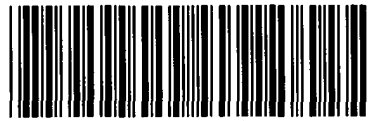


YHA (England and Wales)
Financial statements
For the year ended 29 February 2020

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COMPANIES HOUSE



Company registration number: 282555

Charity registration number: 306122

Registered office: Trevelyan House
Dimple Road
Matlock
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DE4 3YH

YHA (England and Wales)

Financial statements for the year ended 29 February 2020

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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 29 February 2020.

These cover the period before the COVID-19 crisis which has had a major impact on the finances of the Charity. The Trustees are confident that the underlying strength of the organisation means we are well placed to weather this hiatus and refocus on the delivery of our newly launched 10 Year Strategy.

That new Strategy 'Adventure: For the first time and a life time' was signed off by the YHA Board in February 2020 and combines 5 Impact Priorities with 5 Enabling Priorities that we need to deliver our ambitions for increased reach, income and diversity.

These Priorities have been reviewed by the Board in the light of the COVID crisis and whilst the current financial implications will impact on the speed and scale of implementation, the Impact Priorities are more relevant than ever as we emerge from restrictions.

Ahead of the crisis, the year ended 29 February 2020 was our best ever year for turnover. We also reached over 1 million people, over 400 000 of whom were children and young people – increases of over 5% on the previous year - a major step towards our stated intent of being a leading youth charity.

Our financial success enabled us to invest in new roles and programmes to support our work in increasing our impact including a Head of Education and Youth and new partnerships to reach young people who have had less opportunity to access nature, the outdoors and heritage.

We continued our planned programme of investment in our network of hostels, including an additional £1.6m of regular maintenance as well as completing major investments across the length and breadth of our network including YHA Coniston Coppermines, YHA Holmbury St Mary, YHA Helvellyn, and YHA Street.

Part way through the year we completed the purchase from Euro Hostels of two new sites: YHA Newcastle Central and YHA Liverpool Central. A site in Newcastle has been a long term strategic aim to provide opportunities for groups from the North East to access the city, and the availability of the site in Liverpool at the same time gave us the opportunity to increase our capacity in a city which is already in high demand from a broad range of Groups, Families and Individual Travellers.

We were delighted that our programme of modernisation and focus on operational efficiency was rewarded by getting to the number one not-for-profit hostel operator in the world for the second year running, as measured by an independent survey of guest satisfaction commissioned by Hostelling International.

We also had our first AGM under new governance arrangements. We were delighted to see 1,389 Company Members join YHA, and the introduction of online voting saw 6,532 votes being cast in the trustee elections.

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".

Report of the Trustees incorporating the Strategic Report

Mission and Vision

We have revised our mission and vision to deliver the object and match the ambitions of our new 10 Year Strategy.

Our Vision: Everyone has access to the benefits of adventure, for the first time and a lifetime.

By 2030, every child is able to stay away from home, to travel, experience adventure and access outdoors, nature, culture and heritage. YHA will work with others to end the inequality that means some children have never been to a beach, visited a museum or rolled down a hill.

Our mission: To enrich the lives of all, especially young people, by providing brilliant hostel stays and experiences that improve physical health, mental wellbeing and life skills.

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 over 2019-2020.

We recognise the importance of affordable travel to connect people to outdoors, nature, heritage and culture and over a million people stayed overnight with many using us as a base for day activities, walks and exploration.

With more than 150 locations throughout England and Wales, YHA offers a unique range of affordable and accessible accommodation, including 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.

The total number of people volunteering at YHA reached 2,290 this year and for the first time ever our number of young volunteers (under 26 years) surpassed the 1,000 mark, reaching 1,040; an increase of 10% on the previous year. These increases are largely attributed to hostel placements, work experience opportunities and traineeships coming through work with key partners such as the Duke of Edinburgh award scheme. Moving forward such partnerships and employability programmes will form the basis of YHA campus, providing pathways to help get young people into work.

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. 150,000 young people had this opportunity with YHA in 2019/2020. This included new partnerships to explore how we can take this opportunity beyond mainstream education to reach children in alternative provision and special schools.

Report of the Trustees incorporating the Strategic Report

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 support 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 charity, because the income we generate is reinvested back into our network, people and programmes.

We are 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 contribute to the wider movement.

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.

Our annual impact report will be published at the AGM in November.

STRATEGIC REPORT

Strategic review

To deliver our mission and vision, YHA has just completed the final year of our 2017-2020 Business Plan, which was 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 set ambitious, overriding aims for the three years of the plan around each of the strategic themes.

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

Report of the Trustees incorporating the Strategic Report

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

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 collected by post stay surveys, saw a slight increase on the previous year (91.3% vs 91.1%).

We also have access to the scores of online reviews for 62 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 88.7%, up 0.8% 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 89.6% which saw us placed number 1 in the world for the second year running and also the 5th most improved hostelling association overall.

Our net promoter score – the % of those who would recommend us – is an industry leading 73.4% up 2.8% on previous year.

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

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 another rise in employee engagement scores from 70% to 71% - above the sector average.

Following feedback from the previous year's survey we undertook a review of our existing Spirit Values which define how we want to work with each other. We ran a number of workshops involving representatives from all our teams and relaunched these as our HEART Values and Behaviours framework. These key values and behaviours: Helpful, Efficient, Authentic, Respectful and Team-spirited will now run through all our performance reviews.

We have now completed our 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 of a new web-based volunteer management system, Kinetics.

We now have 18,000 registered volunteers of which 55% are under 26. 2,290 people took up volunteering opportunities with us (of whom 1,040 were under 26) producing a total of almost 123,000 volunteering hours. Youth volunteering grew by 10% in 2019-20.

Report of the Trustees incorporating the Strategic Report

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** was a key objective for YHA at the start of the previous 3-year plan.

This is a complex site, and it has required 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, and secured planning consent (YHA chose to amend the compliant designs post Grenfell so requiring a further planning application). We have completed our site investigations and have tendered the project 3 times to drive best value for YHA in a challenging construction market.

Latterly there were delays between the current landowners in finalising arrangements for them to be able to sell on the land to YHA, complicated by Network Rail plans to bring back into use the former ticket hall which lies under part of the site.

The Trustees continue to monitor overall progress on the project both through the main Board and in more detail through their Committee structures. At the year end the Board agreed that we should move to secure an option to purchase the land ahead of a final decision on development.

Subsequently the COVID-19 crisis has impacted on the affordability of this development. We are now not in a position at this time to progress the construction of a hostel at London Stratford but the option to buy the land will allow us up to two years to keep the project under review and protect the commercial interests of the YHA.

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

In July this year we were successful in acquiring 2 sites from Euro Hostels with the support of £6.0m funding from HSBC, which we see as excellent additions to our network.

This year we were able to increase our investment in our day to day repairs and maintenance by £1.6m to £6.0m. This is part of a strategic move towards appropriate annual life cycle investment, reducing our reliance in the future on the need for significant large-scale refurbishment projects (though these will still be required in the short to medium term). To that end we invested a further £1.2m across the network including refurbishment projects at YHA Coniston Coppermines, YHA Helvellyn, YHA Holmbury St Mary Surrey Hills and YHA Street which were completed early in 2019/20.

This investment would not have been possible without our continued focus on delivering **occupancy and financial growth. Despite a challenging trading context 2019/2020 was our best ever trading year.**

Groups trading was a key focus during the year with new processes and structures being put in place to support growth moving forward. Groups support our trading position but are also where we see maximum impact on young people in support of our charitable object. Like for like overall groups volumes were up by 1.7% in the year, reversing a slow decline in recent years. With much of the groundwork now in place, our forward bookings at the end of the year for 2020/21 were up by 6.4% compared to previous years, before COVID meant we were unable to deliver these.

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 camping 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) despite one of the wettest summers on record, was £1.3m in 2019/20, 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 11.5% to £1.7m this year, helping us to raise occupancy across the network in the winter season.

Report of the Trustees incorporating the Strategic Report

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, the Board of Trustees receive regular reports covering both actual performance and future orders and forecast performance.

The new Board sub committees put in place this year have strengthened the monitoring of performance with the Audit and Risk Committee looking at our key risks and controls, and the Finance Committee looking at financial performance and treasury management.

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, as well as crystallising this in our new 10-year strategy, we started to develop what this means for our programmes, partnerships and profile. This was the first full year of the new Strategy and Engagement Directorate. The creation of this directorate has led to a marked step change in our reach and work with young people, new partnerships to reach children and families who could benefit the most from what we do and work to ensure we play our part in access to nature, outdoors, heritage and culture.

