

COMPANIES HOUSE

YHA (England and Wales)
Financial statements
For the year ended 28 February 2019



Company registration number: 282555
Charity registration number: 306122

Registered office: Trevelyan House
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Report of the Trustees incorporating the Strategic Report

The Trustees, who are also Directors of YHA (England and Wales) ("YHA"), present their report together with financial statements for the year ended 28 February 2019.

This year saw a more challenging trading environment which saw trading income flat against the previous year and slightly down on budget. However, it was still our second-best year ever for both turnover and surplus. This enabled us to continue our planned programme of investment in our network of hostels, including major investments across the length and breadth of our network including Bath, Holmbury, Helvellyn, Street and Swanage.

We were delighted that our programme of modernisation and focus on operational efficiency was rewarded by getting to the No.1 not for profit hostel operator in the world, as measured by an independent survey of guest satisfaction commissioned by Hostelling International.

We continued to press ahead with developing our profile and plans to put YHA back on the map as a leading national charity for young people. This work has already resulted in new programmes and partnerships, such as the new Family Activity Breaks piloted this year, and a new partnership with the Youth Sports Trust encouraging young people to get active outdoors.

Our focus on this area was further strengthened by the creation of a new Director of Strategy and Engagement role to which we appointed Anita Kerwin-Nye in November. Anita joined us following a senior level career in charities and education and is leading with the Board on the development of our next 5-year strategy, to be developed in 2019 ready for launch in our 90th year in 2020.

Also in the year, we were pleased to complete major projects to upgrade and refresh our website, to introduce a completely new membership scheme, and to implement the changes to voting and governance agreed at the 2018 AGM.

Charitable objects

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

Mission and Vision

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

Our vision is to reach out and enhance the lives of all young people, with the goal of reaching one million young people every year.

Public Benefit Statement

Our Trustees give careful consideration to the Charity Commission's general guidance on public benefit during our planning processes and delivery of our work.

As a leading youth charity, YHA's purpose is to harness the transformative power of travel, adventure and discovery for young people. It seeks to create an environment that ensures those involved have equal opportunities to explore, learn, share and grow.

YHA provides inspiring opportunities for young people with the principal belief that where you go changes who you become. Over 400,000 young people under the age of 26 stayed with YHA last year.

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With more than 150 locations throughout England and Wales, YHA offers a unique range of affordable and accessible accommodation, including Youth Hostels, camping and cabins in rural, coastal and city locations, often benefitting from spectacular buildings or scenery.

YHA encourages people to get involved through staying in one of its locations, on a school trip, a summer camp, work experiences, volunteering, donating or taking part in one of YHA's challenge events like the London Marathon.

YHA now has 84 Learning Outside the Classroom (LOtC) accredited sites, more than any other provider. As part of its commitment to quality outdoor education, YHA is championing Learning Away's #BrilliantResidentials campaign, encouraging more young people to experience residential school trips with an overnight stay. Residential school trips can lead to meaningful, life-enhancing outcomes such as increased resilience, self-confidence, acquisition of new skills, better social relationships and educational achievements. 111,000 young people had this opportunity with YHA in 2018/19.

YHA makes the biggest positive impact on those who stay with us where we can make a real contribution to improving physical and mental health and wellbeing, and to the development of crucial life skills. Every bed, in every hostel, on every night of the year can make a positive difference to somebody.

Everyone who stays at one of our hostels, cabins or campsites contributes to our work as a youth charity, because the income we generate is reinvested back into our network, people and programmes. This enables us to prioritise opportunities for young people, and especially those for whom adventures and travel would otherwise not be possible. We support and fund stays and activity programmes for families and young people facing adversity, and with the changed scope of our "Breaks" bursaries are now able to achieve deeper impact on young people with challenging lives.

We are proud to be a part of Hostelling International (HI) which brings together over 60 not for profit hostelling organisations from around the world, and we share their values of enriching young lives through travel and social interaction with young people of different backgrounds and cultures. As the second largest National Association, we take seriously our responsibilities to share learning with other associations and to pro-actively contribute to the wider movement. Our Chief Executive James Blake is a member of the HI future strategy working group and we look forward to playing a key role in supporting HI as it looks to shape the future of the international network in the year ahead.

More detail on the positive difference YHA makes, especially to the lives of young people, is regularly updated on the impact pages of the YHA website.

STRATEGIC REPORT

Strategic review

To deliver our mission and vision, YHA has just completed the second year of our 2017-2020 Business Plan, which is based on four key strategic themes:

- Developing our world class teams
- Delivering a sustainable network of world class hostels
- Achieving more reach and impact through funding and partnerships
- Putting our customers and members at the heart of everything.

We have set ambitious, overriding aims for the three years of the plan around each of the strategic themes.

Report of the Trustees incorporating the Strategic Report

Developing our world class teams:

- To deliver a consistent world class experience for all our guests and beneficiaries
- To create an engaged workforce
- To strengthen our volunteering and supporter community

Delivering a sustainable network of world class hostels

- To deliver a new hostel at YHA London Stratford
- To create a network of hostels that we are proud of
- To continue to deliver occupancy and financial growth
- To demonstrate strong financial management to meet our increased borrowings

Achieving more reach and impact through funding and partnerships

- To demonstrate a meaningful impact
- To grow income through fundraising
- To extend our reach through partnerships

Putting our customers and members at the heart of everything

- To define membership, engagement and loyalty for the future
- To develop an integrated insight driven customer journey
- To raise awareness of YHA
- To maintain a safe, secure and accessible environment

These overriding aims have provided the platform for the development of priority projects in 2018/19, the second year of the three-year Business Plan and are detailed in our annual Operating Plan.

Developing our world class teams

We strive to **deliver a world class experience** for all those who stay with us and our work focusses on providing consistency across our diverse range of hostels.

Designed to be an easily accessible and consistent guide to everything YHA does, the World Class Manual sets out best operating practice and processes confirming the specifications of products, ensuring consistency in our ways of working, and supporting our teams in keeping our services and standards high.

Since its launch in 2016 this has helped to drive up the post-stay satisfaction scores of our visitors. Scores for those who booked directly with us, collected by post stay surveys, was almost exactly the same as the previous year's record levels (91.1% vs 91.4%).

We also have access to the scores of online reviews for 60 of our hostels through online channels including booking.com and TripAdvisor. The scores are calculated slightly differently to our own surveys. This data showed an overall satisfaction score of 87.9%, up 1.4% on last year. Hostelling International have access to the scores for all hostels across their global hostelling network; their analysis shows that across our whole network our year average figure was 88.3% which saw us jump 6 places to be the Number 1 hostel organisation in the global network.

Our net promoter score – the % of those who would recommend us – is an industry leading 70.6%.

This year saw us retain our Investors in People (IIP) Gold standard business reinforcing our commitment to **creating an engaged workforce** at the heart of what we do.

Report of the Trustees incorporating the Strategic Report

We want our employees to be our best ambassadors, and our internal communications strategy is in place to ensure that communication throughout YHA is a two-way process, that our communications to our people are clear and purposeful and that they reach everyone in the organisation.

A key component remains our annual employee engagement survey and ensuring that as in previous years we take action and communicate on key issues identified in the survey. This year, following the launch of our new 3-year People Strategy, we were pleased to see a 4% rise in employee engagement scores from 66% to 70%.

We have a three-year volunteering plan aimed at **strengthening our volunteering and supporter community.**

This incorporates youth volunteering, introduction of a new Working Holiday framework, developing partnerships, volunteer Manager training and wider volunteer training, as well as the implementation last year of a new web-based volunteer management system, Kinetics.

We now have 15,156 registered volunteers of which 33% are under 26. Last year 23 volunteering roles and 724 opportunities to volunteer were published which resulted in a total of 1,984 active volunteers (of whom 947 were under 26) producing a total of 150,046 volunteering hours. Youth volunteering grew by 29% in 2018-19.

Delivering a sustainable network of world class hostels

The opportunity to expand our groups offering in London with a **new hostel in Stratford East London** remains a key objective for YHA.

The site is complicated, and it requires a lot of work to assemble and to bring forward the land capable for development. Working with our partners we have already relocated a taxi rank and National Express parking, relocated British Transport police and demolished their building, secured planning consent (YHA chose to amend the compliant designs post Grenfell so requiring a further planning application), completed our site investigations and we have tendered the project 3 times to drive best value for YHA in a challenging construction market.

Despite this progress there have continued to be delays between the current landowners in finalising arrangements for them to be able to sell on the land to YHA. It is complicated by Network Rail plans to bring back into use the former ticket hall which lies under part of the site. This will be fantastic for the YHA hostel but has further complicated matters and led to delays as the current owners seek to finalise arrangements that will enable Network Rail to achieve their strategic aims and for YHA and others to develop out the site above.

The Trustees continue to monitor overall progress on the project both through the main Board and in more detail through the Performance and Audit Committee.

Across the wider network our focus remains in ensuring we are able to invest in our buildings to **create a network of hostels that we are proud of.**

As well as £4.4m invested in our day to day repairs and maintenance, our capital investment strategy for the year saw us invest a further £4.3m across the network including completion of refurbishment projects at YHAs Bath, Perranporth and Swanage. This amount also included the start of refurbishments of YHAs Coniston Coppermines, Helvellyn, Holmbury and Street which will be completed early in 2019/20.

This investment would not have been possible without our continued focus on delivering **occupancy and financial growth.**

Our record revenue performance in 2017/18 proved difficult to beat in 2018/19 with the "beast from the east" causing cancellations and dampening demand at the start of the year, and a generally sluggish marketplace for accommodation in play for the majority of the year, particularly in London. This reflected trends in the wider accommodation and hostelling sector.

Report of the Trustees incorporating the Strategic Report

Groups trading was a key focus during the year with new processes and structures put in place to support growth moving forward. Groups support our trading position but are also where we see maximum impact on our charitable object. Whilst our group volumes were down at the beginning of the year and into the autumn period, we started to see these initiatives driving sales across the traditionally quieter winter period with a 7.6% increase from November to February. We are also seeing this positive change reflected in bookings for 2019/20.

