for someone reaching 65 in 2012.

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

	Rate of return %	2012 Value £'000	Rate of return %	2011 Value £'000	Rate of return %	2010 Value £'000
Equities	7.10	5,923	8.00	5,295	8.40	4,786
Bonds	3.65	6,306	4.70	5,811	4.80	4,934
Property	6.10	776	7.00	719	7.40	660
Other	0.50	23	0.50	96	0.50	107
Total market value of assets		<u>13,028</u>		<u>11,921</u>		<u>10,487</u>
Present value of scheme liabilities		<u>(17,007)</u>		<u>(14,969)</u>		<u>(14,879)</u>
Net pension liability		<u>(3,979)</u>		<u>(3,048)</u>		<u>(4,392)</u>

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

	2012 £'000	2011 £'000
Contributions	468	503
Current service cost	(243)	(241)
Expected return on pension scheme assets	753	697
Interest on pension scheme liability	(823)	(848)
Loss on curtailment	(8)	-
	<u>147</u>	<u>111</u>
Actuarial (loss) / gain (see below)	<u>(1,078)</u>	<u>1,233</u>
	<u>(931)</u>	<u>1,344</u>
Deficit in scheme at beginning of year	<u>(3,048)</u>	<u>(4,392)</u>
Deficit in scheme at end of year	<u>(3,979)</u>	<u>(3,048)</u>
Actual return less expected return on pension scheme assets	233	462
Experience gains and losses arising on the scheme liabilities	(134)	302
Changes in the assumptions underlying the present value of the scheme liabilities	<u>(1,177)</u>	<u>469</u>
Actuarial (loss)/gain	<u>(1,078)</u>	<u>1,233</u>

Notes to the financial statements

16 Retirement benefits (continued)

The net of the expected returns on pension scheme assets and interest on pension scheme liabilities of £70,000 (2011: £151,000) is included in interest paid.

The actuarial assumptions have been impacted in the year by the Government's decision to change from RPI to CPI.

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

	2012 £'000	2011 £'000
Opening defined benefit obligation at 1 March	14,969	14,879
Service cost	243	241
Interest cost	823	848
Employee contributions	59	86
Loss on curtailment	8	-
Actuarial losses/(gains)	1,311	(771)
Benefits paid	(406)	(314)
Closing defined benefit obligation at 29 February	<u>17,007</u>	<u>14,969</u>

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

	2012 £'000	2011 £'000
Opening fair value of scheme assets at 1 March	11,921	10,487
Expected return	753	697
Actuarial gains	233	462
Employer contributions	468	503
Employee contributions	59	86
Benefits paid	(406)	(314)
Closing fair value of scheme assets at 29 February	<u>13,028</u>	<u>11,921</u>

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Fair value of scheme assets at 29 February	13,028	11,921	10,487	8,193	9,983
Present value of defined benefit obligation at 29 February	(17,007)	(14,969)	(14,879)	(10,338)	(9,973)
(Deficit)/surplus in the scheme	(3,979)	(3,048)	(4,392)	(2,145)	10
Experience adjustments on scheme assets	233	462	1440	(2,626)	(651)
Experience adjustments on scheme liabilities	(134)	302	171	(438)	(1)

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.

Notes to the financial statements

16 Retirement benefits (continued)

The last published actuarial valuation of the schemes was as at 30 September 2008. The assumptions that had the most significant effect on the valuation were as follows:

Discount rate	7.60%
Rate of price inflation	3.25%
Rate of pension increases	3.00%

The valuation of the scheme at 30 September 2008 was as follows:

	£million
Assets	742.0
Present value of liabilities	770.6
Deficit	<u>(28.6)</u>

The Growth Plan was subject to a triennial actuarial valuation as at 30 September 2011. Under legislation the trustees of The Growth Plan has 15 months from the effective date of the valuation to conclude the valuation. The Pension Fund Trustees are still considering the results of that valuation, so the figures and any associated impact can't be disclosed in the current financial statements.

17 Endowments

	At 1 March 2011 £'000	Realised gain £'000	Unrealised loss £'000	At 29 February 2012 £'000
Wilderhope Funds	114	7	(8)	113
Richards request	361	18	(28)	351
Peter Grant Fund	71	4	(6)	69
Peter Grant Endowment Fund	90	5	(8)	87
Merseyside YH Golden Jubilee Trust	135	-	(2)	133
	<u>771</u>	<u>34</u>	<u>(52)</u>	<u>753</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

