

YHA (England and Wales)

Financial statements

For the year ended 28 February 2013



Index

Legal and administrative details	1 - 3
Report of the Trustees	4 - 21
Report of the independent auditor	22 - 23
Principal accounting policies	24 - 27
Consolidated statement of financial activities	28
Balance sheets	29
Consolidated cash flow statement	30
Notes to the financial statements	31 - 47

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
Steven Boyd MBE
Lindsey Fairbrother
Chris Hunt
Sue Mackinnon
Pauline Scott
Helen Maurice-Jones
Paula Yates
Francesca Miles (appointed 14 July 2012)
Paul Wright (appointed 14 July 2012)
Vinay Talwar (appointed 14 July 2012)
Harry Horton (one year co-option 14 July 2012)
Peter Gaines (casual vacancy from 14 July 2012)

Trustees whose term of office ended during the year: David Bostock (14 July 2012)
Rita Pearson (14 July 2012)
Mohammed Dhalech (14 July 2012)
Joshua Snape (14 July 2012)

Chief Executive & Secretary: Caroline White

Other senior staff members:

Property	Jake Chalmers MRICS
Operations, People & Performance	Allison Green CIPD
Finance	William Howarth ACMA
Sales & Marketing	Joe Lynch MIDM

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) ("YHA"), present their report together with financial statements for the year ended 28 February 2013.

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".

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 391,000 young people 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.

For young people making their bed and arranging or preparing meals are all part of the unique YHA experience. Our accommodation and social spaces coupled with a tradition of sharing means everyone has the chance to mix with others.

We operate educational programmes and visits for schools and groups of young people accompanied by teachers or leaders. Last year saw 448,000 overnight stays by these groups.

YHA ran a series of summer camps for 700 young people. Working with partners such as Everton Football Club, Challenge, Catch 22 and the Football Trust, we provided accommodation for 1,030 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 Chance for Change and the Duke of Edinburgh Awards Scheme.

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 totalling £189,000 to 5,722 young people.

YHA is a partner in the new Mosaic Youth Project which will 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 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, by generously responding to one of our appeals for funds and supporting our Summer Camps programme as team leaders.

Report of the Trustees

Highlight of activities

Over the reporting period YHA has continued to improve the customer experience and develop new programmes especially for young people. 862,000 guests of all ages and backgrounds enjoyed 1,743,000 overnight stays with YHA last year, 391,000 of our guests were young people under 26.

During the year YHA has:

- Supported 5,722 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 86.4% to 87.3% and our net promoter score, a measure of whether our customers would recommend us to family and friends, has increased from 60% to 62.1%.
- Achieved Investors In People Gold and were named as “one to watch” in the Best Companies employee survey.
- Were supported by 120,071 hours of volunteering by 1,173 registered volunteers, of whom one in three were under 26.
- Continued to deliver great programmes and experiences for young people with a wide range of partners such as the Football Trust, Chance for Change and Catch 22.
- Delivered our own summer camps to 700 young people and accommodated 1,030 others taking part in the National Citizen Service.
- Invested over £7.2m in our hostels, including the hostels at York, Stratford, Malham, Canterbury and Ambleside.
- Continued work on a new hostel, YHA South Downs, with generous support from a range of funders including the Heritage Lottery Fund, ready for opening in April 2013.

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 2012/13 they met 7 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. 92 people were members of the Company on 28 February 2013. 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 attends Board meetings but 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.

Two Trustees, David Bostock and Rita Pearson, came to the end of their office on 14 July 2012 and did not stand again. One Trustee, James Blake, stood again and was re-elected along with three new Trustees, Fran Miles, Vinay Talwar and Paul Wright.

Report of the Trustees

Organisation and Board of Trustees (continued)

One Trustee, Harry Horton, was co-opted to serve from 29 September 2012 to the AGM 2013 and one Trustee, Peter Gaines, was appointed by the Board to fill a casual vacancy from 29 September 2012 to the AGM 2013. These positions were previously held by Joshua Snape and Mohammed Dhalech who stood down at the AGM.

Trustees receive induction training in accordance with guidelines set down by the National Council for Voluntary Organisations.

Members of the Board of Trustees at 28 February 2013

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. His current term of office ends in July 2013. Chris has attended all 7 Board meetings during the year.

Karl Shepherdson, Vice Chairman

Karl was elected as a Trustee in 2007. He is a senior instructor and weather forecaster with the Meteorological Office and his current term of office ends in July 2013. Karl is the Board lead for Health and Safety and has attended all 7 Board meetings during the year.

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. His current term of office ends in July 2013. Alan has attended all 7 Board meetings during the year.

James Blake, Trustee

James has been a YHA Trustee since 2002. He also chairs the Remuneration Committee. 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. His term of office is due to end in 2015. James has attended all 7 Board meetings during the year.

Steven Boyd, Trustee

Steven joined the Board in 2010 and his term of office ends in July 2013. He has been an Army officer for over 20 years and is currently the British Army's Director of Infrastructure with responsibilities for setting the requirement for facilities and supporting services, and assuring delivery to agreed standards. He is a member of the Performance and Audit Committee. He has attended all 7 Board meetings during the year.

Lindsey Fairbrother, Trustee

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 joined the Board of Trustees in 2010 and her term of office is due to cease in 2013. She has attended 6 Board meetings during the year.

Peter Gaines, Trustee

Peter joined the Board in 2012 to fill a casual vacancy. 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. As a co-opted member of the Board his term of office is due to end in 2013. He is also a member of the Remuneration Committee. He has attended 4 of the Board meetings since becoming a Trustee.

Report of the Trustees

Organisation and Board of Trustees (continued)

Harry Horton, Trustee

Harry was co-opted to the Board in 2012 and his term of office will end in 2013. He works for Manchester Airports Group and has worked in their commercial property team. He is currently a systems project manager. He has attended 3 of the 4 Board meetings since his co-option.

Chris Hunt, Trustee

Chris was elected to the Board in 2011 and runs his own IT consultancy business, having worked as a freelance database developer since 1997. His current term of office will cease in 2014. Chris has attended 6 Board meetings during the year.