Occupancy at our sites continues to be improved by the provision of other alternative accommodation (AA) options – we now have 36 locations offering a number of different types of accommodation including pods, safari tents, cabins, premium and standard bell tents, tipis, land pods, and camping barns. A further 41 sites offer pitch up camping. Our overnight income from AA (excluding food and beverage income) was over £1.1m in 2018/19, a 14.7% increase on the previous year.

In a similar vein our Exclusive Hire business – where the entire hostel can be booked by guests for sole use – increased by 5% to £1.5m this year, helping us to raise occupancy across the network in the winter season.

The monitoring of performance plays a key role in ensuring we have the **strong financial management to meet our increased borrowing requirements** as we invest in the network.

As well as the regular business analysis reports available to our Operational Teams and the Board of Trustees covering both actual performance and future orders and forecast performance, this year has seen a continued improvement in our Post Implementation Reviews (PIRs) of major projects. This covers both the execution of the project and financial performance aimed at highlighting learning for similar future projects.

Achieving more reach and impact through funding and partnerships

Our ability to **demonstrate a meaningful impact** continues to be the catalyst for the work we have undertaken to sharpen our charitable focus.

Last year the Board agreed a new sharpened focus on physical and mental health and wellbeing and life skills – for all, but especially for young people with challenging lives. This year we have started to develop what this means for our programmes, partnerships and profile. Over the course of the year, the Board agreed new strategies on communication, partnerships and voluntary income, and we created the new Strategy and Engagement Directorate charged with developing a step change in our impact over the coming years.

New initiatives in the year included piloting of our new Family Activity Breaks programmes in partnership with the Family Holiday Association and Family Action, which saw 84 disadvantaged family members given a free 2-night weekend stay with activities, fully funded by our Breaks bursaries.

We continue to work on our impact measures, the post stay evaluation report for the Family Activity Breaks showed that 100% of the families were now planning together, felt confident about going away as a family in the future, and felt more confident about the future.

Our focus on impact looked in more detail at those who already stay with us, which includes 200 of the 500 schools identified by government in areas of highest deprivation. More details on this and our other programmes will be brought together in our third impact report to be published in summer 2019.

Last year we invested in our fundraising team which enabled us to develop a detailed fundraising strategy agreed by the Board. Whilst this is a long-term investment, we are already seeing the benefits in **growing our income through fundraising** with a 51.8% increase in non-legacy income from £227k to £345k this year.

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We continue to **extend our reach through partnerships** - this year saw us developing a new partnership with the Youth Sports Trust, including finalising plans to pilot their well-regarded programmes to get young people active in two of our hostels in 2019. This is in addition to our work with many existing partners – including our specialist camp offerings with the Royal British Legion and the RAF, the National Citizen Service (NCS); British Triathlon, Leeds Beckett University, the Duke of Edinburgh's Award.

This year also saw us re-engaging with Government, and leading a consortium bid to the Government Children and Nature fund. While we were ultimately unsuccessful, we have used this as a platform for further conversations and bids to Government in 2019.

In total, 422,512 young people have enjoyed safe, healthy, fun and active experiences with us in 2018/19, which includes 1,465 working and volunteering with us, 411,643 who stayed with us, and 9,404 young people who used our facilities in the daytime. In addition, we used social media, our website and our YouTube channel to engage with another 1,237,493 young people - adding in this online interaction gave us an overall reach last year to 1,660,005 young people.

Putting our customers and members at the heart of everything we do

Our focus around **defining membership, engagement and loyalty for the future** resulted in a major overhaul of our membership scheme that was launched at the end of 2018/19. This aims to engage not just our existing 146,025 members but a potential supporter base of all those who choose to stay with YHA and recognises the contribution and impact all our supporters make to YHA's purpose.

Following a favourable vote at the 2018 AGM, we have developed plans to allow the Association Membership (all YHA members except those under 16 years of age or employees) to vote on motions and elect the Trustees and Nominations Panel members online in advance of each AGM. We have also created and rolled out a new Company Member scheme, which saw over 600 members register as Company Members by the end of 2018/19.

We continue to enhance our insight and engagement capabilities, with our ongoing analysis and segmentation of customer and supporter data within the new GDPR (General Data Protection Regulations) requirements. YHA's email programmes have continued to evolve, with improved personalisation and relevance resulting in a 9% increase in click-through rates year-on-year, and an ongoing performance well above the national average Key Performance Indicators (KPI's) for both the charity and hospitality/travel sectors. The development of our data analysis and reporting tools in the year also provided the network with quicker and more detailed access to the feedback from our Families and Individuals (F&I) and group customers that complete post-stay surveys.

Pre-stay emails have been successfully rolled out across the network to ensure each F&I booker receives consistent and branded communications, tailored to the hostel they are due to stay at, the week before their stay. These provide key information relevant to their stay that acts as both a reminder and an engagement opportunity to enhance their YHA experience pre-arrival. These are achieving high average open rates in the region of 70%.

At the start of the year, as part of our plans to deliver an **integrated insight-driven customer journey**, we launched the new YHA website (www.yha.org.uk). This brought significant performance improvements to the digital user experience (modern brand image, faster, stable, more secure), resulting in improved conversion rates for families and individuals making online hostel bookings and individual donations. Since the launch, an active programme of incremental development continued throughout the year, refining customer journeys through data-driven insights, with an aggressive development schedule of fortnightly upgrades to the live website. Alongside this, significant investment in user-tested prototyping and major development of user-journeys were built to support the new membership & engagement digital experience.

Our plans around **awareness and perception of YHA** developed significantly during the year, defining our messaging to clearly articulate YHA's charitable purpose, and updating our brand guidelines. Campaign activity and digital content developed around the themes of stay, join, give and volunteer, as well as dedicated campaigns and video content to launch YHA's purpose messaging and positioning.

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Maintaining a safe and secure environment for all our guests remains a key focus for the organisation. We seek to do this by maintaining industry leading policies and practices relating to safeguarding, health and safety and security policies and practices and ensuring that risk management policy and management is embedded in the organisation. These policies are subject to regular review at Operational and Board level as well as independent internal and external audit of any key areas identified. This year we took the opportunity, in the light of further national Charity Commission guidance, to complete a thorough review of our safeguarding and incident management arrangements.

Finally, in 2018/19, we refreshed and revitalised our work to showcase YHA's commitment to sustainability and the environment, led by the creation of a new Environmental Co-Ordinator. Early wins included: removal of all plastic straws; installation of LED lights in our HQ in Matlock; an 8% increase in on-site recycling from October 18 to Jan 19 with a clear plan to increase further; installation of electric car charging points at our offices; joining the National 'Refill' scheme to allow anyone to fill up water bottles with us; and an ambitious plan to remove plastic water bottles in all school packed lunches. This was successfully trialled by the installation of refill stations in 5 hostels, which had risen to 20 by the end of March 2019 due to their success.

Performance review

	2019 £ million	2018 £ million	2017 £ million	2016 £ million
Hostel revenues	49.4	49.4	47.3	46.3
Hostel direct costs	(32.9)	(32.2)	(31.6)	(31.0)
Hostel surplus	16.5	17.2	15.7	15.3
Membership and fundraising income	2.2	2.2	1.7	1.8
Non hostel costs	(10.1)	(9.7)	(9.4)	(9.3)
Surplus before maintenance and investment	8.6	9.7	8.0	7.8
Current year maintenance and investment	(4.4)	(4.3)	(3.9)	(4.7)
Loan repayment and interest on previous investment	(1.4)	(1.3)	(1.8)	(1.9)
Operating surplus	2.8	4.1	2.3	1.2

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

In a difficult trading environment, the 2018/19 surplus before maintenance and investment was £8.6m, £1.1m below last year's record figure but £0.6m above the previous record year in 2016/17. This cash was then used to pay for on-going repairs and maintenance of £4.4, including £0.7m of a capital nature. A further £1.4m was required to pay for interest and capital repayments on loans previously taken out to pay for major capital investments. This left a significant cash surplus of £2.8m which was used to fund major investments in the network without recourse to material increases in borrowings.

Trading in 2018/19 was tough with revenues matching but not exceeding 2017/18 record levels. The "beast from the east" at the beginning of the year saw us trading £0.4m down on previous year levels and whilst in continued tough market conditions we managed to recover that deficit over the remainder of the year, we fell short of the £1.2m budget increase we set at the beginning of the year.

This budgeted increase was needed as we knew that our cost lines would grow in 2018/19 with the impact of the increase in National Minimum Wage and utility costs – the actual increase of £0.7m was £0.1m less than budgeted.

Membership and fundraising income, helped again by some very generous legacies received in the year, held at last year's levels.

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Our non-network costs which include all those costs not incurred directly at our hostels were £0.4m (4.5%) up on last year but £0.1m lower than budget as we continue to invest in those areas which support our engagement and impact. Spend last year on Membership, Fundraising, Volunteering, Programmes & Partnerships and Governance was £1.2m, a £0.2m increase on previous year.

This resulted in the surplus before maintenance and investment of £8.6m. After the £4.4m required to meet our day to day maintenance spend and the £1.4m for existing loan interest and repayments, we were able to generate a cash surplus of £2.8m.

This in turn allowed us to fund this year's significant capital projects with only a £0.5m increase in our borrowings.

As well as the financial information reported to the Trustees our quarterly reports on progress of our Operating Plan includes a number of KPIs covering both financial and non-financial measures. This detailed set of over 30 measures are grouped around our 4 key strategic themes.

Some of these key measures are included elsewhere in our report notably our customer satisfaction and net promoter scores, numbers of volunteers, employee survey results, educational group numbers and our overall reach.

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

	2019 £ million	2018 £ million	2017 £ million	2016 £ million
Net surplus per management accounts	2.8	4.1	2.3	1.2
Loan repayments	0.2	0.2	0.7	0.8
Capital investments	0.7	0.9	1.2	1.6
Depreciation	(4.9)	(4.7)	(4.7)	(4.1)
Profit on property sales after re-organisation costs	0.6	0.3	0.2	2.2
Capital grants	0.1	0.0	0.1	0.4
Non trading items*	(0.1)	(0.2)	(1.5)	0.1
Non actuarial pension and investment movement	0.5	0.6	0.5	0.0
Operating statement surplus	(0.1)	1.3	(1.3)	2.2

*Non trading items includes one off charges relating to refinancing 2019 £nil 2018 £nil 2017 (£1.5m) 2016 £nil; provisions made for dilapidation obligations on lease properties 2019 £20k 2018 £40k 2017 £nil 2016 £nil; and changes in accounting policies 2019 £0.1m 2018 £nil 2017 £nil 2016 £0.1m.