18 Restricted funds

Group and Company

	At 1 March 2011 £'000	Incoming resources £'000	Expenditure £'000	Transfers to/from unrestricted fund £'000	At 29 February 2012 £'000
Breaks 4 Kids Fund	758	92	(187)	-	663
Go Green Appeal	45	-	-	-	45
Do It 4 Real!	(83)	-	-	83	-
Community Cohesion	83	-	(13)	(70)	-
SHF Small Hostel Fund	62	4	(42)	-	24
FAB Camps	-	212	(123)	-	89
Capital Grants & Donations	1,395	20	(42)	(49)	1,324
Revenue Grants & Donations	-	14	(14)	-	-
Other	257	21	(41)	(59)	178
	<u>2,517</u>	<u>363</u>	<u>(462)</u>	<u>(95)</u>	<u>2,323</u>
					2012 £'000
Restricted funds (capital)					1,324
Restricted funds (other)					<u>999</u>
					<u>2,323</u>

During the Year a review of **Endowments** was undertaken to ensure that any monies brought forward were spent in line with the original bequest. In future, amounts received in each year will be carried forward and allocated to appropriate projects to be spent the following year to ensure that amounts do not build up but are spent as intended by their generous bequests.

The **Break 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 grants of £187,000 (2011: £177,000).

Funding for the **Do It 4 Real** programme of children's summer camps and the **Community Cohesion** programmes of life skills and teambuilding camps came to an end in 2011 and any amounts brought forward were spent or allocated. In 2011 YHA has continued to run summer camps under the same Do it 4 Real brand name, but with no Government funding.

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. £42,000 was spent from the fund this year for much needed maintenance at 7 of our small hostels, ranging from new carpets at Dimmingsdale to new windows at Telscombe.

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

Notes to the financial statements

19 Analysis of net assets between funds

Group

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total £'000
Tangible fixed assets	78,194	1,324	-	79,518
Investments	118	-	753	871
Current assets	3,117	999	-	4,116
Current liabilities	(13,076)	-	-	(13,076)
Long term liabilities	(24,457)	-	-	(24,457)
Pension liability	(3,979)	-	-	(3,979)
	<u>39,917</u>	<u>2,323</u>	<u>753</u>	<u>42,993</u>

Company

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total £'000
Tangible fixed assets	78,194	1,324	-	79,518
Investments	119	-	753	872
Current assets	3,117	999	-	4,116
Current liabilities	(13,077)	-	-	(13,077)
Long term liabilities	(24,457)	-	-	(24,457)
Pension liability	(3,979)	-	-	(3,979)
	<u>39,917</u>	<u>2,323</u>	<u>753</u>	<u>42,993</u>

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

	2012 £'000	2011 £'000
Changes in resources	1,028	991
Depreciation	3,214	3,377
FRS 17 adjustment	(147)	(111)
Profit on sale of tangible fixed assets	(2,198)	(836)
Interest charge	1,642	1,438
Investment income	(21)	(22)
Decrease/(increase) in stock	30	(25)
Increase in debtors	(227)	(469)
Increase in creditors	874	329
Net cash inflow from operating activities	<u>4,195</u>	<u>4,672</u>

Notes to the financial statements

21 Reconciliation of net cash outflow to movement in net debt

	Group	
	2012	2011
	£'000	£'000
Increase/(decrease) in cash	1,608	(1,412)
Cash (outflow)/inflow from movement in debt and lease financing	<u>(1,630)</u>	<u>1,334</u>
Change in net debt resulting from cashflows and movement in net debt	(22)	(78)
Net debt at 1 March	<u>(22,831)</u>	<u>(22,753)</u>
Net debt at 29 February 2012	<u><u>(22,853)</u></u>	<u><u>(22,831)</u></u>

22 Analysis of changes in net debt

	At 1 March 2011 £'000	Cash flows £'000	Non-cash changes £'000	At 29 February 2012 £'000
Cash in hand and at bank	705	1,608	-	2,313
Debt within one year	(1,189)	586	-	(603)
Debt after more than one year	(20,943)	(2,315)	-	(23,258)
Finance leases	<u>(1,404)</u>	<u>99</u>	<u>-</u>	<u>(1,305)</u>
	<u>(22,831)</u>	<u>(22)</u>	<u>-</u>	<u>(22,853)</u>

23 Capital commitments

	2012 £'000	2011 £'000
Contracted for but not provided in these financial statements	<u>-</u>	<u>428</u>

24 Leasing commitments

Operating lease payments amounting to £201,000 (2011: £181,000) are due within one year. The leases to which these amounts relate expire as follows:

Group and Company	2012		2011	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
In one year or less	186	15	162	19
Between one and five years	26	395	23	397
In five years or more	<u>691</u>	<u>-</u>	<u>725</u>	<u>-</u>
	<u><u>903</u></u>	<u><u>410</u></u>	<u><u>910</u></u>	<u><u>416</u></u>

Notes to the financial statements

25 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.