Helen Maurice-Jones, Trustee

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 in the family nursery. Her term of office will cease in 2013. Helen has attended all 7 Board meetings during the year.

Sue MacKinnon, Trustee

Sue was elected as a Trustee in 2001 and re-elected at the 2009 YHA AGM. Sue 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'. Her roles including Export Administrator and Personal Assistant to the General Manager and his senior management team. Sue's term of office is due to end in 2014. Sue has attended all 7 Board meetings during the year.

Francesca Miles, Trustee

Fran joined the Board of Trustees in 2012. For her day-job Fran works in building some of the country's biggest brands such as BT, Aviva, EDF Energy, Birds Eye, Clarks and Famous Grouse as well as working with charities and government organisations in developing brand positions and consumers communications, (from print ads to posters to digital sites to TV ads and beyond). Her term of office will cease in 2015. She has attended 2 of the 4 Board meetings since her election as Trustee.

Pauline Scott, Trustee

Pauline joined the Board in 2010 having been a YHA volunteer for many years. She is currently involved in art, working with people over a wide age range at College and in Adult Education, and has recently successfully completed an Honours degree in Fine Art following three years as a college student. Pauline's term of office is due to end in 2013. Pauline has attended all 7 Board meetings during the year.

Vinay Talwar, Trustee

Vinay has been a Trustee since 2012. He is a member of the Performance and Audit Committee. 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. His term of office is due to end in 2015. He has attended 3 of the 4 Board meetings since his election as Trustee.

Paul Wright, Trustee

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. His term of office is due to cease in 2015. He has attended all the Board meetings since his election as Trustee.

Report of the Trustees

Organisation and Board of Trustees (continued)

Paula Yates, Trustee

Paula joined the Board in 2011 and is a member of the Council Nominations Panel. She is a qualified teacher with 30 years of working within a variety of different local authorities in schools and informal social education settings, 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. Her term of office will cease in 2014. Paula has attended 6 Board meetings during the year.

Council Nominations Panel

The Council Nominations Panel (CNP) reports 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 Council representatives
- Plus, in a non-voting but advisory capacity, the Director of Operations, People and Performance or nominee.

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.

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.

21 people applied to become Trustees and CNP nominated eight candidates to the AGM in July 2012, four of whom were elected by the AGM.

Performance and Audit Committee

The Performance and Audit Committee is a sub-committee of the Board of Trustees. The Committee meets quarterly and is composed of as a minimum:

- Treasurer who shall be the Chairman of this committee
- Two Trustees (not to include the YHA National Chairman)
- Up to two co-opted members with relevant experience.

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.

Report of the Trustees

Organisation and Board of Trustees (continued)

The Remuneration Committee

The Remuneration Committee is a sub-committee of the Board of Trustees. The Committee meets at least annually and is composed of as a minimum:

- The Chairman of Remuneration Committee who shall be a Trustee
- Two Trustees (not to include the YHA National Chairman)
- A co-opted member with relevant experience.

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; 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.

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 four most significant measures are as follows:

- 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 is utilising 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.
- 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 five years:

	2013	2012	2011	2010	2009
Number of Overnights	1,743,539	1,758,668	1,719,348	1,713,840	1,713,613
Occupancy	53.6%	54.3%	51.7%	52.2%	51.5%
Spend per overnight £.p	£21.97	£22.62	£23.27	£22.78	£21.56
Net Cash generation / (loss) from Operations	£0.1m	£0.2m	£0.5m	£0.6m	(£1.3m)

Report of the Trustees

YHA Strategic and Operating Plans

The Board agreed a three year business and financial plan for implementation from March 2011. The plan includes a mission and vision, derived from YHA's charitable object.

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.

Strategic Plan

We have set four strategic themes to help us achieve our vision, over the next three years:

- 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.

The three year plan presents exciting and challenging opportunities to make the special and unique YHA experience relevant for today's young people as well as an organisation that is strong and secure for the future.

Operating Plan

We have made significant and sustained progress with the delivery of our three year business plan despite the challenging external environment which continues to impact on our financial position.

Key objectives for 2012/13 were set out in YHA's Operating Plan. Projects were aligned to the four strategic themes taken from the Strategic Plan 2011 – 14 and the key objectives were:

- People engagement
- Youth participation strategy
- Volunteering
- Customer retention
- Customer acquisition
- Pricing
- IT strategy
- Enterprise strategy
- Partnerships strategy
- Delivery of the capital strategy
- Phoenix project
- Increasing cost efficiencies.

This Year's Activities

Developing talented people and teams – *people engagement, youth participation and volunteering*

We want to develop the skills and abilities of all our people. Reward, recognition and open communication are all key elements for engaged and motivated teams. People will be aware of their roles and responsibilities in delivering the plan and the difference they make on a daily basis.

By 2014 we aim to be an outstanding organisation that people want to work for. We achieved the coveted Investors In People Gold accreditation in 2012, which was a fantastic achievement and one of which we are really proud. We also achieved a 'Ones to Watch' status in the Times Top 100 accreditation for the third year in a row climbing 13 places to our best position to date.

Report of the Trustees

This Year's Activities (continued)

By 2014 we aim to develop all our employees and volunteers to achieve their full potential for YHA. We have invested in our peoples' learning and development again this year, particularly in developing leaders throughout the organisation, introducing an executive manager programme, continued investment in trustee development and ensuring that we future proof our potential leaders of the future through effective succession planning. We have hit our target of training days per employee for the second consecutive year and now offer a truly diverse spectrum of learning to support our hostels in their business plan priorities and the support services at National Office.

Our volunteering capacity continues to grow and now one in three volunteers are under 26, demonstrating our relevance to young people today. We have achieved our target of 120,000 hours of volunteering this year, across the network and at National Office, and our capacity to offer diverse and valuable opportunities to volunteers is greater than ever. Volunteering supported the Summer Camps with 90 volunteers, including for the first time a senior volunteer role to support progression for volunteers and develop camp managers for the future.

We aim to engage young people in decisions about the services we provide. We continue to develop the concept of Youth Participation and the wider long-term impact YHA can have on young peoples' lives. Our challenge this year has been to embed youth participation throughout the organisation and work will continue in this important area into next year.