Going concern

The Trustees have prepared these financial statements on the going concern basis. The Trustees have reviewed forecasts to May 2020 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.

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Future Plans

YHA Strategic and Business Plans

As noted in the Strategic Review the Trustees have agreed a three-year business plan from 2017–2020, 2019/20 will be the final year of this plan and the Board have signed off the detailed Operating Plan for the year to achieve the overall objectives set. The Board have also commenced detailed planning for our next business cycle starting with setting our long-term strategic goals before agreeing our next 3-year operating plan to deliver these goals.

Operating Plan 2019/20

The Operating Plan reflects the detailed plans required to deliver our four key strategic themes and progress is reported back to the Board on a quarterly basis. Key projects and focus will again be focussed on:

- Developing our world class teams
- Delivering a sustainable network of world class hostels
- Achieving more reach and impact through funding and partnerships
- Putting our customers and members at the heart of everything.

Key projects for this year include bringing together a more pro-active and strategic approach to groups; developing the new YHA strategy for 2020; Project London – aimed at improving quality and standards in our London hostels; and a project to update our brand standards and consider the implication for our hostels.

Risk Review

The YHA seeks to embed risk management into day to day working practices. Leading this is the identification and treatment of the key Organisational Risks. The Board have agreed that as well as a formal review of the full risk register once a year, each Board meeting will consider an individual risk in detail to ensure that they are aware of and agree the key risks facing the business and the mitigation that is in place to manage these risks

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

Operational

- Safeguarding: Failure to implement and monitor adherence to the policy, particularly around recruitment, induction and mandatory training
- Safeguarding: Inadequate arrangements
- Serious Physical Harm from Persons – due to failure of YHA
- Fatality due to failure of YHA
- Lack of Control over those that work with us; contractors, partners, service providers and activity providers

Changes in Legislation/Status

- Non-compliance with legislation, both current and upcoming.

Systems/People

- Uncontrolled Management of YHA and/or customer data
- A major Cyber security incident
- Board members / directors and staff/Ambassadors with key skills and knowledge, leave or are subject to negative press attention.

Major Project Failure

- London Stratford - non delivery within business plan parameters
- Major project failure - non delivery within business plan parameters

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Major Loss

- Prolonged loss of Website of 5 days or more, and/or booking systems through 3rd party failure
- Loss of major hostels. Hostel/s cannot operate for prolonged period
- Loss of National office such that it cannot operate for prolonged period or is destroyed.

Profitability

- Low profit levels
- Wider economic climate downturn, national and international risks, such as terrorism or foot and mouth.
- Funding the capital strategy including potential to breach bank covenants
- YHA Engagement is not compelling enough
- Inconsistent approach to product delivery

Controls have been identified to minimise and manage these and other risks. The effectiveness of the controls is monitored on a quarterly basis by both the Risk Management Group and the Performance and Audit Committee and, if necessary, further actions are identified to reduce the risks. Further details of how risk is managed within YHA are outlined on page 17.

GOVERNANCE AND ADMINISTRATION

Board of Trustees

Organisation

The Board of Trustees has overall responsibility for the work of YHA, setting strategy, direction and targets.

During 2018 /19 the Board met five times. Some responsibilities are delegated by the Board to the Performance and Audit Committee [PAC] and the Remuneration Committee [RemCo]. For practical reasons the Board has delegated the execution of the signing of long-term loan agreements through its Financing Committee and the organisation and logistics of the AGM to the Annual General Meeting Committee.

The Board delegates day to day management to the Chief Executive and Executive Team.

Up until 2018, Trustees were elected by the company members at the AGM. From 2019, the vote for the Trustees has been widened to all Association Members. That vote will be held online in advance of the AGM with the result announced at the meeting

The Board of Trustees has up to 15 members and may co-opt a further two. None of the Executive, including the Chief Executive, is a member of the Board. The tenure on the Board is a maximum of two, four-year terms. This may be extended if taking up a National Officer position. All the Trustees are unpaid volunteers recruited from the wider YHA membership.

At last year's AGM in June 2018 Paul Wright came to the end of his second term of office as a Trustee and stood down from the Board. Vishaal Virani came to the end of his first term as a Trustee and did not stand for re-election.

Josie Murray was re-elected to the Board for a further term. Hannah Patterson and Simon Reeve were appointed as Trustees for an initial four-year term.

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Principles of governance

With regard to governance, YHA supports the principles of good governance set out in the Charity Governance Code for larger charities and the continuous improvement model that it promotes. During the financial year, YHA completed a gap analysis of compliance with the provisions of the Code. In addition, Russell-Cooke Solicitors were engaged to undertake an external governance review which focussed on three sections of the Code for larger charities: Purpose; Decision Making; and, Board Effectiveness. The results of both reviews were positive, and an action plan is being developed for some areas that would benefit from improvement.

Training

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

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

Elections to the Board

Candidates are proposed by the Nominations Panel (NP) which reports directly to the AGM. The panel interviews potential Trustees and puts forward a short-list of nominations.

The NP is made up of:

- An independent Chair. A new Chair, Paula Yates was elected at the 2018 AGM
- A Trustee representative
- Two members elected by and from the Association Membership.

The Board advises the NP 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 NP is tasked with advertising for and interviewing potential Trustees with the requirement to derive a short-list of suitable individuals to be included in a vote bearing in mind the skill gaps identified by the Board. Until 2018, the vote for the Trustees took place at the AGM but from 2019 will take place online before the AGM, with the result announced at the meeting.

19 people applied to become Trustees in 2018 from whom the NP nominated six candidates, including 2 existing trustees, to go forward to the AGM in June 2018 and one candidate stood independently.

One of the existing trustees withdrew from the process just before the AGM due to a change in their employment circumstance. The one remaining existing trustee and two new applicants put forward by the NP were elected by the AGM.

Members of the Board of Trustees at 28 February 2019

Peter Gaines, Chair

Peter was elected as Chair in 2015 and reappointed by the Board in 2017. He joined the Board in 2012 to fill a casual vacancy and was elected Vice Chair in 2013. Previously he worked for 30 years as an executive in the petrochemicals industry before establishing a successful business consultancy to progress interest in UK / EU renewable energy policy and sustainable governance. Peter will stand down as Chair and as a member of the Board with effect from the conclusion of the 2019 AGM.

Report of the Trustees incorporating the Strategic Report

Margaret Hart, Vice Chair

Margaret's career has included social work, the children's voluntary sector and higher education all underpinned by a passion for enhancing the lives of young people, particularly those from disadvantaged backgrounds. As Corporate Director of one of Britain's largest children's charities Margaret led a governance review and pioneered innovative ways of involving young people in management and governance. Margaret has been an avid hosteller for many years, regularly using hostels as a base for climbing the Wainwrights and Munros. During the year Margaret was elected as Chair with effect from the conclusion of the 2019 AGM.

Cathryn Hayhurst

Cathryn was elected as a Trustee in 2017. Cathryn is a qualified accountant and insolvency practitioner with a BSc in Environmental Sciences, and is currently a member of the senior finance team at The Co-op. Previously she worked for five years at the National Trust where she led the finance business partnership for the North Region. Prior to the National Trust, she developed her finance skills at KPMG and funding strategy at Barclays. Access to the outdoors is one of her passions which has led to her becoming Secretary of State appointed member for the Lake District National Park.

Marcus Holburn

Marcus is a qualified Chartered Accountant with more than 20 years' experience in both large and small businesses. He is currently Finance Director of a consumer finance business in the Thames valley, and previously spent 14 years at M&G Prudential in a number of senior finance, risk management and commercial roles. Marcus is a passionate believer in the YHA purpose and values. He has enjoyed hostelling since his teenage years, for canoeing and walking trips to different parts of the UK.

Barbara Kasumu

Barbara is the Director of Membership, Talent and Inclusion for the National Union of Students (NUS) a voluntary member organisation representing the interests of more than 7 million students and 600 students' unions. Barbara has championed equality in over 50 organisations across three continents. Barbara consults and speaks on the participation, employment and leadership of young people and women. She has represented the voice of seven million young people on the international stage including at the G8 and G20 summits. Barbara has a BA in Politics and a Masters in International Public Policy from University College London.

Ian Maginnis, Treasurer

Ian joined the YHA Board in 2014 and was elected by the Board to the role of Treasurer in 2016. As Treasurer he is also Chair of the PAC. Ian has had a successful career as a senior executive in large private and public sector organisations, specialising in strategic management and finance. Over the past decade, Ian has worked at Board level with a number of high-profile organisations, leading strategy development and business transformation programmes, to improve their performance and ensure long term success.

Josie Murray

Josie joined the Board in 2015. Josie has worked in the historic environment sector throughout her professional life and during the past twenty years exclusively with property. This has ranged from major infrastructure projects to private residential properties. She is currently involved in the management and interpretation of historic buildings and is particularly interested in ensuring that buildings are effectively managed to protect their historic significance while delivering commercial objectives. Josie took over as chair of Remco after the February 2019 Board Meeting.

Report of the Trustees incorporating the Strategic Report

Hannah Paterson

Hannah has significant experience in the not-for profit sector. She currently works as a Senior Portfolio Manager for the UK Portfolio team at the National Lottery Community Fund focusing on developing and implementing the aims of the portfolio. Her work has included focusing on diversity and inclusion as well as programme design and development using participatory approaches. She is a Churchill Fellow and is researching the topic of participatory grant making in South Africa and the USA. Before this she worked within the disability sector campaigning and lobbying for improved access to education for disabled students. Outside of work Hannah is extremely embedded in local community work that brings together people from different backgrounds around shared themes.

Simon Reeve

Simon has significant international experience in developing teams and organisations, especially in engineering-related industries. In his current role, he steers Technology & Innovation activity at Lloyd's Register, an organisation that works to improve the safety of people and equipment in critical infrastructure industries worldwide. Through its charitable arm, the Lloyd's Register Foundation, the organisation supports research, education, skills development and public engagement across all sectors and sections of society for a safer world. In his spare time, Simon is an avid outdoor enthusiast engaging in cycling, hill-walking, canoeing, sailing, surfing and skiing, frequently staying in Youth hostels as part of these activities.