We have committed to increasing young people's voice within decision making and programme design. Over 2019 we surveyed nearly 4,000 children and young people involved in our programmes. This feedback shows compelling evidence of the positive impact staying at YHA has on young people's health and wellbeing, life skills, education and personal development. It also shows that not all groups benefit equally. Those from areas of higher deprivation benefit more than those from more affluent areas and those from BAME backgrounds more than those who are white / British. Moving forward we will look to target those who we know benefit the most but may find it more difficult to access our programmes. Our new Strategy commits us to reducing some of the barriers to access and will underpin our work in future years.

We tested emerging pilot products this year. A residential trip was designed to assist a smooth transition for young people moving from primary to secondary school (piloted with Moulsecombe Primary, West Sussex) which delivered the intended outcomes through new personal connections, friendships and improved teacher / student relationships. This was delivered in an engaging environment outside of the classroom enabling better connections to nature and the outdoors where students reported doing (and enjoying) more physical activity than they would at home.

A multi-year partnership between YHA and Aspire began in 2019 to pilot residential trips to enable young people who are in alternative provision (AP) to experience a range of activities and staying away overnight. This work was intended to support staff to feel confident in taking their groups away and creating an environment where young people with additional needs are supported. Survey results showed positive improvements in behaviours in most students and above-average gains for this group compared to those of a similar age who are in mainstream education. For example, there were higher numbers reporting increased environmental knowledge, higher levels of physical activity and those wanting to stay again with YHA. We will continue to build on this work next year.

In December, the Board considered the Youth Engagement Strategy. Priorities for work in 2020 including the development of a Youth Advisory Team and the recruitment of under 26-year-old trustees.

Report of the Trustees incorporating the Strategic Report

4,875 young people and families with challenging lives received a supported stay with YHA through our Breaks Programme. This included – 28 young people from Alternative Provision schools, 229 children participating in a pilot 'transition' residential to support their move from primary to secondary school, 380 families, 879 young people with challenging lives including young carers and looked after children, and over 3,000 school children. from areas of high deprivation. 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 at the November 2020 AGM

In 2017/18 we invested in our fundraising team. This was a long-term investment, but we are now seeing the benefits in **growing our income through fundraising** with non-legacy income more than doubling from £345k to £731k this year. More diverse funding is now being accessed including from Sport England to invest in outdoor activity apprentices from BAME backgrounds, supporting our desire to create a more diverse workforce that is reflective of our user base.

We continue to **extend our reach through partnerships and lobbying**. We were pleased to see our recommendation for all children to have high quality learning experiences and residentials in National Parks and Areas of Outstanding Natural Beauty reflected in the Government commissioned Glover Review. We have also developed and lead the Access Unlimited Coalition of leading Not for Profit young people's residential providers working closely with National Parks Natural England and DEFRA to turn this aspiration into reality.

Recognising our position in the heritage and tourism sectors, we are delighted to be working with Visit Wales, Visit Britain and the Heritage Lottery Fund on approaches to maintain and promote our hostel network as a route to heritage experiences.

In total, 415,488 young people have enjoyed safe, healthy, fun and active experiences with us in 2019/20, which includes 1,548 working and volunteering with us, 408,027 who stayed with us, and 5,913 young people who used our facilities in the daytime.

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 start of 19/20. This aimed to engage not just our existing 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.

These changes saw our membership income rise by 6.9% reversing a decline which stems back over at least 10 years.

Following a favourable vote at the 2018 AGM we also created and rolled out a new Company Member scheme, and we had over 1200 Company Members by the end of 2019/2020.

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 segmentation resulting in click-through rates of 18%, a performance well above the national average Key Performance Indicators (KPI's) for both the charity and hospitality/travel sectors. New data analysis techniques and reporting tools continue to be developed to give us much clearer insight into the behaviour of our customers.

Report of the Trustees incorporating the Strategic Report

Pre-stay emails have been successfully rolled out across the network to ensure each 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 75%.

As part of our plans to deliver an **integrated insight-driven customer journey**, we continue to develop the YHA website (www.yha.org.uk). This results in improved conversion rates for families and individuals making online hostel bookings and individual donations.

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.

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.

Finally, in 2019/20, we continued our work to showcase YHA's commitment to sustainability and the environment. A key highlight this year was the national roll out of water refill stations across the network with the support of Waitrose and Partners and Hostelling International, enabling YHA to remove over half a million single use plastic bottles from circulation annually.

Performance review

	2020 £ million	2019 £ million	2018 £ million	2017 £ million
Hostel revenues	52.0	49.4	49.4	47.3
Hostel direct costs	(35.3)	(32.9)	(32.2)	(31.6)
Hostel surplus	16.7	16.5	17.2	15.7
Membership and fundraising income	2.7	2.2	2.2	1.7
Non hostel costs	(10.4)	(10.1)	(9.7)	(9.4)
Surplus before maintenance and investment	9.0	8.6	9.7	8.0
Current year maintenance and investment	(6.0)	(4.4)	(4.3)	(3.9)
Loan repayment and interest on previous investment	(1.5)	(1.4)	(1.3)	(1.8)
Operating surplus	1.5	2.8	4.1	2.3

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 which include non-cash items such as depreciation, is shown on the next page.

Our surplus before maintenance and investment was £9.0m, £0.4m above last year's figure, our second highest ever. This allowed us to invest more in year into our on-going repairs and maintenance. The £6.0m spent was £1.6m more than last year as we implemented our plans to move towards appropriate annual life cycle investment, reducing our reliance in the future on the need for significant large scale refurbishment projects (though these will still be required in the short to medium term). A further £1.5m 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 £1.5m which was used to fund major capital investments in the network.

Report of the Trustees incorporating the Strategic Report

Like for like trading in 2019/20 of £51.1m was 3.5% up on last year and exceeded our previous record year in 2018. On top of this new hostels in Liverpool and Newcastle generated an additional £0.9m of revenue. Within this, in line with our strategy, we were delighted to see that much of this growth was driven by groups where we know we can have the maximum impact of young people.

This growth was needed as we knew that our cost lines would grow in 2019/20 with the impact of the increase in National Minimum Wage and other external cost pressures – like for like costs were broadly in line with our budgeted expectations.

Membership and fundraising income, was up on last year's levels with, as noted previously, encouraging growth in both non legacy income and membership revenues.

Our non-network costs which include all those costs not incurred directly at our hostels were £0.3m (1.6%) up on last year but 2.5% 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 £1.6m, a £0.4m increase on previous year.

This resulted in the surplus before maintenance and investment of £9.0m. After the £6.0m increased investment on maintenance spend and the £1.5m for existing loan interest and repayments, we were able to generate a cash surplus of £1.5m, £0.4m more than the budget we set.

As well as the financial information reported to the Trustees, our quarterly reports on progress of our Operating Plan include 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:

	2020 £ million	2019 £ million	2018 £ million	2017 £ million
Net surplus per management accounts	1.5	2.8	4.1	2.3
Loan repayments	0.2	0.2	0.2	0.7
Capital investments	1.9	0.7	0.9	1.2
Depreciation	(5.4)	(4.9)	(4.7)	(4.7)
Profit on property sales after re-organisation costs	0.0	0.6	0.3	0.2
Capital grants	0.2	0.1	0.0	0.1
Non trading items*	(0.3)	(0.1)	(0.1)	(1.6)
Non actuarial pension and investment movement	0.4	0.5	0.6	0.5
Operating statement (deficit)/surplus	(1.5)	(0.1)	1.3	(1.3)

*Non trading items includes charges relating to refinancing 2020 (£0.3m) 2019 (£0.2m) 2018 (£0.2m) 2017 (£1.5m).

Report of the Trustees incorporating the Strategic Report

COVID-19 and Going concern

These accounts cover the trading period to 29 February 2020 and as such were not materially impacted by the onset of the COVID-19 pandemic.

Whilst demand at the end of February dampened slightly, the principle impact for YHA was felt as a result of the restrictions put in place in March 2020 which resulted in YHA's network needing to close in March and not reopen until the end of July 2020. This shutdown period coincided with what is usually YHA's most successful trading period both from a financial and an impact perspective.

Ongoing restrictions on the use of shared facilities, international quarantine requirements and the current embargo on school group visits are expected to adversely impact on the charity through the rest of 2020/21 and, unless a successful vaccination is forthcoming, into the following financial year.