Our Young Advisors Programme continues to evolve to develop this important work in 2013 through a youth network and with student ambassadors.

Putting customers first – *customer retention, customer acquisition, pricing and IT*

We aim to deliver outstanding service for all our customers, internally and externally. We have to be always listening to and hearing what our customers are saying. We continually measure and monitor feedback and know that customers are highly likely to recommend YHA to others – the best accolade we could have.

We aim to increase customer satisfaction scores. Our customer satisfaction scores remain consistently high at 87%, hitting our target for the year.

Our membership offering is being improved, with survey results from current members now informing our future priorities. We now have targeted campaigns, upgraded and modernised membership packs and a more proactive approach to retaining membership.

This year has seen some changes which in the short term have reduced our membership numbers from 202,725 last year to 190,802 this year. Previously the prices we displayed were those available to members, this often led to confusion and in some cases accusations of a "hidden charge" for non-members when asked to pay the £3 non-member supplement. We therefore took the strategic decision to include the £3 non-member supplement in our headline prices and then give a £3 discount to our members.

Whilst this consolidated the impact of the supplement in our income figures, we have seen a significant drop in our memberships as many non-members are no longer taking up the option of membership to avoid the supplement. This has negatively impacted on our membership sales by £481,000 against budget this year. However, our customer satisfaction scores in this area have improved as have our membership renewal rates indicating that this was a distressed purchase for non-members. With the improvements in our offering and the benefits of membership much clearer we expect membership numbers to increase over the next 12 months.

Report of the Trustees

This Year's Activities (continued)

Following the launch of the new YHA website we experienced some early difficulties which led to a fall in bookings and revenue through the website and an uplift in bookings through the contact centre. Following further upgrades and refinements including Search Engine Optimisation, online bookings and revenue are up by more than 5% on previous levels.

Social media goes from strength to strength and is a powerful tool for talking with our members and guests and promoting YHA, particularly our target base of young people under 26 years old. We now have 2,821 Twitter followers and are liked by 3,107 people on Facebook.

We have focussed and will continue to focus on improving the capability of our CRM system into 2013. This will enable us to create effective offers and targeted campaigns to reach our customers and connect with them before and after they stay, allowing us to maximise revenue opportunities and improve our customer's journey and experience.

Reaching more people experiences and partnerships – *Enterprise, partnerships*

We aim to provide great experiences and to be the first choice for group leaders. We want to have a strong network of strategic and community partnerships.

This year we have supported 5,722 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.

We successfully delivered 700 summer camp places and we eased the burden on 38% of families who for the first time could book using monthly instalment payments. 1,030 young people supported by providers such as Everton Football Club, Challenge, Catch 22 and the Football Trust stayed with us through our partnership with the National Citizen's Service (NCS).

Through our Enterprise scheme YHA now has 17 Youth Hostels, 19 Bunk Houses and is associated with five University Student Accommodation sites forming part of our network. Additionally there are now a total of 33 camping barns, often owned and run by farmers in rural communities.

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.

We engaged with our local communities and promoted YHA to local communities through our first ever national YHA Day. 84 hostels participated with volunteers from National Office supporting on the day across the network.

Our parliamentary influence is at an unprecedented scale now due to the sustained focus on developing relationships with MPs. Tim Loughton, the Minister for Schools and Children, celebrated the official opening of YHA Castleton Losehill Hall in July 2012, showcasing all that YHA has to offer, raising our profile and celebrating the sustainable rural business model we have at this world class hostel and education centre. Membership of the All Party Parliamentary Youth Hostel group now stands at 65.

Achieving a financially sustainable network – *capital project, Phoenix project, cost efficiencies*

The more funds we attract into YHA and the lower our costs, the more we can do to reach out and enhance the lives of young people. We want to invest in a diverse and inspiring network that meets customer needs where guests will want to stay today and in the future.

We aim to continue to achieve our financial targets giving us choices of how and where we spend our money.

Report of the Trustees

This Year's Activities (continued)

We out performed our budget for the first half of 2012 against the backdrop of a double dip recession and an increased squeeze on central government resources and funding. The second half of the year proved to be far more challenging, and the London Olympics and adverse weather resulted in a drop in customer numbers during the summer. We achieved 5.5% growth in like for like overnight stays, through effective promotions and targeted marketing campaigns. However, achieving this growth came at the cost of reduced prices in a competitive market so that cumulative net overnight income for 2012 was £573,000 below budgeted levels.

A cross directorate team made up of Heads of Departments with excellent knowledge and experience in their particular field of expertise has worked closely with hostel managers through the Phoenix project to improve performance at a range of hostels.

We have made significant savings through efficiencies, by examining carefully all our hostel operations, our staffing levels and our contractual terms. To date, we have achieved savings across the network of £800,000 which has helped offset the difficult trading conditions we experienced during the latter part of 2012.

Thanks to these efforts we managed an overall break even position for 2012, which given the external conditions is a credible achievement.

We now have eight hostels with the European Union's Eco-label, recognising their environmentally friendly facilities and practices.

In the last three years we have invested £16.7m across the network, 57 hostels have been refurbished and 44% of our bed spaces are now fit for purpose. £10m has been committed to the refurbishments of the Youth Hostels at Malham, Yorkshire; Canterbury, Kent; Stratford-upon-Avon, Warwickshire; Ambleside, Cumbria, York and in a new Youth Hostel near Southease in the South Downs National Park. YHA South Downs has had significant support from funders including Heritage Lottery Fund (£1,368,300), Viridor Credits (£1,200,000), The Rees Family (£500,000), East Sussex County Council (£150,000), South East England Development Agency (£150,000), Veolia Environmental Trust (£150,000), South Downs National Park Authority, Sustainable Communities Fund (£42,500) and South Downs Society (£2,000).

The Sill at Once Brewed is the working title for a new project that will 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 is in the early stages of development and to aid this process, the Heritage Lottery Fund have contributed a £400,000 grant to work up the project in detail.