Chris Roberts

Chris is an international business lawyer who specialises in managing legal and compliance matters for large companies. Chris has previously served as a charity trustee for charities active in providing housing services and helping to address homelessness associated with alcohol addiction. Chris is a life member of YHA. He has been hostelling in the UK and internationally since his youth and together with family and friends. He enjoys outdoor activities, such as scuba diving. Chris was delighted to be elected to the Board of Trustees in July 2013. He has served as Chair of the Remuneration Committee until February 2019.

Fiona Steggles

Fiona is a senior lecturer in journalism at the University of Central Lancashire. She previously worked for the BBC for almost 20 years. During that time, she reported and produced for radio and television, presented radio programmes and made documentaries. For eight years she produced the BBC1 regional news programme NorthWest Tonight, winning two Royal Television Society awards. She currently also works as a media consultant and trainer.

Graham Turnock

Graham joined the Board in 2015. Graham has been a member of YHA since childhood and continues to enjoy hostelling in the UK and Europe. Graham has experience as a senior manager in the public sector and is currently Chief Executive of the UK Space Agency.

	Board meetings attended	Term of office
Peter Gaines	5 of 5	Ends 2022
Margaret Hart	5 of 5	Ends 2021
Cathryn Hayhurst	5 of 5	Ends 2021
Marcus Holburn	5 of 5	Ends 2019*
Barbara Kasumu	5 of 5	Ends 2020
Ian Maginnis	5 of 5	Ends 2020
Josie Murray	4 of 5	Ends 2022
Hannah Paterson	4 of 4	Ends 2022
Simon Reeve	4 of 4	Ends 2022
Chris Roberts	3 of 5	Ends 2021
Fiona Steggles	3 of 5	Ends 2020
Graham Turnock	4 of 5	Ends 2021
Vishaal Virani	1 of 1	Ended 2018
Paul Wright	0 of 1	Ended 2018

*eligible for re-election

Report of the Trustees incorporating the Strategic Report

Disclosures of Interest

No Trustee had, during or at the end of the year, any interest in contracts that are significant in relation to YHA's business other than disclosed above or in note 32 of the financial statements. For the purposes of company law, the Trustees listed above are also the Directors of YHA.

Executive Team

Chief Executive:

James Blake

Other senior executives:

Chief Finance Officer and Company Secretary
Property Director
Director of Strategy and Engagement
Chief Operating Officer

William Howarth
Jake Chalmers
Anita Kerwin-Nye
Jerry Robinson

Anita Kerwin-Nye was appointed as the Director of Strategy and Engagement on 1st November 2018. Joe Lynch resigned as the Commercial Director on 25th May 2018.

Employees

YHA is an Investors in People Gold organisation and is committed to employment policies which follow best practice based on equal opportunities for all employees irrespective of age, sex, sexual orientation, race, colour, disability, marital status, religion or belief.

Employees are kept informed of plans, receive regular updates on performance against our plans, are encouraged to attend or feed into our regular listening groups and attend our twice-yearly business briefings. Our annual employee survey is an opportunity for confidential feedback on all areas of the organisation and action plans are put in place to address any issues raised from these surveys.

Committees

Performance and Audit Committee

The PAC is a committee of the Board of Trustees. The Committee met six times during the last year and is currently composed of:

- The Treasurer Ian Maginnis who acts as the Chair of this Committee
- Four Trustees: Cathryn Hayhurst, Marcus Holburn, Graham Turnock and Josie Murray

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 incorporating the Strategic Report

Remuneration Committee

RemCo is a committee of the Board of Trustees. The Committee met 4 times last year and was composed of:

- Chris Roberts who acted as Chair of this Committee during 2018
- Two Trustees: Josie Murray and Margaret Hart
- The Committee has the option to co-opt a member with relevant experience but did not choose to do so last year
- Chris Roberts indicated he wished to stand down as Chair and as a member of this Committee at the end of the financial year and Margaret Hart also chose to stand down. To this effect, at their February 2019 meeting, the Board appointed Josie Murray as Chair of this Committee to replace Chris as well as appointing two new Trustees to serve on the committee, Fiona Steggles and Simon Reeve

The Committee agrees the Remuneration Policy, determines the remuneration of the Executive Directors, and the remuneration of the Chief Executive in consultation with the Chair; determines the terms and conditions of employment of the Executive Directors, and the terms and conditions of employment of the Chief Executive in consultation with the Chair. In setting the organisations Remuneration Policy, the Committee makes such external consultations and comparisons as may be necessary to ensure that the pay and emoluments of YHA staff are fair in value to those having similar responsibilities and circumstances in organisations in the not for profit and commercial sectors (excluding financial). The Committee also consider strategic HR matters which impact on our financial position or our position as an employer, e.g. pensions, performance management. This year that has included oversight of YHA's gender pay reporting which is available on our website.

Finance Committee

The Finance Committee is a committee of the Board of Trustees which was set up in 2016/17 to execute on behalf of the Board the legal documents relating to the refinancing of YHA's borrowing requirements with HSBC. The Committee did not need to meet during 2018/19 but remains in place to execute future financing requirements on instruction from the Board. At such a point the Committee shall be composed of:

- The Chair who acts as Chair of this Committee
- The Treasurer
- Two other trustees

AGM Committee

The AGM Committee is a committee of the Board of Trustees. The Committee met 6 times last year and is composed of:

- Peter Gaines who acts as Chair of this Committee
- Two Trustees (Fiona Steggles and Simon Reeve)
- Two co-opted member, Paul Wright, an ex-Trustee of YHA and Paula Yates, an ex-Vice Chair of YHA

The primary responsibility of the Committee is to oversee the organisation of the AGM, dealing with any resolutions or motions, and considering best practice within the charitable sector.

Report of the Trustees incorporating the Strategic Report

Financial control and Risk Management

Trustee Responsibilities Statement

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

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of YHA and the group and of the incoming resources and application of resources, including the income and expenditure of YHA and the group for that year.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP (FRS 102)
- make judgments and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that YHA and the group will continue in business.

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

The Trustees confirm that:

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

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

Reserves Policy

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

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

Report of the Trustees incorporating the Strategic Report

The reserves policy is set with regard to the:

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

YHA has introduced an active reserve monitoring process managed by the Performance and Audit Committee (PAC) and governed by the Trustees. The PAC assesses 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. This value is formally reviewed on an annual basis with the opportunity for any material changes to be picked up within YHA's quarterly risk review process

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

Fundraising Policy

It is always our aim to provide the best possible donor experience and deliver the highest possible standards of donor care. We are registered with the Fundraising Regulator to demonstrate our commitment to achieving the highest standards in fundraising and we strive at all times to comply with the Fundraising Regulator's Code of Fundraising Practice.

We are committed to undertake our fundraising in a legal, open, honest and respectful manner by following the standards for fundraising set out in the Fundraising Regulator's Fundraising Promise. We therefore use the Fundraising Regulator logo on our fundraising materials to show that we are following these standards.

We are always committed to uphold the highest standards of practice in our fundraising and will:

- Comply with all relevant law and regulation including the Charities Act 1992, the Charities (Protection and Social Investment) Act 2016, the Data Protection Act 1998, and the Fundraising Regulator's Code of Fundraising Practice and where relevant the Gambling Act 2005.
- Treat the information that supporters provide to YHA in line with our Privacy Policy and never share or sell their personal information to third parties for the purpose of marketing or fundraising.
- Ensure clear governance and management controls for the legal, safe and transparent raising of funds from a diverse range of sources.
- Operate policy and guidance for working with supporters who are in vulnerable circumstances.
- Have clear rules for when donations may be returned to donors.
- Report regularly to the trustees of YHA regarding fundraising activity, including an annual summary of complaints and action taken to address these.

Investment Policy

Investments acquired in accordance with the powers of the Trustees, primarily in respect of endowment funds, total £0.960 million at the end of this financial year. Close Wealth Management and Speirs & Jeffrey Stockbrokers manage the assets on YHA's behalf, with an investment strategy aimed at maximising income at an acceptable level of risk including growth of asset values.

Borrowing and Financial Instruments Policy

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

Report of the Trustees incorporating the Strategic Report

The policies for managing the risks open to YHA are summarised below:

- YHA's financing and treasury policy governs the way that YHA borrows money and how it manages its interest risk.
- Previously YHA had an overdraft facility designed to finance working capital, and in particular to manage the cash effect of the seasonal nature of its income. Working capital requirements are now managed through the Revolving Credit Facility put in place with HSBC to finance network investment over the next 5 years.
- Other borrowings are designed to be appropriate for the type of asset being financed. Thus, IT equipment and software are likely to be financed over no more than five years, equipment no more than ten years and property will be financed over twenty years.

In line with YHA Treasury Policy and in order to manage the risk of exposure to rising interest rates, in December 2016 YHA put in place an interest rate cap on its initial loan drawdown with HSBC for a period of 3 years.

Risk Management Group

The Board of Trustees is ultimately responsible for risk management in YHA, setting the control framework, the risk appetite and approving major decisions affecting YHA's risk management or profile. The Board annually approves YHA's risk management plan, including the risk register, reviews the effectiveness of YHA's internal control and risk management system, and allows in its agenda a detailed review of a specific risk to be tabled at every Board meeting.

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

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

At an operational level YHA has a Risk Management Group under the Chair of a member of the senior management team, currently the Director of Property. This group focuses on key organisation level risk. The group is drawn from all directorates to ensure that risk management is embedded in all directorates. Individuals on the group are responsible for identifying action plans for all lower level risks and for bringing these to the Risk Management Group as required.