YHA's financial resilience is such that we have been able to support the charity through the initial shutdown period from within our existing banking facilities with HSBC. This has been possible with a series of proactive cost cutting measures and utilising funding available from the government, in particular taking full advantage of the Furlough scheme with the aim of ensuring that the charity can continue to deliver its strategy on a return to more normal trading conditions.

We have now accessed through HSBC £15m of funding from the Coronavirus Large Business Interruption Loan Scheme ("CLBILS") which will support our short term cash requirements over the winter period and will protect YHA from a further sustained material downturn in demand as a result of ongoing restrictions over the next 12 months.

In this context, these financial statements have been prepared on a going concern basis taking note of the guidance issued by the Financial Reporting Council on Going Concern Assessments in determining that this is an appropriate basis of preparation of the financial statements.

The Trustees have reviewed forecasts to September 2021, including worst case scenarios modelled on levels of restrictions remaining at current levels for a further twelve month period, and believe that with the benefit of the CLBILS facility, the Charity will be able to meet its liabilities as they fall due over that period.

Notwithstanding this positive indication of the financial stability of the charity there remains a scenario in which there is a second prolonged Covid-19 lockdown with a significant tightening of existing restrictions which could be more significant, and this circumstance would represent a material uncertainty which could cast doubt on the company's ability to continue as a going concern.

Nonetheless the Trustees expect that YHA has sufficient resources to enable it to continue to adopt the going concern basis in preparing the financial statements. These financial statements do not include any adjustment that would arise if the going concern basis of preparation was not considered appropriate.

Future Plans

YHA Strategic and Business Plans

At the February 2020 Meeting the Board signed off a new Strategy "For the first time and a lifetime" our 10-year Strategy for People and Places.

This reinforced our commitment to our charitable object but revised our mission and vision to match the ambitions of the strategy.

Report of the Trustees incorporating the Strategic Report

Our Strategic Priorities

Impact priorities

1. Our top priority is to ensure that all means all, increasing the scale and breadth of our reach and ensuring that YHA is for everyone; **we will promote social inclusion and equity of access** with a particular focus on young people under 26 and by proactively targeting our efforts on those with challenging lives.
2. **We will increase access to stays away from home and improve connections to nature, outdoors, heritage and culture** – recognising that our hostel network provides unique opportunities for the many not just the few.
3. **We will improve physical and mental wellbeing** by providing activities and programmes and by supporting people to take their own action using our hostels as a base – both through overnight stays and as part of day visits.
4. **We will develop life skills and employability** through the development of the YHA Campus and YHA Curriculum; for our staff, volunteers and the young people that we work with.
5. **We will contribute to social cohesion**. We will encourage different sectors of the community who visit us – both overnight and for day visits – to learn from and with each other. We are part of the sharing economy. We will make best use of our places and spaces, and our activities programme, to make stronger links to local communities.

Enabling priorities

6. **Maintain a viable network of quality hostels** – places and spaces – that matches our strategic ambitions.
7. **Deliver against a framework of industry standard benchmarks** that draws on the best quality models across charity, social enterprise, hospitality and work with young people. Work with transparency and with a focus on the experiences of our users – excelling in both digital and offline services.
8. Support growth by continuing to **generate an annual cash surplus** that supports our strategic intent, based on social enterprise principles.
9. Recognise that the risks to the environment and to the world and its population are a real and immediate threat by connecting people to nature. We will set a strong example - in how we use our assets and through our work with partners **we will help to improve the environment**.
10. **Build support for the hostelling cause** – drawing on our 90-year history to establish the importance of hostelling for all today; growing both the numbers of members but also how many members are active with YHA, and leading the movement for those who support hostelling as a route to affordable travel and adventure.

Business/Operating Plan 2020/23

Previously YHA has developed and agreed a new Business Plan every three years, and a separate one year Operating Plan every year. Moving forward these are now combined into one Business/Operating plan that is reviewed and rolled forward annually, to aid more agile planning.

The plan sets out a list of workstreams that are set to be delivered over the next 3 years, complete with more specific and detailed quarterly milestones for the forthcoming financial year, with each project being linked to the 10 key Strategic priorities.

Scale

- We will increase our focus on how groups can use our hostels – particularly schools and youth groups but also communities, groups of friends and those wanting to hire out entire hostels.
- We will develop our capital strategy to continue to ensure we have the right hostels, in the right places to the right standards.
- We will consider all of our potential income streams and ensure we have the best mix for a modern charity and thriving social enterprise.
- We will use our 90th Anniversary and launch of our 2020-2025 Strategy to reach new audiences, partners and profile

Report of the Trustees incorporating the Strategic Report

Access

- We will diversify our governance, staff and users with an early focus on youth engagement and better understanding our current demographics.
- We will prioritise our user experience including looking at every stage of the user journey.
- We will increasingly look at how we use our hostels for both day visits and as part of their local community.
- We will develop our profile, presence and relationships in Wales.
- We will develop new programmes aimed at specific audiences including those with the most challenging lives.

Depth

- We will develop our member offer to encourage members to be even more involved with YHA at every level.
- We will better understand our estate and – while maintaining charity wide standards – look at how we can make the most of each hostel's unique characteristics.
- We will continue investment in IT and digital services with a particular focus on how these impacts on user experience and a lifelong journey with YHA.

Quality

- We are developing our programme offer – continuing to be the leading residential provider and offering an increasing range of high-quality activities that connect people to nature and outdoors, culture and heritage.
- We will develop the YHA Campus and Curriculum – expanding our volunteering offer and working to provide new work experiences, internships and routes to employment.
- We will develop and deliver a quality framework that draws on our hospitality excellence and benchmarks us against the best in the charity and hospitality sectors.

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 were identified at the February Board meeting 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.

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Major Project Failure

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

Financial

- Wider economic climate downturn, national and international risks. For example, terrorism, Brexit, pandemic and wider international incidents.
- YHA unable to fund its long-term capital needs

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 2019/20 the Board met seven times. The Board has appointed a number of committees consisting of certain Trustees. As at the date of this report, the following are the principal committees: the Audit and Risk Committee ("ARC"); the Finance Committee ("FC"); the Impact and Engagement Committee ("I&E"); and the People and Remuneration Committee ("PremCo").

The principle committees were restructured on 18th May 2019. The responsibilities previously delegated by the Board to the Performance and Audit Committee were divided between the FC and the ARC. At the same time, the Board established the I&E to focus on YHA's impact and engagement as a charity, and PremCo assumed responsibility for the oversight of people matters. At the same time, the Financing Committee and the AGM Committee were disbanded.

With effect from the 3rd April 2020, the Board appointed an Emergency Committee to consider urgent matters during the Coronavirus pandemic. The members of the Emergency Committee are the Chair, Vice Chair, Treasurer and the Chairs of I&E and PremCo.

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 was widened to all Association Members. That vote was 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, are members 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.

Margaret Hart was appointed as Chair and Marcus Holburn as Vice Chair with effect from the conclusion of the 2019 AGM. Graham Turnock replaced Ian Maginnis as Treasurer on 7th December 2019.

Peter Gaines stood down as Chair and as a member of the Board at the conclusion of the 2019 AGM. Ian Maginnis resigned as Treasurer and as a member of the Board on 7th December 2019.

Hayley Barnard, Emma Bradley and Robert Varley were appointed as Trustees for an initial four-year term with effect from the 2019 AGM.

Phil Bale was co-opted as a member of the Board on 7th December 2019 for a one-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 2019, 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 key sections of the Code for larger charities: Purpose; Decision Making; and Board Effectiveness. The results of both reviews were positive, and action is ongoing in those areas identified for improvements.

Training

All new Trustees attend a two-day induction course including the opportunity to visit and stay in local hostels, with the exception of Phil Bale who received a bespoke induction. The training is based on the guidelines set down by the National Council for Voluntary Organisations (NCVO) and covers:

- Governance – the role and responsibility of Trustees, governance structure and reform, Articles of Association, and 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.

In addition, Board workshops have been introduced after Board meetings focusing on key themes to support trustees in their role.

Elections to the Board

Candidates to fill vacancies on the Board are proposed by the Nominations Panel (NP).

The NP consists of:

- An independent Chair
- 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 draft a short-list of suitable individuals to be included in a vote bearing in mind the skill gaps identified by the Board. From 2019 voting for Trustees has taken place online before the AGM, with the result announced at the meeting.