YHA has received generous financial support from organisations to redevelop existing Youth Hostels including:

- at Beverley, East Yorkshire, contributions from the East Riding of Yorkshire Council totalling £275,000 and Beverley Friary Preservation Trust totalling £30,000 enabled the complete refurbishment of the former friary
- at YHA Grinton, Yorkshire, £115,000 from The Rural Development Programme for England (RDPE) administered by Defra enabled the upgrade of facilities and the expansion of capacity bringing into use a redundant wing of the building
- at YHA Malham, Yorkshire, £37,500 from Yorkshire Dales National Park, Sustainable Development Fund supported the development of a new classroom as part of the redevelopment of the whole site which was carried out with a legacy from the late Margaret Hardware and YHA's own funds

Report of the Trustees

This Year's Activities (continued)

- at our Youth Hostels in Yorkshire, £10,000 from Yorkshire Water enabled the audit of water consumption at all the sites they serve and the recommended measures from the audit will be paid for by Yorkshire Water, reducing future water consumption.

Our investment plans are now supported and underpinned by planning at a regional level, focusing on customer trends and requirements. With cross-directorate support, we now have clear plans to support the projects with robust business models and a clear marketing strategy to ensure customers are kept informed and hostel teams are equipped to provide excellent customer service from the opening day onwards.

Going concern

The Trustees have prepared these financial statements on the going concern basis. The Trustees have reviewed forecasts to May 2014 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.

Plans for Future Periods

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

The objectives are:

- People engagement
- Youth participation
- Communication
- Pricing and terms and conditions
- Regional plans delivery
- Enterprise
- Capital strategy
- Maximising efficiencies.

The operating plan is reviewed each month by the Senior Management Team and 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.

Investment is planned at Cambridge, YHA Pen y Pass in the Snowdonia National Park, and at YHA Black Sail in the Lake District National Park during 2013. Exmoor National Park Authority has entered in to a three year Partnership Agreement at the Pinkery Centre to enable the continued delivery of outdoor and residential experiences for young people. The Partnership will enable the development of a business model that will look to a longer term relationship that secures a high profile presence for both YHA and the National Park Authority in environmental education.

We will continue to build on the foundations we have already set and to meet the on-going challenges within the economy. We are aiming for growth within our budgets and our plans will enable us to achieve our stretching, yet achievable targets, without losing focus on other key strategic areas. Our focus this year will be on our pricing and our terms and conditions, delivering our regional plans to support the capital strategy and maximising business, and energy efficiencies.

Report of the Trustees

Financial review

	2013	2012	2011
	£ million	£ million	£ million
Hostel revenues	39.1	39.8	40.2
Hostel direct costs	(26.9)	(28.0)	(27.0)
Hostel surplus	12.2	11.8	13.2
Membership and fundraising income	1.6	2.8	3.0
Non hostel costs	(7.9)	(8.4)	(8.8)
Surplus before maintenance and investment	5.9	6.2	7.4
Current year maintenance and investment	(3.9)	(4.1)	(4.4)
Loan repayment and interest on previous investment	(1.9)	(1.9)	(2.5)
Operating surplus	0.1	0.2	0.5

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 on-going maintenance and investment in the hostel network. A reconciliation to the result shown in the statement of financial activities is shown on page 16.

In 2012/13 the surplus before maintenance and investment was £5.9m. This cash was then used to pay for on-going repairs and maintenance of £3.9m, including £1.35m 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 small cash surplus was achieved.

The economic climate in 2012/13 remained tough and whilst there were some very encouraging signs in YHA performance our operating surplus finished the year below 2011/12 levels.

With five of our largest hostels closed for refurbishment over the winter, we expected revenues to be around £0.5m below previous year's levels but the combination of the poor summer weather and post-Olympic weakness in the London market saw our revenues fall by a further £0.5m against last year.

Most of this lost revenue was recovered through operational efficiencies, principally the introduction of more flexible staffing contracts and improvements in catering margins. The new staff contracts enabled us to more effectively manage our staffing against occupancy levels which saved £593k on previous year's levels (£479k on budget). Work during the year on our catering margins, including the introduction of new policies on staff catering resulted in savings of £476k (£317k on budget).

Other income was £0.7m down on previous year levels; £0.6m of this was the impact of the change in membership outlined in page 11.

We continued to make savings in those costs not incurred directly in hostels, with a £0.5m saving against the previous year being delivered by a review of all support departments implemented at the beginning of the year.

This saving was not enough to fully offset the negative impact of membership and our surplus before maintenance and investment was £0.3m less than last year. This resulted in us spending £0.2m less on on-going maintenance in the year and a reduced cash surplus of £0.1m.

Report of the Trustees

Financial review (continued)

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

	2013 £ million	2012 £ million	2011 £ million
Net surplus	0.1	0.2	0.5
Loan repayments	0.7	0.7	1.3
Capital investments	1.3	1.7	1.6
Depreciation	(3.4)	(3.2)	(3.4)
Profit on property sales after re-organisation costs	2.4	1.7	0.8
Capital grants	0.6	0.0	0.1
Changes in accounting treatment*	(0.8)	n/a	n/a
Non actuarial pension and investment movement	0.3	(0.1)	0.1
Operating statement surplus	1.2	1.0	1.0

* with improvements in our reporting frameworks we were able to accurately account for the cost of staffing accrued post February payroll up to the 28 February and to not include any sales income for March received for stays starting in February 2012. These two adjustments had a negative impact of £0.2m as they were not material enough to offset with a prior year adjustment in our statutory accounts; they were however excluded from our management accounts. For the first time this year we also looked at our obligations for dilapidations on properties we rent which are due for renewal in the next 2 years, this resulted in a provision for £0.6m.

Legacies and Donations

YHA continues to enjoy tremendous support from many generous friends and organisations. They donate through regular giving, through our Christmas prize draw, and through our appeals. A team running in the London Marathon raised money for Breaks for Kids and many other small fundraising events also took place. £369,000 was given in over 25 wills and funeral collections.

Individual legacies ranged from £250 to £75,000 and we are grateful for every gift received. Departed friends are remembered in an "In Memoriam" book.

£46,000 was generously given by 27 Charitable Trusts in support of YHA in the year with a pledge of £50,000 from the W A Cadbury Charitable Trust.

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
- Millennium 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

Report of the Trustees

Legacies and Donations (continued)

- 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.