Insurance Policy

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

Report of the Trustees incorporating the Strategic Report

LEGAL AND ADMINISTRATIVE DETAILS

Bankers:

HSBC Bank plc
1st Floor, Goldsmiths House
137 Regent Street
LONDON
W1B 4HZ

Lloyds Bank plc
Education, Charities & Government
2nd Floor
Colmore Row
BIRMINGHAM
B3 3SF

Santander Bank
Carlton Park
Narborough
LEICESTER
LE19 0AL

Solicitors:

Browne-Jacobson
Ground Floor
3 Piccadilly Place
MANCHESTER
M1 3BN

Russell Cooke
2 Putney Hill
LONDON
SW15 6AB

Ellis Whittam Ltd
Woodhouse
Aldford
CHESHIRE
CH3 6JD

Pinsent Masons LLP
3 Colmore Circus
Queensway
BIRMINGHAM
B4 6BH

Report of the Trustees incorporating the Strategic Report

LEGAL AND ADMINISTRATIVE DETAILS (CONTINUED)

Auditor: Grant Thornton UK LLP
Statutory Auditor
1 Holly Street
SHEFFIELD
S1 2GT

Investment Fund Managers: Close Wealth Management
10 Crown Place
Clifton Street
LONDON
EC2A 4FT

Speirs & Jeffrey Stockbrokers
George House
50 George Square
GLASGOW
G2 1EH

Internal Auditors

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

Appointment of Auditors

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

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

ON BEHALF OF THE TRUSTEES



P Gaines
Chair

2019

21st MAY 2019



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

Opinion

We have audited the financial statements of YHA (England and Wales) (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 28 February 2019, which comprise the Consolidated Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 28 February 2019 and of the group's and the parent charitable company's incoming resources and application of resources including, the group's and the parent 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.

Basis for opinion

We have been appointed as auditor under the Companies Act 2006 and report in accordance with regulations made under that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



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

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Report of the Trustees incorporating the Strategic Report, set out on pages 1 to 20 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Trustees incorporating the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Report of the Trustees incorporating the Strategic Report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Trustees incorporating the Strategic Report.

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's financial statements are not in agreement with the accounting records and 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.

Responsibilities of trustees for the financial statements

As explained more fully in the Trustees' Responsibilities Statement set out on page 16, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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

In preparing the financial statements, the trustees are responsible for assessing the group and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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 the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "Grant Thornton UK LLP".

Peter Edwards
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
21 May 2019

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

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2019 £'000	Total 2018 £'000
Income						
Income from operating youth hostels		45,745	-	-	45,745	46,042
Commercial income from YHA Trading Limited		5,580	-	-	5,580	5,360
Donations, gifts and legacies		715	339	-	1,054	1,116
Grants receivable	5	-	142	-	142	30
Investment and similar income	7	4	28	-	32	49
Total income before net gain on disposal of tangible fixed assets		52,044	509	-	52,553	52,597
Net gain on disposal of tangible fixed assets		582	-	-	582	370
Total income		52,626	509	-	53,135	52,967
Expenditure						
Costs of operating youth hostels	9	48,268	353	-	48,621	47,121
Costs of operating YHA Trading Limited	9	4,226	-	-	4,226	4,400
Fundraising	9	356	-	-	356	277
Total expenditure		52,850	353	-	53,203	51,798
Unrealised (losses)/gains on investments	23	-	-	32	32	(28)
Realised (loss)/gains on investments	23	-	-	(66)	(66)	42
Net income/(expenditure) before tax and refinancing costs		(224)	156	(34)	(102)	1,183
Tax on commercial activities		-	-	-	-	84
Net income/(expenditure)*		(224)	156	(34)	(102)	1,267
Transfer between funds	24	160	(160)	-	-	-
Net income after transfers		(64)	(4)	(34)	(102)	1,267
Other recognised gains and losses						
Actuarial (loss)/gain on defined benefit pension scheme	22	(106)	-	-	(106)	1,988
Actuarial gains/(losses) on multi-employer pension scheme	22	338	-	-	338	56
Other gains		-	-	-	-	55
Net movement in funds		168	(4)	(34)	130	3,366
Fund balances brought forward at 1 March 2018		38,204	3,322	994	42,520	39,154
Fund balances carried forward at 28 February 2019	25	38,372	3,318	960	42,650	42,520

All income was from continuing operations.

*Information up to and including net income/expenditure represents the information required by the Companies Act 2006.

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

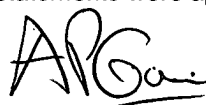
Balance sheets

	Note	Group		Company	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Fixed assets					
Tangible assets	12	94,837	94,865	94,837	94,865
Investments	13	960	994	961	995
		<u>95,797</u>	<u>95,859</u>	<u>95,798</u>	<u>95,860</u>
Current assets					
Stocks	14	320	313	320	313
Debtors	15	1,731	1,587	1,731	1,587
Cash at bank and in hand		3,261	4,538	3,261	4,538
		<u>5,312</u>	<u>6,438</u>	<u>5,312</u>	<u>6,438</u>
Creditors: amounts falling due within one year	16	<u>(14,223)</u>	<u>(15,687)</u>	<u>(15,393)</u>	<u>(16,088)</u>
Net current liabilities		<u>(8,991)</u>	<u>(9,249)</u>	<u>(10,081)</u>	<u>(9,650)</u>
Total assets less current liabilities		86,886	86,610	85,717	86,210
Creditors: amounts falling due after more than one year	18	<u>(35,537)</u>	<u>(34,794)</u>	<u>(35,537)</u>	<u>(34,794)</u>
Provisions for liabilities	19	<u>(1,166)</u>	<u>(986)</u>	<u>(1,166)</u>	<u>(986)</u>
Net assets excluding pension liability		50,183	50,830	49,014	50,430
Multi-employer pension scheme liability	22	<u>(2,638)</u>	<u>(3,349)</u>	<u>(2,638)</u>	<u>(3,349)</u>
Defined benefit pension scheme liability	22	<u>(4,895)</u>	<u>(4,961)</u>	<u>(4,895)</u>	<u>(4,961)</u>
Net assets		<u>42,650</u>	<u>42,520</u>	<u>41,481</u>	<u>42,120</u>
Funds					
Endowments	23	960	994	961	995
Restricted funds	24	3,318	3,322	3,318	3,322
		<u>4,278</u>	<u>4,316</u>	<u>4,279</u>	<u>4,317</u>
Unrestricted funds excluding pension liability		21,709	22,318	20,539	21,917
Revaluation reserve		24,196	24,196	24,196	24,196
Pension reserve	22	<u>(7,533)</u>	<u>(8,310)</u>	<u>(7,533)</u>	<u>(8,310)</u>
Total unrestricted funds		<u>38,372</u>	<u>38,204</u>	<u>37,202</u>	<u>37,803</u>
Total charity funds	25	<u>42,650</u>	<u>42,520</u>	<u>41,481</u>	<u>42,120</u>

The financial statements were approved by the Board of Trustees on

2019.

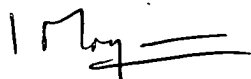
P Gaines



21st MAY 2019

Trustees

I Maginnis



Company registration number: 282555

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

Consolidated Statement of Cash Flows

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Net cash provided by operating activities	26	<u>3,862</u>	<u>6,518</u>
Cash flows from investing activities			
Investment Income (including interest received)	7	32	50
Sale of tangible fixed assets		832	153
Purchase of tangible fixed assets		<u>(4,878)</u>	<u>(6,530)</u>
Net cash used in investing activities		<u>(4,014)</u>	<u>(6,327)</u>
Cash flows from financing activities			
Repayment of borrowings		(73)	(68)
Capital element of finance lease rentals		(202)	(284)
Cash receipts from borrowings		500	1,000
Interest paid	8	<u>(1,350)</u>	<u>(1,267)</u>
Net cash provided/ (used in) by financing activities		<u>(1,125)</u>	<u>(619)</u>
Change in cash and cash equivalents in the reporting period		(1,277)	(428)
Cash and cash equivalents at the beginning of the reporting period		4,538	4,966
Cash and cash equivalents at the end of the reporting period	27	<u>3,261</u>	<u>4,538</u>

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

Notes to the financial statements

1 Company information

YHA is a company limited by Guarantee (company number 282555). The registered office is Trevelyan House, Dimple Road, Matlock, Derbyshire, DE4 3YH.

2 Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards including Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

YHA (England and Wales) meets the definition of a public benefit entity under FRS 102, and applied the sections in FRS 102 as applicable.

The financial statements are presented in Sterling £'000.

Going concern

The Trustees have prepared these financial statements on the going concern basis. The Trustees have reviewed forecasts to May 2020 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 undertaking (see note 13). Subsidiaries are defined as entities where the parent charity has control and derives financial benefit and are consolidated on a line by line basis.

3 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The items in the financial statements where these judgements, estimates and assumptions have been made include:

Retirement benefit schemes

The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions which include the discount rate, inflation rate, salary growth and mortality. Differences arising from actual experience or future changes in assumptions will be reflected in subsequent periods. Note 22 provides information on the assumptions used in these financial statements.

Notes to the financial statements

3 Significant judgements and estimates (continued)

The Group also participates in a multi-employer defined benefit scheme, which is accounted for as a defined contribution scheme, administered by The Pensions Trust, who are responsible for the above assumptions in relation to determining the total liability of the overall scheme. As a participating employer, the YHA's share and contribution to the liabilities of the scheme is reviewed and agreed by the Trustees every 3 years. Under the provisions of FRS102 this liability is included in these statements on a discounted net present value basis. For further details on the accounting policies relating to the multi-employer defined benefit scheme see note 4.

Provisions

These financial statements include provisions for liabilities as at 28 February 2019 that have arisen as a result of a past event, and that are judged probable to materialise at a future date. Where precise factual valuations of the liability are not available, judgement has been used to estimate the size and probability of the liability. Specifically, these provisions include estimates of dilapidation liabilities under property leasehold contracts and are stated on a net present value basis. This year's accounts include a provision for a VAT liability of £151,000 which relates to a voluntary disclosure of underpayment brought to light by our planning work undertaken on making tax digital.

Grants

The recognition of grants and capital contributions in these financial statements involves judgements as to whether performance or other relevant entitlement conditions have been met. The recognition of grants in restricted funds involves a judgement as to the Useful Economic Life of the asset to which it relates.

4 Principal accounting policies

Income

Income generated from the operation of youth hostels represents the fair value of 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 18). Membership subscriptions are recognised when received.