There were three Board Trustee vacancies in 2019. Fourteen people applied to become Trustees in 2019 from whom the NP nominated six candidates, including one existing trustee. Subsequent to the nominations having been made irregularities came to light regarding one candidate's application and the Panel felt they could no longer support their name going forward. In addition, Marcus Holburn, the existing trustee putting himself forward for re-election, withdrew from the election following his appointment as a YHA National Officer. The result of the election was that all three vacancies were filled by individuals who had not previously been YHA trustees.

Members of the Board of Trustees at 29 February 2020

Margaret Hart, Chair

Margaret was elected as Chair with effect from the conclusion of the 2019 AGM. 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.

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Marcus Holburn, Vice Chair

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.

Graham Turnock, Treasurer

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.

Phil Bale

Phil has held a variety of senior board level positions within the public sector, including as Leader of the largest local authority in Wales. Prior to working in local government, he worked within the UK financial services sector and at the Senedd (Welsh Parliament) and holds a degree in international relations, as well as a masters in corporate governance.

Phil has been a regular hostel user since his university days, traveling extensively at home and abroad. He strongly supports the YHA ethos of transforming young lives through adventure and travel.

Phil was co-opted onto the Board of Trustees in December 2019.

Hayley Barnard

Since 2014 Hayley has served as the Managing Director of MIX Diversity Developers, helping many large organisations shift their culture to one that is more inclusive of diversity. Her clients range from NHS Trusts to global companies such as Microsoft, T-Mobile and Britvic. She hopes to bring this expertise to the YHA to support our aim to reach an ever-wider range of people.

Previously Hayley worked at Non-Executive and Executive Board level at a number of travel and expedition companies. Her postgraduate training is in marketing and she has significant experience in and passion for digital engagement.

Emma Bradley

Emma grew up on a farm and loves the countryside. She passionately endorses YHA's belief that 'where you go changes who you become' and believes that access to nature and being outside can have positive effects on mental health and wellbeing, especially for young people.

Emma began her career in the travel sector in marketing positions at Thomson Holidays, British Airways and Tourism Australia. She then worked at the BBC, initially as Marketing and Fundraising Director for BBC Children in Need, and then in other marketing and strategy roles. She now runs Corporate Social Responsibility at Global, the media and entertainment group, which encompasses the UK's largest commercial radio company, including youth brand, Capital. As part of this brief she runs the in-house charity, Make Some Noise, which is a Grantmaker supporting small charities and projects that work with disadvantaged children and young people. Emma is also Chair of Governors for a secondary school. She became a Trustee in 2019.

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.

Report of the Trustees incorporating the Strategic Report

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.

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.

Hannah Paterson

Hannah lives in Manchester with her partner Jess. She started her career campaigning for the rights of disabled students whilst studying at university, she was particularly focused on improving access, having experienced a number of blockers herself within an education system that is currently designed around the 'average' person rather than being adaptable and flexible to different needs.

Hannah was introduced to YHA at a very young age and every January her family uses YHA to lift the post-Christmas blues and blow away the cobwebs with stays and walks in various parts of the country.

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 equality, 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.

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, as Director of Commercial Engagement at Lloyd's Register Foundation, he sets up new business ventures and partnerships to extend the impact of the Foundation's work in supporting 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 manages legal and compliance matters for large companies. Chris has previously served as a charity trustee for charities active in housing services and helping to address homelessness. Chris is a life member of YHA. He has been hostelling since his youth and together with family and friends. He enjoys outdoor activities such as cycling, walking and 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. He is a member of the Audit and Risk Committee and the Nominations Panel.

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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 runs her own media training and consultancy business working with local authority and commercial organisations.

Robert Varley

Robert has been a keen hosteller since his youth. He has a passion for the outdoors and loves exploring Britain's wild country and coastline on foot. A family man, a Dad and a Grandad, he has been volunteering in children's and youth work for over 40 years. He has a passion for everything the YHA stands for and is keen to see it make a real difference to even more young lives in the years ahead. "Because where you go changes who you become."

A meteorologist by profession, Robert worked for 35 years at the Met Office. He has served on numerous Boards and Councils at national and international level – as Chief Executive of the Met Office, Non-Executive Director of Ordnance Survey, President of Eumetnet, Vice President of the Royal Met Society and Vice President of the World Meteorological Organisation. In 2012 Robert was named as the Institute of Directors' Director of the Year (Public/Third Sectors), and in 2016 he was awarded an honorary degree of Doctor of Science from the University of East Anglia. He now works as a strategic consultant to leaders of weather services around the world.

	Board meetings attended	Term of office
Philip Bale	1 of 2	Ends 2020*
Hayley Barnard	1 of 4	Ends 2023
Emma Bradley	3 of 4	Ends 2023
Peter Gaines	2 of 3	Ended 2019
Margaret Hart	7 of 7	Ends 2022
Cathryn Hayhurst	5 of 7	Ends 2021
Marcus Holburn	6 of 7	Ends 2021
Barbara Kasumu	3 of 7	Ends 2020**
Ian Maginnis	5 of 5	Resigned 7 th December 2019
Josie Murray	6 of 7	Ends 2022
Hannah Paterson	3 of 7	Ends 2022
Simon Reeve	6 of 7	Ends 2022
Chris Roberts	6 of 7	Ends 2021
Fiona Steggles	6 of 7	Ends 2020**
Graham Turnock	5 of 7	Ends 2024
Robert Varley	3 of 4	Ends 2023

*eligible to be co-opted for a further one-year term

**eligible for re-election for a further four-year term

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 33 of the financial statements. For the purposes of company law, the Trustees listed above are also the Directors of YHA.

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Executive Team

Chief Executive: James Blake

Other senior executives:

Chief Finance Officer and Company Secretary	William Howarth
Executive Director of Property and Risk	Jake Chalmers
Executive Director of Strategy and Engagement	Anita Kerwin-Nye
Director of People	Jane Price
Chief Operating Officer	Jerry Robinson

Jane Price was appointed as Director of People on 01 March 2020

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

Audit and Risk Committee (“ARC”)

The ARC is a committee of the Board of Trustees. The Committee met twice during the year and is currently composed of:

- The Vice Chair who acts as the Chair of this Committee.
- Two Trustees: Emma Bradley and Chris Roberts

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; and, devises and tests key measures against which the performance of the organisation can be judged.

Finance Committee (“FC”)

The FC is a committee of the Board of Trustees. The Committee met four times during the year and is currently composed of:

- The Treasurer Graham Turnock who acts as the Chair of this Committee. Graham Turnock, an existing member of the FC, replaced Ian Maginnis as Treasurer on 7th December 2019.
- Two Trustees: Cathryn Hayhurst, Phil Bale (with effect from 31 January 2020).

The Committee supports the Board in ensuring the effective financial management of the Company; provides opinion on financial sustainability of YHA's strategic plans; advises on funding strategies and risks; provides appropriate scrutiny of finance related strategic KPIs; ensures effective financial planning, budgeting and treasury management; reviews and is consulted regarding capital and other investments; and, works with the Audit and Risk Committee regarding financial risk management.

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Impact and Engagement Committee (“I&E”)

The Impact and Engagement Committee is a Committee of the Board. The Committee met three times last year and was composed of:

- Simon Reeve who acted as Chair of this Committee during 2019
- Three Trustees: Hayley Barnard, Barbara Kasumu and Fiona Steggle.

The Impact and Engagement Committee supports the Board in maximising the impact and effectiveness of YHA’s work as a charity, and its member and stakeholder engagement, through ensuring effective management of these areas. This includes oversight of: impact related KPIs; the design, delivery and evaluation of youth, education and activity programmes and YHA’s engagement strategy with members, volunteers, donors and partners.

People and Remuneration Committee (“PremCo”)

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

- Josie Murray who acted as Chair of this Committee during 2019
- Two Trustees: Hannah Paterson and Robert Varley

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, determines 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. The Committee is also responsible for People risk.

Financial control and Risk Management

Trustee Responsibilities Statement

The Trustees (who are also directors of YHA (England and Wales) 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 accounting 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

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- 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 enable them to 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 hence 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 the steps that they ought to have taken as Trustees 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.

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the company.

YHA is a leading national charity which depends on the trust and confidence of its members and beneficiaries to operate sustainably in the long term. YHA seeks to put its beneficiaries' best interests first, invests in its employees, supports the communities in which it operates and strives to generate sustainable surpluses to be reinvested into the charity.