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 1 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.

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 introduced an active reserves monitoring process managed by the 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 reports 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.

Report of the Trustees

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 2012-13 against these FTSE benchmarks.

Employee involvement

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, publication of interim figures and ad hoc notifications.

We achieved the Gold 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.

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.

It is the policy of YHA that training, career development and promotion opportunities are available to all employees.

Disabled 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.

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.

Report of the Trustees

Trustees Responsibilities for the financial statements (continued)

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.

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 YHA, 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.

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:

- Review the risk management policy and processes, annually
- Review and agree on an annual basis the significant risks to which YHA is exposed
- Ensure that sufficient action is being taken to mitigate the risks
- Provide the Board of Trustees with an annual statement of assurance on risk management and internal controls and corporate governance
- Ensure that the control environment is sufficient to effectively manage risk
- Monitor compliance with Charity Commission and corporate governance requirements.

During the year YHA's Senior Management Team, made up of nine senior managers drawn from all directorates, has become YHA's Risk Management Group continuing to ensure that risk management is embedded in all directorates. Chairmanship of the group shifted from the Chief Executive to the Director of Property in February 2013. Individuals on the group are responsible for identifying action plans for all other risks and for bringing these to the Risk Management Group.

Report of the Trustees

Risk management (continued)

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 four years, equipment no more than ten years and property will be financed over twenty years.

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 officers

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.

Report of the Trustees

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

A handwritten signature in black ink, appearing to be 'C Darmon', written over a faint horizontal line.

C Darmon
Chairman
18 May 2013

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 2013 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 pages 18 and 19, 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 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 28 February 2013 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 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
21 May 2013

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 2014 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.

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.

Provisions for liabilities

Provisions are recognised when the Charity has a legal or constructive obligation as a result of past events. It is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably.

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.

Principal accounting policies

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 2013 £'000	Total 2012 £'000
Income						
Incoming resources						
Incoming resources from generated funds						
Voluntary income:						
Membership subscriptions and related income	1	1,245	-	-	1,245	2,268
Grants receivable		-	569	-	569	2
Other donations, gifts and legacies		358	91	-	449	602
Activities for generating funds:						
Commercial income from YHA Trading Limited		4,237	-	-	4,237	1,194
Investment and similar income	3	13	16	-	29	21
		<u>5,853</u>	<u>676</u>	<u>-</u>	<u>6,529</u>	<u>4,087</u>
Incoming resources from charitable activities:						
Income from operating youth hostels		35,044	102	-	35,146	39,151
Other incoming resources:						
Net gain on disposal of tangible fixed assets		2,419	-	-	2,419	2,198
		<u>43,316</u>	<u>778</u>	<u>-</u>	<u>44,094</u>	<u>45,436</u>
Total incoming resources						
Resources expended						
Cost of generating funds:						
Membership costs		286	-	-	286	388
Other fundraising costs		182	-	-	182	243
Costs of operating YHA Trading Limited		3,518	-	-	3,518	1,165
		<u>3,986</u>	<u>-</u>	<u>-</u>	<u>3,986</u>	<u>1,796</u>
Charitable activities:						
Costs of operating youth hostels		38,342	403	-	38,745	42,403
Governance costs		182	-	-	182	209
		<u>42,510</u>	<u>403</u>	<u>-</u>	<u>42,913</u>	<u>44,408</u>
Total resources expended						
Net incoming resources before transfers		806	375	-	1,181	1,028
Transfer between funds		434	(434)	-	-	-
Net incoming/(outgoing) resources after transfers		1,240	(59)	-	1,181	1,028
Realised gains on investments (excluding endowment asset investments)		17	-	-	17	5
Surplus/(deficit) on income over expenditure*		1,257	(59)	-	1,198	1,033
Realised gains on endowment investments		-	-	89	89	34
Unrealised losses on investments		(14)	-	(78)	(92)	(54)
Actuarial gain/(loss) on defined benefit pension scheme		64	-	-	64	(1,078)
		<u>1,307</u>	<u>(59)</u>	<u>11</u>	<u>1,259</u>	<u>(65)</u>
Net movement in funds						
Fund balances brought forward at 1 March 2012		39,917	2,323	753	42,993	43,058
Fund balances carried forward at 28 February 2013		41,224	2,264	764	44,252	42,993

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	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
Fixed assets					
Tangible assets	9	79,072	79,518	79,072	79,518
Investments	10	885	871	886	872
		<u>79,957</u>	<u>80,389</u>	<u>79,958</u>	<u>80,390</u>
Current assets					
Stocks	11	276	294	276	294
Debtors	12	1,846	1,509	1,846	1,509
Cash at bank and in hand		3,234	2,313	3,234	2,313
		<u>5,356</u>	<u>4,116</u>	<u>5,356</u>	<u>4,116</u>
Creditors: amounts falling due within one year	13	<u>11,982</u>	<u>13,076</u>	<u>11,983</u>	<u>13,077</u>
Net current liabilities		<u>(6,626)</u>	<u>(8,960)</u>	<u>(6,627)</u>	<u>(8,961)</u>
Total assets less current liabilities		73,331	71,429	73,331	71,429
Creditors: amounts falling due after more than one year					
Provisions for liabilities	14	24,868	24,457	25,511	24,457
	15	643	-	-	-
Net assets excluding pension liability		47,820	46,972	47,820	46,972
Defined benefit pension scheme liability	17	(3,568)	(3,979)	(3,568)	(3,979)
Net assets including pension liability		<u>44,252</u>	<u>42,993</u>	<u>44,252</u>	<u>42,993</u>
Funds					
Endowments	18	764	753	764	753
Restricted funds	19	2,264	2,323	2,264	2,323
		<u>3,028</u>	<u>3,076</u>	<u>3,028</u>	<u>3,076</u>
Unrestricted funds excluding pension liability		44,792	43,896	44,792	43,896
Pension reserve	17	(3,568)	(3,979)	(3,568)	(3,979)
Total unrestricted funds		<u>41,224</u>	<u>39,917</u>	<u>41,224</u>	<u>39,917</u>
Total charity funds	20	<u>44,252</u>	<u>42,993</u>	<u>44,252</u>	<u>42,993</u>

The financial statements were approved by the Board of Trustees on 18 May 2013.