Income from YHA Trading Limited represents commercial goods supplied and services provided by that YHA company to its customers and income is recognised when the goods or services are delivered. Donations, gifts and legacies are recognised in the statement of financial activities when it is probable that the income will be received, and all entitlement conditions will be met.

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.

Notes to the financial statements

4 Principal accounting policies (continued)

Endowments

Endowment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains and losses are retained within the endowment in the balance sheet.

Restricted permanent endowment

This relates to funds where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Restricted expendable endowment

This relates to funds which were permanent endowments but given the small scale of the specific individual funds, agreement was received from the Charities Commission that these could be spent in line with the original objective of each fund.

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 income 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

Fixed asset accounting policy

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 or estimated residual value of all tangible fixed assets over their expected useful lives. All depreciation is on a straight-line basis, and assets are amortised as follows:

Freehold properties	:	land not amortised
Freehold properties	:	buildings superstructure up to 50 years
Freehold properties	:	buildings sub-structure / other between 10 and 30 years
Leasehold properties	:	long term leases: market value over length of lease
Leasehold properties	:	building shorter of economic life or length of lease
Fixtures & Fittings	:	between 3 and 15 years

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 Net Book Value (NBV).

Notes to the financial statements

4 Principal accounting policies (continued)

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. No such loss has been identified.

Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Investments

Assets held for investment purposes are measured at fair value. Changes in fair value are recognised in the income and expenditure accounts. Fair value is estimated using value at the balance sheet date.

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

Expenditure

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

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

Redundancy and termination payments

All redundancy and termination payments, including ex-gratia payments and amounts in lieu of notice are charged or accrued as incurred.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions.

Notes to the financial statements

4 Principal accounting policies (continued)

Provisions for liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the SOFA in the period it arises.

The group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employers are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

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 using the effective interest method.

Stocks

Stocks are stated at the lower of cost using the first in, first out method and net realisable value.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring income and expenditure. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to the SOFA on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

Notes to the financial statements

4 Principal accounting policies (continued)

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 (closed)

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 would only be recognised 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 difference between 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 scheme

YHA participates in a multi-employer scheme, administered by The Pensions Trust, which provides benefits to just over 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for YHA to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, YHA accounts for the scheme as a defined contribution scheme. The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2017. This actuarial valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

From 1 April 2016 to 31 March 2025: £12.95m per annum (payable monthly and increasing by 3% each year on 1st April). The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where YHA has agreed to a deficit funding arrangement, YHA recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Notes to the financial statements

4 Principal accounting policies (continued)

Gift aid payment to parent charity

The company pays all its taxable profits for the year to its parent charity under the gift aid scheme. These gift aid payments are recognised as distributions to owners in equity within retained earnings.

At the reporting date the Board had indicated its intention to pay the taxable profits to the parent charity in respect of the reporting period. The payment is expected to be made within 9 months of the end of the reporting date.

The company previously recognised gift aid payments in the income statement in the year that profits arose. The company has changed its accounting policy as a result of The Financial Reporting Council clarifying the accounting treatment for such payments in its triennial review of FRS 102.

The change in accounting policy for gift aid payments results in the company recognising a taxation charge on its profits for the year. However, the application of the exception under paragraph 29.14A of FRS 102 provides relief in respect of the accounting for the tax charge. This results in an overall £nil charge for tax in the income statement. This exception is only applicable as it is probable that the gift aid payment will be made by the company to the parent charity within 9 months of the reporting date.

5 Grants and contracts

	2019 Restricted Funds (Capital) £'000	2019 Restricted Funds (Other) £'000	Total 2019 £'000	Total 2018 £'000
Grants receivable in the year	<u>142</u>	<u>-</u>	<u>142</u>	<u>30</u>

All grants receivable in the year related to restricted funds (see note 24).

6 Charitable income

	2019 £'000	2018 £'000
Income from operating youth hostels	44,709	44,886
Membership income received directly by the group	<u>1,036</u>	<u>1,156</u>
Total income from operating youth hostels	<u>45,745</u>	<u>46,042</u>

7 Investment income

	2019 £'000	2018 £'000
Listed stocks and shares	28	34
Cash and deposits	<u>4</u>	<u>15</u>
	<u>32</u>	<u>49</u>

Notes to the financial statements

8 Interest and financing costs

	2019 £'000	2018 £'000
Net pension cost	130	177
On bank loans, overdrafts and other loans	1,178	1,074
Financing costs amortised	166	166
Finance charges in respect of finance leases	6	27
	<u>1,480</u>	<u>1,444</u>

Interest payable is included within other direct costs (see note 9).

9 Total expenditure

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 2019 £'000	Total 2018 £'000
Costs of Operating Youth Hostels	22,137	21,412	4,906	48,455	46,950
Costs of Operating YHA Trading Ltd	1,589	2,637	-	4,226	4,400
Other Fundraising Costs	267	89	-	356	277
Other costs - Governance Costs	-	166	-	166	171
Total expenditure	<u>23,993</u>	<u>24,304</u>	<u>4,906</u>	<u>53,203</u>	<u>51,798</u>

Total 2019 £'000	Total 2018 £'000
------------------------	------------------------

Depreciation comprises:

Depreciation on owned tangible assets	4,783	4,429
Depreciation on tangible assets held under finance lease	123	244
	<u>4,906</u>	<u>4,673</u>

Other direct costs comprise:

Repairs and maintenance of buildings – ongoing	3,723	3,357
Repairs and maintenance of buildings - dilapidation provision	20	40
Fuel, heat & light	2,071	1,841
Food and beverage costs	4,709	4,883
Activity & transport providers	723	796
Restructuring costs (including redundancy)	141	63
Travel	1,155	1,125
Communication costs	425	440
Cleaning and laundry	2,868	2,946
Interest payable (note 8)	1,480	1,444
Marketing and Publications	952	936
Insurance	399	439
Auditors' Remuneration – audit	35	34
Auditors' Remuneration - non-audit services (£2k tax, £2k VAT advisory)	4	10
Operating lease rentals - land and buildings	2,051	1,894
Operating lease rentals - fixtures & fittings	690	735
Other direct costs	<u>2,858</u>	<u>2,859</u>
	<u>24,304</u>	<u>23,842</u>

Notes to the financial statements

10 Trustees and employees

All Directors are Trustees and all Trustees are Directors.

Staff costs during the year were as follows:	Group	
	2019 £'000	2018 £'000
Wages and salaries	20,731	20,210
Social security costs	1,490	1,463
Other pension costs	839	761
Redundancy costs	141	63
	<u>23,201</u>	<u>22,497</u>

The average number of employees of YHA during the year was 1,232 (2018: 1,212).

The full-time equivalent number of employees was 756 (2018: 755).

The Chief Executive is the highest paid employee and is not a Trustee of the organisation. His annual salary in 2018/19 was £125,660 per annum (2018: £122,000). The Board of Trustees neither received nor waived any emoluments during the year (2018: £nil).

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

	2019	2018
£60,000 - £69,999	1	-
£70,000 - £79,999	-	-
£80,000 - £89,999	-	1
£90,000 - £99,999	2	3
£100,000 - £109,999	1	1
£110,000 - £119,999	-	-
£120,000 - £129,999	-	1
£130,000 - £139,999	1	-
£140,000 - £149,999	-	-

YHA made payments totalling £21,658 (2018: £24,268) into defined contribution schemes for 5 (2018: 5) of these employees.

Out of pocket expenses were reimbursed to Trustees as follows:

	2019 Number	2018 Number	2019 £'000	2018 £'000
Travel and attendance at meetings	<u>10</u>	<u>14</u>	<u>7</u>	<u>8</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.

The key management personnel of the parent charity, the Trust, comprise the Trustees, the Chief Executive Officer and 4 other Executive Directors. The total employee benefits of the key management personnel of the YHA were £479,180 (2018: £525,745). The remuneration of the key management personnel is determined by the Board's Remunerations Committee. In determining this, the Committee makes use of external consultations and comparisons 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. Salaries are set at the lower quartile of recognised industry wide benchmark surveys.

Notes to the financial statements

11 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:

	2019 £'000	2018 £'000
Total income	47,555	47,607
Total expenditure:	<u>(48,977)</u>	<u>(47,398)</u>
Net income/(expenditure)	(1,422)	209
Net investments (loss)/gains	<u>(34)</u>	<u>14</u>
Net income/(expenditure)	<u>(1,456)</u>	<u>223</u>

During the year the charitable company received a gift aid donation amounting to £583,000 (2018: £1,337,000) from its trading subsidiary.

12 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 2018	73,708	27,401	20,200	17,507	6,750	145,566
Transfers	2,279	87	82	808	(3,256)	-
Additions	2,227	85	379	1,142	1,045	4,878
Disposals	-	-	-	-	-	-
At 28 February 2019	<u>78,214</u>	<u>27,573</u>	<u>20,661</u>	<u>19,457</u>	<u>4,539</u>	<u>150,444</u>
Depreciation						
At 1 March 2018	19,601	7,173	11,581	12,346	-	50,701
Transfers	-	-	-	-	-	-
Provided in the year	1,917	769	674	1,546	-	4,906
Disposals	-	-	-	-	-	-
At 28 February 2019	<u>21,518</u>	<u>7,942</u>	<u>12,255</u>	<u>13,892</u>	<u>-</u>	<u>55,607</u>
Net book amount						
At 28 February 2019	<u>56,696</u>	<u>19,631</u>	<u>8,406</u>	<u>5,565</u>	<u>4,539</u>	<u>94,837</u>
At 28 February 2018	<u>54,107</u>	<u>20,228</u>	<u>8,619</u>	<u>5,161</u>	<u>6,750</u>	<u>94,865</u>

All tangible fixed assets were used for charitable purposes.

The net book amounts stated above include fixtures, fittings and equipment held under finance leases and similar hire purchase contracts of £106,000 (2018: £230,000) and freehold property held under finance leases and similar hire purchase contracts of £1,000,000 (2018: £1,015,000).

Depreciation of assets held under finance leases and similar hire purchase contracts was £124,000 (2018: £244,000) on fixtures, fittings and equipment and £15,000 (2018: £53,000) on freehold property.

Land values were increased on transition to FRS 102 in 2016 to reflect fair market value. A post year-end review of these values based on valuations received as part of the refinancing exercise in 2017.