The Trustees have acted in accordance with their duties codified in law, which include their duty to act in the way in which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the matters set out in section 172(1) of the Companies Act 2006. The Board recognises that building strong relationships with our members and beneficiaries will help us to deliver our strategy in line with our long-term values and operate the business in a sustainable way.

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.

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.

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YHA has introduced an active reserve monitoring process managed by the Audit & Risk Committee (ARC) and governed by the Trustees. The ARC 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 ARC 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 ARC would report immediately to the Board with recommendations for action.

Previously we had assessed our maximum level of risk, including the possibility of some form of pandemic to be @ £5m which pre COVID-19 we considered to be a reasonable estimate. Given the unprecedented scale and duration of the crisis, this proved to be an underestimate and the final impact is likely to be at least twice this amount.

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 Rathbone Investment Management (previously 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.

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.

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- 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.

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 Audit & Risk Committee (ARC) 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 ARC:

- 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 Associate Director for Risk. 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.

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LEGAL AND ADMINISTRATIVE DETAILS

Bankers:

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

Santander Bank
Carlton Park
Narborough
LEICESTER
LE19 0AL

Solicitors:

Browne-Jacobson
14th Floor
No.1 Spinningfields
1 Hardman Square
Spinningfields
MANCHESTER
M3 3EB

Russell Cooke
2 Putney Hill
LONDON
SW15 6AB

Ellis Whittam Ltd
Woodhouse
Aldford
CHESHIRE
CH3 6JD

Pinsent Masons LLP
55 Colmore Row
BIRMINGHAM
B3 2FG

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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

Rathbones Investment Management
George House
50 George Square
GLASGOW
G2 1EH

Internal Auditors

For the period of this report RSM Risk Assurance LLP were the internal auditors for YHA and acted as an assurance function to provide an independent and objective opinion to YHA on the design and operation of the internal control environment. Following a competitive tender process KPMG were appointed to fulfil this role moving forward in April 2020.

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

Margaret Hart

M Hart
Chair
26 September 2020



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 subsidiary (the 'group') for the year ended 29 February 2020, which comprise the Consolidated Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Consolidated Statement of Cash Flows 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 29 February 2020 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.



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

Material uncertainty related to going concern

We draw attention to the disclosure in note 2 of the financial statements, which details the factors that the directors have considered in making their going concern assessment, including the availability of additional funding from the charitable group's bankers. The uncertainty as to the future impact of the recent Covid-19 outbreak has been included as part of the directors' consideration, and they have considered the reasonably plausible impact of the outbreak on trading and cashflow forecasts.

While the directors consider the charitable group to be a going concern, the uncertainty around the magnitude of the impact of the outbreak indicates the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern. Our opinion is not modified in respect of this matter.

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 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 prepared for the purposes of company law, included in the Report of the Trustees 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 included in the Report of the Trustees.



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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent charitable company, or
- returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company'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 pages 19 and 20, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group 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.



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

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.

Grant Thornton UK LLP

Peter Edwards
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
26 September 2020

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

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2020 £'000	Total 2019 £'000
Income						
Income from operating youth hostels	6	47,064	-	-	47,064	45,745
Commercial income from YHA Trading Limited	9	6,893	-	-	6,893	5,580
Donations, gifts and legacies		722	853	-	1,575	1,054
Grants receivable	5	-	314	-	314	142
Investment and similar income	7	1	26	-	27	32
Total income before net gain on disposal of tangible fixed assets		54,680	1,193	-	55,873	52,553
Net gain on disposal of tangible fixed assets		-	-	-	-	582
Total income		54,680	1,193	-	55,873	53,135
Expenditure						
Costs of operating youth hostels	9	51,021	437	-	51,458	48,621
Costs of operating YHA Trading Limited	9	5,314	-	-	5,314	4,226
Fundraising	9	384	-	-	384	356
Total expenditure		56,719	437	-	57,156	53,203
Unrealised (losses)/gains on investments	24	-	-	(11)	(11)	32
Realised (loss)/gains on investments	24	-	-	11	11	(66)
Net income/(expenditure) before tax and refinancing costs		(2,039)	756	-	(1,283)	(102)
Tax on commercial activities		-	-	-	-	-
Net income/(expenditure)*		(2,039)	756	-	(1,283)	(102)
Transfer between funds	25	25	(25)	-	-	-
Net income/(expenditure) after transfers		(2,014)	731	-	(1,283)	(102)
Other recognised gains and losses						
Actuarial (loss) on defined benefit pension scheme	23	(189)	-	-	(189)	(106)
Actuarial (losses) on multi-employer pension scheme	23	(36)	-	-	(36)	338
Net movement in funds		(2,239)	731	-	(1,508)	130
Fund balances brought forward at 1 March 2019		38,372	3,318	960	42,650	42,520
Fund balances carried forward at 29 February 2020	26	36,133	4,049	960	41,142	42,650

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	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Fixed assets					
Tangible assets	12	98,652	94,837	98,652	94,837
Intangible fixed assets	13	840	-	840	-
Investments	14	960	960	961	961
		<u>100,452</u>	<u>95,797</u>	<u>100,453</u>	<u>95,798</u>
Current assets					
Stocks	15	351	320	351	320
Debtors	16	2,356	1,731	2,356	1,731
Cash at bank and in hand	28	2,558	3,261	2,558	3,261
		<u>5,265</u>	<u>5,312</u>	<u>5,265</u>	<u>5,312</u>
Creditors: amounts falling due within one year	17	<u>(12,586)</u>	<u>(14,223)</u>	<u>(13,981)</u>	<u>(15,393)</u>
Net current liabilities		<u>(7,321)</u>	<u>(8,991)</u>	<u>(8,716)</u>	<u>(10,081)</u>
Total assets less current liabilities		93,131	86,886	91,737	85,717
Creditors: amounts falling due after more than one year	19	<u>(43,720)</u>	<u>(35,537)</u>	<u>(43,720)</u>	<u>(35,537)</u>
Provisions for liabilities	20	<u>(1,116)</u>	<u>(1,166)</u>	<u>(1,116)</u>	<u>(1,166)</u>
Net assets excluding pension liability		48,295	50,183	45,901	49,014
Multi-employer pension scheme liability	23	<u>(2,278)</u>	<u>(2,638)</u>	<u>(2,278)</u>	<u>(2,638)</u>
Defined benefit pension scheme liability	23	<u>(4,875)</u>	<u>(4,895)</u>	<u>(4,875)</u>	<u>(4,895)</u>
Net assets		<u>41,142</u>	<u>42,650</u>	<u>39,748</u>	<u>41,481</u>
Funds					
Endowments	24	960	960	961	961
Restricted funds	25	4,049	3,318	4,049	3,318
		<u>5,009</u>	<u>4,278</u>	<u>5,010</u>	<u>4,279</u>
Unrestricted funds excluding pension liability		19,090	21,709	17,695	20,539
Revaluation reserve		24,196	24,196	24,196	24,196
Pension reserve	23	<u>(7,153)</u>	<u>(7,533)</u>	<u>(7,153)</u>	<u>(7,533)</u>
Total unrestricted funds		<u>36,133</u>	<u>38,372</u>	<u>34,738</u>	<u>37,202</u>
Total charity funds	26	<u>41,142</u>	<u>42,650</u>	<u>39,748</u>	<u>41,481</u>

The financial statements were approved by the Board of Trustees on 26 September 2020.

M Hart *Margaret Hart*

Trustees

G Turnock

Company registration number: 282555

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

Consolidated Statement of Cash Flows

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Net cash provided by operating activities	27	<u>5,169</u>	<u>3,862</u>
Cash flows from investing activities			
Investment Income (including interest received)	7	26	32
Sale of tangible fixed assets		-	832
Purchase of tangible and intangible fixed assets		<u>(10,210)</u>	<u>(4,878)</u>
Net cash used in investing activities		<u>(10,184)</u>	<u>(4,014)</u>
Cash flows from financing activities			
Repayment of borrowings		(53)	(73)
Capital element of finance lease rentals		(197)	(202)
Cash receipts from borrowings		6,000	500
Interest paid	8	<u>(1,438)</u>	<u>(1,350)</u>
Net cash provided/ (used in) by financing activities		<u>4,312</u>	<u>(1,125)</u>
Change in cash and cash equivalents in the reporting period		(703)	(1,277)
Cash and cash equivalents at the beginning of the reporting period		3,261	4,538
Cash and cash equivalents at the end of the reporting period	28	<u>2,558</u>	<u>3,261</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 2019) – (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

These financial statements have been prepared on a going concern basis taking note of the guidance issued by the Financial Reporting Council on Going Concern Assessments in determining that this is an appropriate basis of preparation of the financial statements.