C Darmon

A H Bourne

Company registration number: 282555

Trustees

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

Consolidated cash flow statement

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	21	<u>3,036</u>	<u>4,195</u>
Returns on Investment and Servicing of Finance			
Investment Income (including interest received)	3	29	21
Interest paid	4	<u>(1,266)</u>	<u>(1,642)</u>
Net cash outflow from returns on investment and servicing of finance		<u>(1,237)</u>	<u>(1,621)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		<u>(7,251)</u>	<u>(7,077)</u>
Sale of tangible fixed assets		<u>5,876</u>	<u>4,481</u>
Net cash outflow from investing activities		<u>(1,375)</u>	<u>(2,596)</u>
Financing			
Receipts from borrowings		1,221	11,650
Repayment of borrowings		<u>(618)</u>	<u>(9,921)</u>
Capital element of finance lease rentals		<u>(106)</u>	<u>(99)</u>
Net cash inflow from financing		<u>497</u>	<u>1,630</u>
Increase in cash	22	<u><u>921</u></u>	<u><u>1,608</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

	2013 £'000	2012 £'000
Membership income received directly by the group	<u>1,245</u>	<u>2,268</u>

2 Grants and contracts

	2013 Restricted Funds (Capital) £'000	2013 Restricted Funds (Other) £'000	2013 Total £'000	2012 Total £'000
Grants receivable in the year	<u>569</u>	<u>-</u>	<u>569</u>	<u>2</u>

All grants receivable in the year related to restricted funds.

3 Investment income

	2013 £'000	2012 £'000
Listed stocks and shares	16	21
Cash and deposits	<u>13</u>	<u>-</u>
	<u>29</u>	<u>21</u>

4 Interest payable

	2013 £'000	2012 £'000
Pension cost	58	70
On bank loans, overdrafts and other loans	1,156	1,514
Finance charges in respect of finance leases	<u>52</u>	<u>58</u>
	<u>1,266</u>	<u>1,642</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 2013 £'000	Total 2012 £'000
Membership Costs	128	158	-	286	388
Other Fundraising Costs	102	80	-	182	243
Costs of Operating YHA Trading Ltd	-	3,518	-	3,518	1,165
Costs of Operating Youth Hostels	18,399	16,917	3,429	38,745	42,403
Governance Costs	-	182	-	182	209
Total resources expended	<u>18,629</u>	<u>20,855</u>	<u>3,429</u>	<u>42,913</u>	<u>44,408</u>

Depreciation comprises:	Total 2013 £'000	Total 2012 £'000
Depreciation on owned tangible assets	3,374	3,148
Depreciation on tangible assets held under finance lease	55	66
	<u>3,429</u>	<u>3,214</u>

Other direct costs comprise:

Repairs and maintenance of buildings-ongoing	2,555	2,398
Repairs and maintenance of buildings-dilapidation provision	643	-
Fuel, heat & light	2,095	1,914
Food and beverage costs	4,381	4,808
Activity & transport providers	708	938
Restructuring Costs	294	548
Travel	1,054	1,133
Communication Costs	489	514
Cleaning and laundry	2,258	2,245
Interest payable (note 4)	1,266	1,642
Marketing and Publications	739	688
Insurance	384	407
Auditors' Remuneration - audit	33	33
Auditors' Remuneration - non-audit services	7	27
Operating lease rentals - land and buildings	967	914
Operating lease rentals - fixtures & fittings	288	278
Other direct costs	2,694	3,294
	<u>20,855</u>	<u>21,781</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	
	2013	2012
	£'000	£'000
Wages and salaries	15,739	16,795
Social security costs	1,169	1,347
Other pension costs	877	680
Redundancy costs	269	548
	<u>18,054</u>	<u>19,370</u>

The average number of employees of YHA during the year was 1,148 (2012: 1,184).

The full time equivalent number of employees was 848 (2012: 983).

There was no management remuneration, contributions to a defined contribution pension scheme and compensation for loss of office paid during 2013 (2012: £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 (2012: £nil).

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

	2013	2012
£60,000 - £69,999	1	1
£70,000 - £79,999	1	-
£80,000 - £89,999	2	2
£90,000 - £99,999	1	2
£100,000 - £109,999	-	-
£110,000 - £119,999	-	-
£120,000 - £129,999	-	-
£130,000 - £139,999	1	1

YHA made payments of £30,000 (2012: £27,000) into defined contribution schemes for 4 (2012: 4) of these employees.

Out of pocket expenses were reimbursed to Trustees as follows:

	2013	2012	2013	2012
	Number	Number	£'000	£'000
Travel	<u>20</u>	<u>16</u>	<u>15</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:

	2013 £'000	2012 £'000
Total incoming resources	39,857	44,242
Gift Aid Donation from YHA Trading Limited	719	29
Total resources expended	<u>(39,395)</u>	<u>(43,278)</u>
Net incoming resources	1,181	993
Net investments gains	14	20
Actuarial gain/(loss) on defined benefit scheme	<u>64</u>	<u>(1,078)</u>
Net movement in funds	1,259	(65)
Funds:		
As 1 March 2012	<u>42,993</u>	<u>43,058</u>
At 28 February 2013	<u>44,252</u>	<u>42,993</u>

During the year the charitable company received a gift aid donation amounting to £719,000 (2012: £29,000) 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 2012	57,139	22,282	21,705	17,068	1,028	119,222
Transfers	578	-	(36)	-	(542)	-
Additions	901	138	216	853	5,143	7,251
Disposals	<u>(2,368)</u>	<u>(2,502)</u>	<u>-</u>	<u>(4,223)</u>	<u>(444)</u>	<u>(9,537)</u>
At 28 February 2013	<u>56,250</u>	<u>19,918</u>	<u>21,885</u>	<u>13,698</u>	<u>5,185</u>	<u>116,936</u>
Depreciation						
At 1 March 2012	14,417	3,018	10,259	12,010	-	39,704
Provided in the year	1,044	428	938	1,019	-	3,429
Disposals	<u>(717)</u>	<u>(547)</u>	<u>-</u>	<u>(4,005)</u>	<u>-</u>	<u>(5,269)</u>
At 28 February 2013	<u>14,744</u>	<u>2,899</u>	<u>11,197</u>	<u>9,024</u>	<u>-</u>	<u>37,864</u>
Net book amount						
At 28 February 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>
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>

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 £132,000 (2012: £156,000) and freehold property held under finance leases and similar hire purchase contracts of £1,258,000 (2012: £1,290,000).