Notes to the financial statements

13 Fixed asset investments

Total fixed asset investments comprise:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Interest in group undertakings	-	-	1	1
Other fixed asset investments	960	994	960	994
Market value at 28 February 2019	<u>960</u>	<u>994</u>	<u>961</u>	<u>995</u>

Interests in group undertaking

At 28 February 2019 the charitable company held 100% of the allotted share capital of the following:

	Country of incorporation	Class of share capital held	Company number	Capital and reserves £	Result for the financial period £
YHA Trading Limited	England and Wales	Ordinary shares	05373368	100	-
					£'000
YHA Trading Limited					5,580
Turnover					(4,226)
Expenditure					
Result for the period before tax					<u>1,354</u>

Other fixed asset investments

	Group and Company £'000
Market value as at 1 March 2018	994
Additions	282
Disposals	(275)
Realised gain	31
Unrealised loss	(72)
Market value at 28 February 2019	<u>960</u>

At 28 February 2019 the other fixed asset investments were held as follows:

	2019 £'000	2018 £'000
Listed stocks and shares	943	960
Cash	17	34
Market value at 28 February 2019	<u>960</u>	<u>994</u>

At 28 February 2019 the following investments represented more than 5% of the portfolio by market value:

	Percentage %	Value £'000
Close Select Fixed Income Inc	<u>10.2</u>	<u>98</u>

Notes to the financial statements

14 Stocks

Group and Company

	2019 £'000	2018 £'000
Goods for resale	<u>320</u>	<u>313</u>

15 Debtors

Group and Company

	2019 £'000	2018 £'000
Trade debtors	145	163
Prepayments and accrued income	673	666
Other debtors	913	758
	<u>1,731</u>	<u>1,587</u>

16 Creditors: amounts falling due within one year

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bank loans	-	-	-	-
Other loans	53	73	53	73
Trade creditors	2,211	2,634	2,211	2,634
Amounts due to group undertakings	-	-	1,171	513
Social security and other taxes	1,453	1,275	1,453	1,275
Corporation tax	-	112	-	-
Other creditors	130	189	130	189
Accruals	1,923	2,651	1,922	2,651
Deferred income (note 17)	8,239	8,536	8,239	8,536
Amounts due under finance leases	214	217	214	217
	<u>14,223</u>	<u>15,687</u>	<u>15,393</u>	<u>16,088</u>

Notes to the financial statements

17 Deferred income

Group and Company

	2019 £'000	2018 £'000
At 1 March 2018	9,075	9,593
Released during year	(9,075)	(9,593)
Deferred during year	8,239	9,075
At 28 February 2019	<u>8,239</u>	<u>9,075</u>

The deferred income consists of:

Advance bookings	8,059	8,848
Un-allocated cash receipts	180	227
	<u>8,239</u>	<u>9,075</u>

18 Creditors: amounts falling due after more than one year

Group and Company

	2019 £'000	2018 £'000
Bank Loans	34,010	33,344
Other loans	23	76
Amounts due under finance leases	554	753
Deferred income	872	539
Other amounts	78	82
	<u>35,537</u>	<u>34,794</u>

19 Provision for liabilities

	General provisions £'000	Dilapidation provision £'000	Total provisions £'000
Balance at 1 March 2018	32	954	986
Released during the year	(32)	-	(32)
Arising in the year	192	20	212
Balance at 28 February 2019	<u>192</u>	<u>974</u>	<u>1,166</u>

The general provision includes holiday pay balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward together with a VAT liability which will fall due in 2019/20.

The dilapidations provision represents obligations for rented properties which are due for renewal in the next 2 years. £804,000 of the provision (2018: £804,000) relates to YHA London St Pauls.

Notes to the financial statements

20 Borrowings

Borrowings are repayable as follows:

Group and Company 2019

	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	-	-	34,010	-	34,010
Other loans	53	20	3	-	76
Finance leases	214	183	371	-	768
Total Borrowing	<u>267</u>	<u>203</u>	<u>34,384</u>	<u>-</u>	<u>34,854</u>
Cash at bank and in hand					<u>(3,261)</u>
Net Borrowings					<u>31,593</u>

Group and Company 2018

	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	-	-	33,344	-	33,344
Other loans	73	53	23	-	149
Finance leases	217	199	425	128	969
Total Borrowing	<u>290</u>	<u>252</u>	<u>33,792</u>	<u>128</u>	<u>34,462</u>
Cash at bank and in hand					<u>(4,538)</u>
Net Borrowings					<u>29,924</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 (excluding margin), is charged at both fixed and variable rates between 0.68% and 0.73%.

Notes to the financial statements

21 Financial instruments

Group	2019 £'000	2018 £'000
Financial assets measured at amortised cost		
Trade debtors	145	163
Other debtors	913	758
	<u>1,058</u>	<u>921</u>
	2019 £'000	2018 £'000
Financial liabilities measured at amortised cost		
Bank loans	34,010	33,344
Other loans	76	149
Trade creditors	2,211	2,634
Accruals	1,923	2,651
Amounts due under finance leases	214	217
	<u>38,434</u>	<u>38,995</u>

22 Retirement benefits

Group and company

Historically YHA has operated a number of different Pensions Schemes:

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

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

Although set up as defined contribution schemes, because of the guaranteed benefits they offered, Series 1 & 2 have subsequently been deemed to be defined benefit schemes. Series 3 which carried a guarantee that the value of investments would not fall, has also now be re-classified as a defined benefit scheme. Only Series 4 can be classified as a defined contribution scheme. Although Series 1 to 3 are defined benefit schemes as defined within FRS17, YHA is unable to identify its share of the underlying assets and liabilities of the schemes. Accordingly, the contributions have been accounted for as if they were defined contribution schemes.

YHA operates a defined contribution scheme administered by Scottish Widows as well as the auto enrolment pension scheme for all new employees (and for those existing employees who were not members of either the Growth Plan or the defined contribution scheme). All auto enrolment contributions are paid into the Peoples Pension administered by B&CE.

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.

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.

Notes to the financial statements

A full actuarial valuation was carried out at 30 September 2017, which showed that the value of those assets was sufficient to cover 76% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Pension cost

The charge for the year was as follows:

	2019 £'000	2018 £'000
Defined benefit scheme – expenses	76	76
Defined contribution pension schemes	395	327
Multi-employer defined benefit scheme	444	434
	<u>915</u>	<u>837</u>

Included within the multi-employer defined benefit scheme contributions above are amounts of £317,560 (2018: £308,311) relating to additional contributions as part of the recovery plan agreed with the Pension Trust.

The above charge is exclusive of top up contributions for the final salary pension scheme of £426,841 (2018: £414,409).

In accordance with FRS 102 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 FRS102 to assess the liabilities of the scheme at 28 February 2019. Scheme assets are stated at their market value.

The principal assumptions used by the actuary were:

	2019	2018	2017
Inflation CPI	2.2%	2.2%	2.4%
Rate of increase in salaries	4.2%	4.2%	4.4%
Rate of increase of pensions	2.3%	2.3%	2.4%
Rate of increase for deferred pensions	3.2%	3.2%	3.4%
Discount rate	2.7%	2.7%	2.6%

The post-retirement mortality assumptions used to value the liability at 28 February 2019 is based on the SAPS table S2PXA (all pensioners – Pensions Amounts) with a scaling factor of 0% (pre-retirement) and 99% (post-retirement) projected using CMI-2017 improvements with a 1.25% pa long term improvement rate for males and a 1% long term improvement rate for females.

The life expectancy of a male member reaching age 65 in 2039 is projected to be 23.5 years (2018: 23.6 years) compared to 22.1 years (2018: 22.2 years) for someone reaching 65 in 2018. The life expectancy of a female member reaching age 65 in 2038 is projected to be 25.0 years (2018: 25.1 years) compared to 23.8 years (2018: 23.9 years) for someone reaching 65 in 2019.

Notes to the financial statements

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

	2019 Value £'000	2018 Value £'000	2017 Value £'000
Equities	4,246	9,538	9,759
Bonds	2,294	2,879	2,083
Property	1,272	1,348	1,220
LDI	7,937	6,667	7,193
Other	4,585	64	128
Total market value of assets	<u>20,334</u>	<u>20,496</u>	<u>20,383</u>
Present value of scheme liabilities	<u>(25,229)</u>	<u>(25,457)</u>	<u>(27,441)</u>
Net pension liability	<u>(4,895)</u>	<u>(4,961)</u>	<u>(7,058)</u>

The rate of return for 2019 is equal to 3.7% (2018: 3.7%). Under FRS 102 the rate of return is not split between the assets of the scheme.

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

	2019 £'000	2018 £'000
Contributions	76	76
Additional contributions	333	308
Net contributions less expenses of the scheme	<u>409</u>	<u>384</u>
Expected return on pension scheme assets	(107)	(98)
Interest on pension scheme liability	<u>(677)</u>	<u>(689)</u>
Actuarial gain/(loss) (see below)	172	109
	<u>(106)</u>	<u>1,988</u>
Deficit in scheme at beginning of year	66	2,097
Deficit in scheme at end of year	<u>(4,961)</u>	<u>(7,058)</u>
	<u>(4,895)</u>	<u>(4,961)</u>
Actual return less expected return on pension scheme assets	(276)	197
Experience gains and losses arising on the scheme liabilities	191	157
Changes in the assumptions underlying the present value of the scheme liabilities	(21)	1,634
Actuarial gain/(loss)	<u>(106)</u>	<u>1,988</u>

The net of the expected returns on pension scheme assets and interest on pension scheme liabilities of £130,000 (2018: £177,000) is shown in interest payable.