The Trustees have reviewed forecasts to September 2021, including worst case scenarios modelled on levels of restrictions remaining at current levels for a further twelve month period, and believe that with the benefit of the CLBILS facility, the Charity will be able to meet its liabilities as they fall due over that period.

Notwithstanding this positive indication of the financial stability of the charity there remains a scenario in which there is a second prolonged Covid-19 lockdown with a significant tightening of existing restrictions which could be more significant, and this circumstance would represent a material uncertainty which could cast doubt on the company's ability to continue as a going concern.

Nonetheless the Trustees expect that YHA has sufficient resources to enable it to continue to adopt the going concern basis in preparing the financial statements. These financial statements do not include any adjustment that would arise if the going concern basis of preparation was not considered appropriate.

Basis of consolidation

The group financial statements consolidate those of YHA and of its subsidiary undertaking (see note 14). 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:

Notes to the financial statements

3 Significant judgements and estimates (continued)

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 23 provides information on the assumptions used in these financial statements.

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. Further details on the accounting policies relating to the multi-employer defined benefit scheme are provided in note 4.

Provisions

These financial statements include provisions for liabilities as at 29 February 2020 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.

Assets under Construction

These 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. Where projects stretch over more than one year the values are reviewed to ensure that the spend still represents a tangible or intangible asset. In relation to the potential development at Stratford East London we have reviewed the spend on this project and are content that the values held as Assets in Construction represent a fair value relating to the detailed design and planning work and site surveys which have a tangible value both to this specific project but also to inform wider capital design decisions.

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.

Notes to the financial statements

4 Principal accounting policies (continued)

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.

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 and intangible fixed assets

Fixed asset accounting policy

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

Notes to the financial statements

4 Principal accounting policies (continued)

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).

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. Amounts totalling £146k were identified this year and are included in note 12.

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.

Notes to the financial statements

4 Principal accounting policies (continued)

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.

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

Notes to the financial statements

4 Principal accounting policies (continued)

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 structure 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.

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 for 916 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.

Notes to the financial statements

4 Principal accounting policies (continued)

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.

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

	2020 Restricted Funds (Capital) £'000	2020 Restricted Funds (Other) £'000	Total 2020 £'000	Total 2019 £'000
Grants receivable in the year	177	137	314	142

All grants receivable in the year related to restricted funds (see note 25).

6 Charitable income

	2020 £'000	2019 £'000
Income from operating youth hostels	45,956	44,709
Membership income received directly by the group	1,108	1,036
Total income from operating youth hostels	<u>47,064</u>	<u>45,745</u>

7 Investment income

	2020 £'000	2019 £'000
Listed stocks and shares	26	28
Cash and deposits	1	4
	<u>27</u>	<u>32</u>

Notes to the financial statements

8 Interest and financing costs

	2020 £'000	2019 £'000
Net pension cost	128	130
On bank loans, overdrafts and other loans	1,269	1,178
Financing costs amortised	162	166
Finance charges in respect of finance leases	7	6
	<u>1,566</u>	<u>1,480</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 2020 £'000	Total 2019 £'000
Costs of Operating Youth Hostels	22,995	22,905	5,409	51,309	48,455
Costs of Operating YHA Trading Ltd	2,023	3,291	-	5,314	4,226
Other Fundraising Costs	253	131	-	384	356
Other costs - Governance Costs	-	149	-	149	166
Total expenditure	<u>25,271</u>	<u>26,476</u>	<u>5,409</u>	<u>57,156</u>	<u>53,203</u>

Total 2020 £'000	Total 2019 £'000
------------------------	------------------------

Depreciation comprises:

Depreciation on owned tangible and intangible assets	5,288	4,783
Depreciation on tangible assets held under finance lease	121	123
	<u>5,409</u>	<u>4,906</u>

Other direct costs comprise:

Repairs and maintenance of buildings – ongoing	4,078	3,723
Repairs and maintenance of buildings - dilapidation provision	100	20
Fuel, heat & light	2,160	2,071
Food and beverage costs	5,108	4,709
Activity & transport providers	733	723
Restructuring costs (including redundancy)	80	141
Travel	1,153	1,155
Communication costs	450	425
Cleaning and laundry	3,028	2,868
Interest payable (note 8)	1,566	1,480
Marketing and Publications	859	952
Insurance	446	399
Auditors' Remuneration – audit	36	35
Auditors' Remuneration - non-audit services taxation (inc.IXBRL)	1	4
Operating lease rentals - land and buildings	2,124	2,051
Operating lease rentals - fixtures & fittings	678	690
Other direct costs	3,876	2,858
	<u>26,476</u>	<u>24,304</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	
	2020	2019
	£'000	£'000
Wages and salaries	21,881	20,731
Social security costs	1,560	1,490
Other pension costs	949	839
Redundancy costs	80	141
	<u>24,470</u>	<u>23,201</u>

The average number of employees of YHA during the year was 1,272 (2019: 1,232).

The full-time equivalent number of employees was 785 (2019: 756).

The Chief Executive is the highest paid employee and is not a Trustee of the organisation. His annual salary in 2019/20 was £128,174 per annum (2019: £125,660). The Board of Trustees neither received nor waived any emoluments during the year (2019: £nil).

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

	2020	2019
£60,000 - £69,999	1	1
£70,000 - £79,999	-	-
£80,000 - £89,999	-	-
£90,000 - £99,999	2	2
£100,000 - £109,999	2	1
£110,000 - £119,999	-	-
£120,000 - £129,999	-	-
£130,000 - £139,999	1	1
£140,000 - £149,999	-	-

YHA made payments totalling £24,032 (2019: £21,658) into defined contribution schemes for 6 (2019: 5) of these employees.

Out of pocket expenses were reimbursed to Trustees as follows:

	2020	2019	2020	2019
	Number	Number	£'000	£'000
Travel and attendance at meetings	<u>12</u>	<u>10</u>	<u>6</u>	<u>7</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 £533,716 (2019: £479,180). 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:

	2020 £'000	2019 £'000
Total income	48,979	47,555
Total expenditure:	<u>(51,842)</u>	<u>(48,977)</u>
Net income/(expenditure)	(2,863)	(1,422)
Net investments (loss)/gains	-	(34)
Net income/(expenditure)	<u>(2,863)</u>	<u>(1,456)</u>

During the year, the charitable company received a gift aid donation amounting to £1,354,000 (2019: £583,000) 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 2019	78,214	27,573	20,661	19,457	4,539	150,444
Reclassifications	-	-	-	(816)	(8)	(824)
Transfers	529	451	169	79	(1,374)	(146)
Additions	3,558	3,100	378	888	1,942	9,866
At 29 February 2020	<u>82,301</u>	<u>31,124</u>	<u>21,208</u>	<u>19,608</u>	<u>5,099</u>	<u>159,340</u>
Depreciation						
At 1 March 2019	21,518	7,942	12,255	13,892	-	55,607
Reclassifications	-	-	-	(291)	-	(291)
Transfers	-	-	-	-	-	-
Provided in the year	2,100	1,095	707	1,470	-	5,372
At 29 February 2020	<u>23,618</u>	<u>9,037</u>	<u>12,962</u>	<u>15,071</u>	<u>-</u>	<u>60,688</u>
Net book amount						
At 29 February 2020	<u>58,683</u>	<u>22,087</u>	<u>8,246</u>	<u>4,537</u>	<u>5,099</u>	<u>98,652</u>
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>

All tangible fixed assets were used for charitable purposes.

During the year, an exercise was undertaken to reclassify certain ICT expenditure such as website development and YHA software Apps as intangible assets. Consequently, gross asset value of £824,000 and cumulative depreciation of £291,000 were reclassified and are now reported under intangible fixed assets under note 13.

The net book amounts stated above include fixtures, fittings and equipment held under finance leases and similar hire purchase contracts of £NIL (2019: £106,000) and freehold property held under finance leases and similar hire purchase contracts of £985,000 (2019: £1,000,000).

Depreciation of assets held under finance leases and similar hire purchase contracts was £106,000 (2019: £124,000) on fixtures, fittings and equipment and £15,000 (2019: £15,000) 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 found no reason to amend these values.