Depreciation of assets held under finance leases and similar hire purchase contracts was £23,000 (2012: £27,000) on fixtures, fittings and equipment and £32,000 (2012: £33,000) on freehold property.

10 Fixed asset investments

Total fixed asset investments comprise:

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Interest in group undertakings	-	-	1	1
Other fixed asset investments	<u>885</u>	<u>871</u>	<u>885</u>	<u>871</u>
Market value at 28 February 2013	<u><u>885</u></u>	<u><u>871</u></u>	<u><u>886</u></u>	<u><u>872</u></u>

Interests in group undertaking

At 28 February 2013 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 2012	871
Additions	554
Disposals	(554)
Realised and unrealised gain	14
Market value at 28 February 2013	<u><u>885</u></u>

Notes to the financial statements

10 Fixed asset investments (continued)

At 28 February 2013 the other fixed asset investments were held as follows:

	2013	2012
	£'000	£'000
Unit trusts/investments trusts	14	13
Listed stocks and shares	844	822
Cash	<u>27</u>	<u>36</u>
Market value at 28 February 2013	<u>885</u>	<u>871</u>

At 28 February 2013 the following investments represented more than 5% of the portfolio by market value:

	Percentage	Value
	%	£'000
UK Treasury 3.5% War Loan Perp	7	61
Close Select Fixed Income Inc	<u>17</u>	<u>149</u>

11 Stocks

Group and Company	2013	2012
	£'000	£'000
Goods for resale	<u>276</u>	<u>294</u>

12 Debtors

Group and Company	2013	2012
	£'000	£'000
Trade debtors	241	320
Prepayments and accrued income	493	651
Other debtors	<u>1,112</u>	<u>538</u>
	<u>1,846</u>	<u>1,509</u>

Notes to the financial statements

13 Creditors: amounts falling due within one year

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Bank loans and overdrafts	650	603	650	603
Other loans	30	-	30	-
Trade creditors	3,178	2,834	3,178	2,834
Amounts due to group undertakings	-	-	1	1
Social security and other taxes	268	804	268	804
Other creditors	175	249	175	249
Accruals	1,886	2,324	1,886	2,324
Deferred income	5,680	6,156	5,680	6,156
Amounts due under finance leases	115	106	115	106
	<u>11,982</u>	<u>13,076</u>	<u>11,983</u>	<u>13,077</u>

14 Creditors: amounts falling due after more than one year

Group and Company	2013 £'000	2012 £'000
Bank Loans	23,579	23,258
Other loans	205	-
Amounts due under finance leases	1,084	1,199
	<u>24,868</u>	<u>24,457</u>

15 Provision for liabilities

	Dilapidations provision £'000
Balance at 1 March 2012	-
Arising in the year	643
Balance at 28 February 2013	<u>643</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 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 and Overdrafts	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>22,429</u>

Group and Company 2012

	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	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>

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 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.

Notes to the financial statements

17 Retirement benefits (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.

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

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 March 2012 of £34,834. In agreement with the Trustees of the scheme this amount have been increased to £35,879 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.

Pension cost

The charge for the year was as follows:

	2013 £'000	2012 £'000
Defined contribution pension schemes and multi-employer defined benefit scheme (contributions)	364	197
Defined benefit pension scheme (service cost)	-	243
Defined benefit pension scheme (expense allowance)	95	-
	<u>459</u>	<u>440</u>

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 2013. Scheme assets are stated at their market value.

The principal assumptions used by the actuary were:

		2013	2012	2011
Inflation CPI		2.3%	2.1%	2.9%
Rate of increase in salaries		4.2%	4.5%	4.9%
Rate of increase of pensions		2.3%	2.1%	2.9%
		(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%	3.4%	3.4%
Discount rate		4.5%	4.5%	5.5%

The post-retirement mortality assumptions used to value the liability at 28 February 2013 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 2033 is projected to be 25.5 years (2012: 24.6 years) compared to 23.3 years (2012: 22.8 years) for someone reaching 65 in 2013. The life expectancy of a female member reaching age 65 in 2033 is projected to be 27.2 years (2012: 26.1 years) compared to 25.3 years (2012: 24.5 years) for someone reaching 65 in 2013.

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

	Rate of return %	2013 Value £'000	Rate of return %	2012 Value £'000	Rate of return %	2011 Value £'000
Equities	7.20	6,636	7.10	5,923	8.00	5,295
Bonds	3.55	6,615	3.65	6,306	4.70	5,811
Property	6.20	891	6.10	776	7.00	719
Other	0.50	106	0.50	23	0.50	96
Total market value of assets		14,248		13,028		11,921
Present value of scheme liabilities		(17,816)		(17,007)		(14,969)
Net pension liability		<u>(3,568)</u>		<u>(3,979)</u>		<u>(3,048)</u>

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:

	2013 £'000	2012 £'000
Contributions	500	468
Current service cost	(95)	(243)
Expected return on pension scheme assets	700	753
Interest on pension scheme liability	(758)	(823)
Loss on curtailment	-	(8)
	<u>347</u>	<u>147</u>
Actuarial gain/(loss) (see below)	64	(1,078)
	<u>411</u>	<u>(931)</u>
Deficit in scheme at beginning of year	<u>(3,979)</u>	<u>(3,048)</u>
Deficit in scheme at end of year	<u>(3,568)</u>	<u>(3,979)</u>
Actual return less expected return on pension scheme assets	441	233
Experience gains and losses arising on the scheme liabilities	249	(134)
Changes in the assumptions underlying the present value of the scheme liabilities	(626)	(1,177)
Actuarial gain/(loss)	<u>64</u>	<u>(1,078)</u>