Notes to the financial statements

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

	2019 £'000	2018 £'000
Opening defined benefit obligation at 1 March	25,457	27,441
Expenses	-	98
Interest cost	677	689
Actuarial losses	(170)	(1,791)
Benefits paid	(735)	(980)
Closing defined benefit obligation at 28 February	<u>25,229</u>	<u>25,457</u>

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

	2019 £'000	2018 £'000
Opening fair value of scheme assets at 1 March	20,496	20,383
Expected return	547	512
Expenses	(107)	-
Actuarial gains	(276)	197
Employer contributions	409	384
Benefits paid	(735)	(980)
Closing fair value of scheme assets at 28 February	<u>20,334</u>	<u>20,496</u>

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Fair value of scheme assets at 28 February	20,334	20,496	20,383	17,289	17,371
Present value of defined benefit obligation at 28 February	(25,229)	(25,457)	(27,441)	(21,743)	(24,159)
Deficit in the scheme	(4,895)	(4,961)	(7,058)	(4,454)	(6,788)
Experience adjustments on scheme assets	(276)	197	3,064	(331)	1,425
Experience adjustments on scheme liabilities	191	157	370	45	(1,670)

Multi-employer defined benefit scheme

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

The last actuarial valuation concluded and published by the Pensions Trust was at 30 September 2017. The assets and liabilities and comparison to the previous triennial valuation in September 2014 were as follows:

	30 September 2017 Million £	30 September 2014 Million £
Assets	794.9	793.4
Present value of liabilities	(926.4)	(969.9)
Deficit	<u>(131.5)</u>	<u>(176.5)</u>

Notes to the financial statements

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

	30 September 2017	30 September 2014
Financial assumptions		
Market Implied Inflation	3.4%	3.4%
Long term gilt yield	1.8%	3.0%
Discount rates		
Pre-retirement rate	3.1%	4.2%
Post retirement rate	2.3%	3.3%
Inflation		
RPI	3.4%	3.1%
CPI	2.5%	2.2%

The deficit of £131.5 million represents a funding level of 85.8%. At the 2001 valuation the Trustees put in place a 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. As a result of the 2014 valuation the recovery plan had been extended by 2 years and 5 months until 31 August 2025. However, the current valuation now reduces this repayment period to 31st January 2025.

The Pensions Trust had previously notified YHA that the additional contributions required from YHA (England and Wales) from 1 April 2013 would be £385,220 rising by 3% per year. This has subsequently been revised. From 1 April 2016, the contribution was amended to £403,318 but still to increase by 3% each year.

As part of the agreement reached on the final salary scheme recovery plan on 31 March 2015 YHA will continue to meet its Growth Plan contributions from within total contributions across both schemes. This still falls within the agreed level of £700,000 per annum rising by 3% per annum starting from 1 April 2015.

Multi-employer Pension Scheme movements

	2019 £'000	2018 £'000
Balance at 1 March	3,349	3,774
Paid in the year	(427)	(414)
Interest expense	54	45
(Decrease)/increase in liability	(338)	(56)
Balance at 28 February	2,638	3,349

Notes to the financial statements

23 Endowments

Permanent Endowments

	At 1 March 2018 £'000	Realised gain £'000	Unrealised loss £'000	At 28 February 2019 £'000
Wilderhope Funds	130	5	(9)	126
Richards bequest	405	15	(30)	390
Peter Grant Fund	80	3	(6)	77
Peter Grant Endowment Fund	100	4	(8)	96
Merseyside YH Golden Jubilee Trust	141	-	(2)	139
	<u>856</u>	<u>27</u>	<u>(55)</u>	<u>828</u>
Expendable endowments	138	5	(11)	132
	<u>994</u>	<u>32</u>	<u>(66)</u>	<u>960</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 & games, and material for handicrafts".

The Peter Grant funds were given to generate income for the maintenance of our hostels, (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".

24 Restricted funds

Group and Company

	At 1 March 2018 £'000	Incoming resources £'000	Expenditure £'000	Transfers to/from unrestricted fund £'000	At 28 February 2019 £'000
Breaks 4 Kids Fund	-	134	(112)	-	22
Small Hostel Fund	86	171	(75)	-	182
FAB Camps	81	136	(136)	(81)	-
Capital Grants & Donations	2,903	164	(99)	(82)	2,886
Revenue Grants & Donations	34	12	(12)	(19)	15
Other	218	27	(54)	22	213
	<u>3,322</u>	<u>644</u>	<u>(488)</u>	<u>(160)</u>	<u>3,318</u>
				2019 £'000	2018 £'000
Restricted funds (capital)				2,886	2,903
Restricted funds (other)				432	419
				<u>3,318</u>	<u>3,322</u>

Notes to the financial statements

The **Breaks 4 Kids** fund has been a long-standing fundraising appeal designed to give financial support to groups of disadvantaged youngsters and provide the opportunity of a stay with YHA. As noted previously in this report we have expanded the scope of the scheme to cover a wider group of disadvantaged young people and families. The £22k funds held at the year-end are for specific projects being delivered in 2019/20

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. Donations of £171,000 (2018: £11,000) were gratefully received in the year. £50,000 was spent from the fund this year to support the refurbishment of Perranporth, with £25,000 being spent on other small hostels throughout the network.

FAB Camps were run in 2019 in conjunction with service personnel within the MoD to provide family and activity breaks for bereaved forces families. A new charity separate to YHA was set up during the year and all outstanding funds were duly paid over to the new charity to control and distribute.

During the year £164,000 (2018: £50,000) of capital contributions were received. These included a £83,000 contribution towards the coastal path improvements project due to be completed at Boggle Hole later in 2019, £38,000 in respect of the refurbishment of Perranporth and £20,000 towards the Swanage redevelopment project.

The £160,000 transfer from restricted funds is where projects have been completed and the terms of the restriction have been met combined with a £20,000 transfer to a sinking fund required for two of our hostels under the terms of their leases.

25 Analysis of net assets between funds

Group	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total £'000
Tangible fixed assets	91,951	2,886	-	94,837
Investments	-	-	960	960
Current assets	4,880	432	-	5,312
Current liabilities	(14,374)	-	-	(14,374)
Long term liabilities	(36,552)	-	-	(36,552)
Pension liability - Defined benefit	(4,895)	-	-	(4,895)
- Multi-employer	(2,638)	-	-	(2,638)
	<u>38,372</u>	<u>3,318</u>	<u>960</u>	<u>42,650</u>
Company				
	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total £'000
Tangible fixed assets	91,951	2,886	-	94,837
Investments	-	-	961	961
Current assets	4,880	432	-	5,312
Current liabilities	(15,544)	-	-	(15,544)
Long term liabilities	(36,552)	-	-	(36,552)
Pension liability - Defined benefit	(4,895)	-	-	(4,895)
- Multi-employer	(2,638)	-	-	(2,638)
	<u>37,202</u>	<u>3,318</u>	<u>961</u>	<u>41,481</u>

Notes to the financial statements

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

	2019 £'000	2018 £'000
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	(102)	1,267
Adjustments for :		
Depreciation	4,906	4,673
Pension contributions to reduce liabilities	(744)	(723)
Pension cost expenses non cash	107	98
Pension net interest non cash	130	177
Borrowings – non cash items (amortisation)	166	166
Loss/(gains) on investments	(34)	14
Profit on sale of tangible fixed assets	(582)	(370)
Interest charge	1,350	1,267
Unamortised loan cost write off	-	-
Investment income – cash element	(32)	(49)
(Increase)/decrease in stock	(7)	(5)
Decrease in debtors	(144)	(290)
Increase in creditors	(1,332)	253
Increase/(decrease) in provisions	180	40
Net cash provided by operating activities	3,862	6,518

27 Analysis of cash and cash equivalents

	2019 £'000	2018 £'000
Cash in hand	3,261	4,538
Notice of deposits (less than 3 months)	-	-
Total cash and cash equivalents	3,261	4,538

28 Reconciliation of net cash outflow to movement in net debt

	Group	
	2019 £'000	2018 £'000
(Decrease)/Increase in cash	(1,277)	(428)
Cash (outflow)/inflow from movement in debt and lease financing	(225)	(648)
Change in net debt resulting from cashflows and movement in net debt	(1,502)	(1,076)
Non cash changes	(167)	(166)
Movement in net debt	(1,669)	(1,242)
Net debt at 1 March	(29,924)	(28,682)
Net debt at 28 February	(31,593)	(29,924)

Notes to the financial statements

29 Analysis of changes in net debt

	At 1 March 2018 £'000	Cash flows £'000	Non-cash Changes £'000	At 28 February 2019 £'000
Cash in hand and at bank	4,538	(1,277)	-	3,261
Debt within one year	(73)	73	(53)	(53)
Debt after more than one year	(33,420)	(500)	(114)	(34,034)
Finance leases	(969)	202	-	(767)
	<u>(29,924)</u>	<u>(1,502)</u>	<u>(167)</u>	<u>(31,593)</u>
Cash in hand and at bank	4,538	(1,277)	-	3,261
Total borrowing & finance leases	<u>(34,462)</u>	<u>(225)</u>	<u>(167)</u>	<u>(34,854)</u>
	<u>(29,924)</u>	<u>(1,502)</u>	<u>(167)</u>	<u>(31,593)</u>

30 Capital commitments

	2019 £'000	2018 £'000
Contracted for but not provided in these financial statements	<u>833</u>	<u>2,395</u>

Capital commitments are included for the remaining expenditure required to complete major projects. This is intended to reflect YHA's commercial intent and any material commitments to full completion of these projects and may be in excess of the contractually binding liability as at 28 February 2019.

31 Leasing commitments

Operating lease and rental payments fall due as follows:

Group and Company

	2019		2018	
	Land and buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
In one year or less	1,908	822	1,900	700
Between one and five years	7,726	255	7,721	438
Between five and twenty-five years	46,052	-	45,925	-
Twenty-five years or more	<u>3,008,765</u>	-	<u>3,126,792</u>	-
	<u>3,064,451</u>	<u>1,077</u>	<u>3,182,338</u>	<u>1,138</u>

YHA holds leases on 13 properties beyond 25 years giving rise to a £3.1bn FRS 102 calculated liability. 96% of this calculated liability relates to commercial rent payable on a single property with 239 years of a 250-year term remaining. There is a break clause on this property in 19 years' time and every 35th anniversary thereafter which mitigates any risk to the charity.

Notes to the financial statements

32 Transactions with Trustees and other related parties

There were no transactions with Trustees other than those disclosed in note 10. 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.

33 Contingent liabilities

We have entered into an agreement committing YHA to the purchase of land for the purpose of building a new hostel. This agreement is contingent upon certain criteria around title and planning being met, but once satisfied would commit YHA to purchase.