Notes to the financial statements

13 Intangible fixed assets (group and company)

	Fixtures, Fitting & equipment £'000	Assets under construction £'000	Total £'000
Cost			
At 1 March 2019	-	-	-
Reclassifications	816	8	824
Additions	241	103	344
At 29 February 2020	<u>1,057</u>	<u>111</u>	<u>1,168</u>
Depreciation			
At 1 March 2019	-	-	-
Reclassifications	291	-	291
Provided in the year	37	-	37
At 29 February 2020	<u>328</u>	<u>-</u>	<u>328</u>
Net book amount			
At 29 February 2020	<u>729</u>	<u>111</u>	<u>840</u>
At 28 February 2019	<u>-</u>	<u>-</u>	<u>-</u>

14 Fixed asset investments

Total fixed asset investments comprise:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Interest in group undertakings	-	-	1	1
Other fixed asset investments	960	960	960	960
Market value at 28 February 2019	<u>960</u>	<u>960</u>	<u>961</u>	<u>961</u>

Interests in group undertaking

At 29 February 2020 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					
Turnover					6,893
Expenditure					<u>(5,314)</u>
Result for the period before tax					<u>1,579</u>

Notes to the financial statements

Other fixed asset investments

	Group and Company £'000
Market value as at 1 March 2019	960
Additions	317
Disposals	(359)
Realised gain	(11)
Unrealised loss	53
Market value at 29 February 2020	<u>960</u>

At 29 February 2020 the other fixed asset investments were held as follows:

	2020 £'000	2019 £'000
Listed stocks and shares	912	943
Cash	48	17
Market value at 28 February 2019	<u>960</u>	<u>960</u>

At 29 February 2020 the following investments represented more than 5% of the portfolio by market value:

	Percentage %	Value £'000
Close Select Fixed Income Inc	6.2	60
LYXOR FTSE Actuaries UK Gilts	5.3	51

15 Stocks

Group and Company

	2020 £'000	2019 £'000
Goods for resale	<u>351</u>	<u>320</u>

16 Debtors

Group and Company

	2020 £'000	2019 £'000
Trade debtors	360	145
Prepayments and accrued income	1,004	673
Other debtors	992	913
	<u>2,356</u>	<u>1,731</u>

Notes to the financial statements

17 Creditors: amounts falling due within one year

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Other loans	19	53	19	53
Trade creditors	2,481	2,211	2,481	2,211
Amounts due to group undertakings	-	-	1,396	1,171
Social security and other taxes	1,570	1,453	1,570	1,453
Other creditors	216	130	216	130
Accruals	1,992	1,923	1,991	1,922
Deferred income (note 18)	6,108	8,239	6,108	8,239
Amounts due under finance leases	200	214	200	214
	<u>12,586</u>	<u>14,223</u>	<u>13,981</u>	<u>15,393</u>

18 Deferred income

Group and Company

	2020 £'000	2019 £'000
At 1 March 2019	8,239	9,075
Released during year	(8,239)	(9,075)
Deferred during year	6,108	8,239
At 29 February 2020	<u>6,108</u>	<u>8,239</u>

The deferred income consists of:

	2020 £'000	2019 £'000
Advance bookings	5,885	8,059
Un-allocated cash receipts	223	180
	<u>6,108</u>	<u>8,239</u>

19 Creditors: amounts falling due after more than one year

Group and Company

	2020 £'000	2019 £'000
Bank Loans	40,174	34,010
Other loans	3	23
Amounts due under finance leases	370	554
Deferred income	3,099	872
Other amounts	74	78
	<u>43,720</u>	<u>35,537</u>

Notes to the financial statements

20 Provision for liabilities

	General provisions £'000	Dilapidation provision £'000	Total provisions £'000
Balance at 1 March 2019	192	974	1,166
Released during the year	(192)	-	(192)
Arising in the year	42	100	142
Balance at 29 February 2020	<u>42</u>	<u>1,074</u>	<u>1,116</u>

The general provision includes the holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The VAT liability included at the end of last financial year has now been paid.

The dilapidations provision represents obligations for rented properties which are due for renewal in the next 3 years. £804,000 of the provision (2019: £804,000) relates to YHA London St Pauls.

21 Borrowings

Borrowings are repayable as follows:

Group and Company 2020	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	-	40,174	-	-	40,174
Other loans	19	3	-	-	22
Finance leases	200	118	252	-	570
Total Borrowing	<u>219</u>	<u>40,295</u>	<u>252</u>	<u>-</u>	<u>40,766</u>
Cash at bank and in hand					<u>(2,558)</u>
Net Borrowings					<u>38,208</u>

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>

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 0.67% and 0.79%.

Notes to the financial statements

22 Financial instruments

Group

	2020 £'000	2019 £'000
Financial assets measured at amortised cost		
Trade debtors	360	145
Other debtors	992	913
	<u>1,352</u>	<u>1,058</u>
	2020 £'000	2019 £'000
Financial liabilities measured at amortised cost		
Bank loans	40,174	34,010
Other loans	22	76
Trade creditors	2,481	2,211
Accruals	1,992	1,923
Amounts due under finance leases	200	214
	<u>44,869</u>	<u>38,434</u>

23 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 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:

	2020 £'000	2019 £'000
Defined benefit scheme – expenses	92	76
Defined contribution pension schemes	499	395
Multi-employer defined benefit scheme	450	444
	<u>1,041</u>	<u>915</u>

Included within the multi-employer defined benefit scheme contributions above are amounts of £331,391 (2019: £317,560) 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 £435,006 (2019: £426,841).

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 29 February 2020. Scheme assets are stated at their market value.

The principal assumptions used by the actuary were:

	2020	2019	2018
Inflation CPI	1.9%	2.2%	2.2%
Rate of increase in salaries	3.9%	4.2%	4.2%
Rate of increase of pensions	2.0%	2.3%	2.3%
Rate of increase for deferred pensions	2.9%	3.2%	3.2%
Discount rate	1.8%	2.7%	2.7%

The post-retirement mortality assumptions used to value the liability at 28 February 2020 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-2019 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 2040 is projected to be 23.6 years (2019: 23.5 years) compared to 22.3 years (2019: 22.1 years) for someone reaching 65 in 2020. The life expectancy of a female member reaching age 65 in 2040 is projected to be 25.3 years (2019: 25.0 years) compared to 24.0 years (2019: 23.8 years) for someone reaching 65 in 2020.

Notes to the financial statements

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

	2020 Value £'000	2019 Value £'000	2018 Value £'000
Equities	2,357	4,246	9,538
Bonds	6,053	2,294	2,879
Property	1,056	1,272	1,348
LDI	7,524	7,937	6,667
Other	6,373	4,585	64
Total market value of assets	<u>23,363</u>	<u>20,334</u>	<u>20,496</u>
Present value of scheme liabilities	<u>(28,238)</u>	<u>(25,229)</u>	<u>(25,457)</u>
Net pension liability	<u>(4,875)</u>	<u>(4,895)</u>	<u>(4,961)</u>

The rate of return for 2020 is equal to 3.7% (2019: 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:

	2020 £'000	2019 £'000
Contributions	92	76
Additional contributions	331	333
	<u>423</u>	<u>409</u>
Net contributions less expenses of the scheme	(86)	(107)
Expected return on pension scheme assets	540	547
Interest on pension scheme liability	(668)	(677)
	<u>209</u>	<u>172</u>
Actuarial gain/(loss) (see below)	(189)	(106)
	<u>20</u>	<u>66</u>
Deficit in scheme at beginning of year	(4,895)	(4,961)
Deficit in scheme at end of year	<u>(4,875)</u>	<u>(4,895)</u>
Actual return less expected return on pension scheme assets	3,173	(276)
Experience gains and losses arising on the scheme liabilities	34	191
Changes in the assumptions underlying the present value of the scheme liabilities	(3,396)	(21)
Actuarial gain/(loss)	<u>(189)</u>	<u>(106)</u>

The net of the expected returns on pension scheme assets and interest on pension scheme liabilities of £128,000 (2019: £130,000) is shown in interest payable.