The net of the expected returns on pension scheme assets and interest on pension scheme liabilities of £58,000 (2012: £70,000) 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:

	2013 £'000	2012 £'000
Opening defined benefit obligation at 1 March	17,007	14,969
Service cost	-	243
Interest cost	758	823
Expenses allowances	95	-
Employee contributions	-	59
Loss on curtailment	-	8
Actuarial losses	377	1,311
Benefits paid	(421)	(406)
Closing defined benefit obligation at 28 February	<u>17,816</u>	<u>17,007</u>

Notes to the financial statements

17 Retirement benefits (continued)

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

	2013	2012
	£'000	£'000
Opening fair value of scheme assets at 1 March	13,028	11,921
Expected return	700	753
Actuarial gains	441	233
Employer contributions	-	468
Employee contributions	500	59
Benefits paid	(421)	(406)
Closing fair value of scheme assets at 28 February	14,248	13,028

	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets at 28 February	14,248	13,028	11,921	10,487	8,193
Present value of defined benefit obligation at 28 February	(17,816)	(17,007)	(14,969)	(14,879)	(10,338)
Deficit in the scheme	(3,568)	(3,979)	(3,048)	(4,392)	(2,145)
Experience adjustments on scheme assets	441	233	462	1440	(2,626)
Experience adjustments on scheme liabilities	(377)	(134)	302	171	(438)

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 Pensions Trust have now concluded and published the actuarial valuation of the scheme as at 30 September 2011. The assets and liabilities and comparison to the previous triennial valuation in September 2008 were as follows:

	30 Sept	30 Sept
	2011	2008
	£'000	£'000
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	30 Sept
	2011	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%	-

Notes to the financial statements

17 Retirement benefits (continued)

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.

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.

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 2012 £'000	Realised gain £'000	Unrealised loss £'000	At 28 February 2013 £'000
Wilderhope Funds	113	16	(14)	115
Richards bequest	351	51	(44)	358
Peter Grant Fund	69	10	(9)	70
Peter Grant Endowment Fund	87	12	(11)	88
Merseyside YH Golden Jubilee Trust	133	-	-	133
	<u>753</u>	<u>89</u>	<u>(78)</u>	<u>764</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 2012 £'000	Incoming resources £'000	Expenditure £'000	Transfers to/from unrestricted fund £'000	At 28 February 2013 £'000
Breaks 4 Kids Fund	663	64	(189)	15	553
Go Green Appeal	45	-	-	-	45
SHF Small Hostel Fund	24	22	(4)	-	42
FAB Camps	89	99	(107)	-	81
Capital Grants & Donations	1,324	570	(66)	(431)	1,397
Revenue Grants & Donations	-	4	(2)	(2)	-
Other	178	19	(35)	(16)	146
	<u>2,323</u>	<u>778</u>	<u>(403)</u>	<u>(434)</u>	<u>2,264</u>
				2013 £'000	2012 £'000
Restricted funds (capital)				1,397	1,324
Restricted funds (other)				867	999
				<u>2,264</u>	<u>2,323</u>

Amounts received in each year are 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 £189,000 (2012: £187,000).

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. £4,000 was spent from the fund this year for much needed maintenance at Coniston Copper Mines.

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	77,675	1,397	-	79,072
Investments	121	-	764	885
Current assets	4,489	867	-	5,356
Current liabilities	(11,982)	-	-	(11,982)
Long term liabilities	(25,511)	-	-	(25,511)
Pension liability	(3,568)	-	-	(3,568)
	<u>41,224</u>	<u>2,264</u>	<u>764</u>	<u>44,252</u>

Company

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total £'000
Tangible fixed assets	77,675	1,397	-	79,072
Investments	122	-	764	886
Current assets	4,489	867	-	5,356
Current liabilities	(11,983)	-	-	(11,983)
Long term liabilities	(25,511)	-	-	(25,511)
Pension liability	(3,568)	-	-	(3,568)
	<u>41,224</u>	<u>2,264</u>	<u>764</u>	<u>44,252</u>

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

	2013 £'000	2012 £'000
Changes in resources	1,181	1,028
Depreciation	3,429	3,214
FRS 17 adjustment	(347)	(147)
Profit on sale of tangible fixed assets	(2,419)	(2,198)
Interest charge	1,266	1,642
Investment income	(29)	(21)
Decrease in stock	18	30
Decrease/(increase) in debtors	473	(227)
(Decrease)/increase in creditors	(1,179)	874
Increase in provisions	643	-
Net cash inflow from operating activities	<u>3,036</u>	<u>4,195</u>

Notes to the financial statements

22 Reconciliation of net cash outflow to movement in net debt

	Group	
	2013	2012
	£'000	£'000
Increase in cash	921	1,608
Cash outflow from movement in debt and lease financing	<u>(497)</u>	<u>(1,630)</u>
Change in net debt resulting from cashflows and movement in net debt	424	(22)
Net debt at 1 March	<u>(22,853)</u>	<u>(22,831)</u>
Net debt at 29 February 2012	<u>(22,429)</u>	<u>(22,853)</u>

23 Analysis of changes in net debt

	At 1 March 2012 £'000	Cash flows £'000	Non-cash changes £'000	At 28 February 2013 £'000
Cash in hand and at bank	2,313	921	-	3,234
Debt within one year	(603)	573	(650)	(680)
Debt after more than one year	(23,258)	(1,176)	650	(23,784)
Finance leases	<u>(1,305)</u>	<u>106</u>	<u>-</u>	<u>(1,199)</u>
	<u>(22,853)</u>	<u>424</u>	<u>-</u>	<u>(22,429)</u>

24 Capital commitments

The aggregate amount of capital expenditure contracted for but not provided in these financial statements is £nil (2012: £nil).

25 Leasing commitments

Operating lease payments amounting to £1,294,000 (2012: £1,313,000) are due within one year. The leases to which these amounts relate expire as follows:

Group and Company	2013		2012	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
In one year or less	145	67	186	15
Between one and five years	30	259	26	395
In five years or more	<u>793</u>	<u>-</u>	<u>691</u>	<u>-</u>
	<u>968</u>	<u>326</u>	<u>903</u>	<u>410</u>

Notes to the financial statements

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.