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

	2020 £'000	2019 £'000
Opening defined benefit obligation at 1 March	25,229	25,457
Interest cost	668	677
Actuarial losses	3,362	(170)
Benefits paid	(1,021)	(735)
Closing defined benefit obligation at 29 February	<u>28,238</u>	<u>25,229</u>

Notes to the financial statements

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

	2020 £'000	2019 £'000
Opening fair value of scheme assets at 1 March	20,334	20,496
Expected return	540	547
Expenses	(86)	(107)
Actuarial gains	3,173	(276)
Employer contributions	423	409
Benefits paid	(1,021)	(735)
Closing fair value of scheme assets at 29 February	<u>23,363</u>	<u>20,334</u>

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Fair value of scheme assets at 29 February	23,363	20,334	20,496	20,383	17,289
Present value of defined benefit obligation at 29 February	(28,238)	(25,229)	(25,457)	(27,441)	(21,743)
Deficit in the scheme	(4,875)	(4,895)	(4,961)	(7,058)	(4,454)
Experience adjustments on scheme assets	3,173	(276)	197	3,064	(331)
Experience adjustments on scheme liabilities	34	191	157	370	45

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	<u>(926.4)</u>	<u>(969.9)</u>
Deficit	<u>(131.5)</u>	<u>(176.5)</u>

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	<u>2.5%</u>	<u>2.2%</u>

Notes to the financial statements

The deficit of £131.5 million represents a funding level of 85.8%. At the 2011 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 was subsequently revised from 1 April 2016 to £403,318 and more recently from 1 April 2019 to £436,021.

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 of £700,000 per annum rising by 3% per annum starting from 1 April 2015.

Multi-employer Pension Scheme movements

	2020 £'000	2019 £'000
Balance at 1 March	2,638	3,349
Paid in the year	(435)	(427)
Interest expense	39	54
(Decrease)/increase in liability	36	(338)
Balance at 29 February	<u>2,278</u>	<u>2,638</u>

24 Endowments

Permanent Endowments (group only)

	At 1 March 2019 £'000	Realised gain £'000	Unrealised loss £'000	At 29 February 2020 £'000
Wilderhope Funds	126	(2)	1	125
Richards bequest	390	(5)	4	389
Peter Grant Fund	77	(1)	1	77
Peter Grant Endowment Fund	96	(1)	1	96
Merseyside YH Golden Jubilee Trust	139	-	2	141
	<u>828</u>	<u>(9)</u>	<u>9</u>	<u>828</u>
Expendable endowments	132	(2)	2	132
	<u>960</u>	<u>(11)</u>	<u>11</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 disabled young persons to enjoy the benefits of youth hostelling activities".

Notes to the financial statements

25 Restricted funds

Group and Company

	At 1 March 2019 £'000	Incoming resources £'000	Expenditure £'000	Transfers to/from unrestricted fund £'000	At 29 February 2020 £'000
Breaks Fund	22	157	(96)	-	83
Small Hostel Fund	182	245	(45)	-	382
Capital Grants & Donations	2,886	627	(118)	(15)	3,380
Revenue Grants & Donations	15	139	(114)	(25)	15
Other	213	25	(64)	15	189
	<u>3,318</u>	<u>1,193</u>	<u>(437)</u>	<u>(25)</u>	<u>4,049</u>
				2020 £'000	2019 £'000
Restricted funds (capital)				3,380	2,886
Restricted funds (other)				669	432
				<u>4,049</u>	<u>3,318</u>

The **Breaks** 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 also extended this project to expand the scope of the scheme to cover a wider group of disadvantaged young people and families as part of our 90th anniversary celebrations. The £83k funds held at the year-end are for specific projects being delivered in 2020/21 and 2021/22.

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 £245,000 (2019: £171,000) were gratefully received in the year with £45,000 being spent from the fund this year to support the refurbishment of a number of hostels throughout the network.

During the year of capital grants of £176,000 (2019: £164,000) were received. These included a £102,000 contribution towards the refurbishment of YHA Street and £74,000 towards the coastal path improvements project completed at Boggle Hole. A further £450,000 (2019: £22,000) of donations were received to support other capital refurbishment projects including £439,000 for the refurbishment of Bryn Gwynant, £10,000 for Swanage and £1,000 for Truleigh Hill.

The £25,000 transfer from restricted funds is where projects have been completed and the terms of the restriction have been met combined with a £15,000 transfer to a sinking fund required for two of our hostels under the terms of their leases.

Notes to the financial statements

26 Analysis of net assets between funds

Group	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total £'000
Tangible fixed assets	95,272	3,380	-	98,652
Intangible fixed assets	840	-	-	840
Investments	-	-	960	960
Current assets	4,596	669	-	5,265
Current liabilities	(12,586)	-	-	(12,586)
Long term liabilities	(44,836)	-	-	(44,836)
Pension liability - Defined benefit	(4,875)	-	-	(4,875)
- Multi-employer	(2,278)	-	-	(2,278)
	<u>36,133</u>	<u>4,049</u>	<u>960</u>	<u>41,142</u>

Company

Company	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total £'000
Tangible fixed assets	95,272	3,380	-	98,652
Intangible fixed assets	840	-	-	840
Investments	-	-	961	961
Current assets	4,596	669	-	5,265
Current liabilities	(13,981)	-	-	(13,981)
Long term liabilities	(44,836)	-	-	(44,836)
Pension liability - Defined benefit	(4,875)	-	-	(4,875)
- Multi-employer	(2,278)	-	-	(2,278)
	<u>34,738</u>	<u>4,049</u>	<u>961</u>	<u>39,748</u>

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

	2020 £'000	2019 £'000
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	(1,283)	(102)
Adjustments for :		
Depreciation	5,409	4,906
Pension contributions to reduce liabilities	(766)	(744)
Pension cost expenses non cash	86	107
Pension net interest non cash	128	130
Borrowings – non cash items (amortisation)	162	166
Loss/(gains) on investments	-	(34)
Profit on sale of tangible fixed assets	-	(582)
Interest charge	1,438	1,350
Investment income – cash element	(26)	(32)
(Increase)/decrease in stock	(31)	(7)
Decrease in debtors	(625)	(144)
Increase in creditors	727	(1,332)
Increase/(decrease) in provisions	(50)	180
Net cash provided by operating activities	<u>5,169</u>	<u>3,862</u>

Notes to the financial statements

28 Analysis of cash and cash equivalents

	2020 £'000	2019 £'000
Cash in hand	2,558	3,261
Notice of deposits (less than 3 months)	-	-
Total cash and cash equivalents	<u>2,558</u>	<u>3,261</u>

29 Reconciliation of net cash outflow to movement in net debt

	Group	
	2020 £'000	2019 £'000
(Decrease)/Increase in cash	(703)	(1,277)
Cash (outflow)/inflow from movement in debt and lease financing	(5,750)	(225)
Change in net debt resulting from cashflows and movement in net debt	(6,453)	(1,502)
Non cash changes	(162)	(167)
Movement in net debt	(6,615)	(1,669)
Net debt at 1 March	(31,593)	(29,924)
Net debt at 29 February	<u>(38,208)</u>	<u>(31,593)</u>

30 Analysis of changes in net debt

	At 1 March 2019 £'000	Cash flows £'000	Non-cash Changes £'000	At 29 February 2020 £'000
Cash in hand and at bank	3,261	(703)	-	2,558
Debt within one year	(53)	53	(19)	(19)
Debt after more than one year	(34,034)	(6,000)	(143)	(40,177)
Finance leases	(767)	197	-	(570)
	<u>(31,593)</u>	<u>(6,453)</u>	<u>(162)</u>	<u>(38,208)</u>
Cash in hand and at bank	3,261	(703)	-	2,558
Total borrowing & finance leases	(34,854)	(5,750)	(162)	(40,766)
	<u>(31,593)</u>	<u>(6,453)</u>	<u>(162)</u>	<u>(38,208)</u>

31 Capital commitments

	2020 £'000	2019 £'000
Contracted for but not provided in these financial statements	<u>487</u>	<u>833</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 29 February 2020.

Notes to the financial statements

32 Leasing commitments

Operating lease and rental payments fall due as follows:

Group and Company

	2020		2019	
	Land and buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
In one year or less	2,028	677	1,908	822
Between one and five years	8,232	207	7,726	255
Between five and twenty-five years	49,093	-	46,052	-
Twenty-five years or more	3,356,668	-	3,008,765	-
	<u>3,416,021</u>	<u>884</u>	<u>3,064,451</u>	<u>1,077</u>

YHA holds leases on 13 properties beyond 25 years giving rise to a £3.4bn FRS 102 calculated liability. 96% of this calculated liability relates to commercial rent payable on a single property with 238 years of a 250-year term remaining. There is a break clause on this property in 18 years' time and every 35th anniversary thereafter which mitigates any risk to the charity.

33 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.

34 Contingent land commitment

We have previously entered into an arrangement with an option to purchase land for the purpose of building a new hostel and are in the process of exercising this option. This arrangement is subject to commercial sensitivity therefore the financial impact of this cannot be disclosed within this report.