



Financial Statements

**Scottish Youth Hostels Association
(also known as Hostelling Scotland and SYHA)**

For the year ended 31 January 2019

**A registered Scottish charity no. SC013138 and a company limited by guarantee,
registered in Scotland, No. SC310841
Registered Office: 7 Glebe Crescent, Stirling, FK8 2JA**

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Legal and Administrative Information

Patron

HRH The Prince Philip, Duke of Edinburgh, KG, KT, OM, GCVO, GBE, ONZ, QSO, AK, GCL, CC, CMM.

Trustees and Directors

The Board, who are the Charity Trustees and Directors of the Company, received no remuneration for their services. Those who served as Board members during the year were:

David Calder (co-opted)	Chairman	(2018-19)	Appointed 16.06.18
Martin Ambrose	Vice Chair	(2018-21)	Appointed 16.06.18
Sally Mayer	Vice Chair	(2016-19)	Appointed 11.06.16
Michael Anderson		(2016-19)	Appointed 11.06.16
Duncan Craig		(2017-20)	Appointed 17.06.17
Claire McCorquodale		(2017-20)	Appointed 17.06.17
Paul Randall		(2016-19)	Appointed 11.06.16
Sophie Bell (1 year co-option)		(2018-19)	Appointed 06.10.18
William Thomson		(2017-20)	Appointed 17.06.17
Michael West		(2018-21)	Appointed 16.06.18
Josephine Smith		(2018-21)	Appointed 16.06.18

Executive Management

Chief Executive & Company Secretary: Margo S Paterson

Director of Operations & Deputy Chief Executive: Sabine Mackenzie

Director of Finance & Resources: David Powrie

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Bankers:	The Royal Bank of Scotland plc Units 22/23 Thistles Shopping Centre Stirling FK8 2EA
Solicitors:	Lindsays WS Caledonian Exchange 19A Canning Street Edinburgh EH3 8HE
Auditor:	Grant Thornton UK LLP Registered Auditors and Chartered Accountants 7 Exchange Crescent Conference Square Edinburgh EH3 8AN
Insurance Brokers:	Aon Corporate Division 103 Waterloo Street Glasgow G2 7BW
Financial Advisers:	Chase de Vere 33 Bothwell Street Glasgow G2 6NL

Trustee Report

Principal Charitable Objective

The principal charitable objective of SYHA is ‘the advancement of education, for the public benefit, by helping all, but especially young people, to experience and appreciate the Scottish countryside, environment, natural heritage and places of historic and cultural interest in Scotland, and through the promotion of their health, recreation and education, particularly by providing low cost accommodation for them on their travels’.

The Trustees and Directors in March 2018 agreed the following 7 key strategic aims in their adopted 2018 – 2020 Growth Strategy:

1. **Delivering Excellence** – *to our members, guests and stakeholders.*
2. **Developing our People** – *by nurturing our employee family so they in turn will deliver exceptional service.*
3. **Enhancing our Properties** – *to a standard of comfort and facilities that meet the needs of our guests.*
4. **Innovating new Systems** – *to attract new members and guests and to be able to respond quickly to their needs.*
5. **Working with Young People** – *supporting and promoting youth engagement and providing accessibility to Scotland for all.*
6. **Engaging Membership** – *ensuring members feel valued through regular communication.*
7. **Securing the Future** – *remaining relevant and ensuring our longevity to achieve the vision and charitable objectives of the organisation.*

To aid the achievement of these 7 strategic aims the Board of Trustees and Directors sets annual objectives. Set out below are the annual strategic objectives for 2018-19, the first year of the 2018-2020 strategy period, and the achievements against those objectives.

2018-2019 Strategic Objectives

Strategic Aim 1: Delivering Excellence

1. **To be the first choice for hostelling by raising guest service delivery standards** – Achieved. Individual hostel targets have been set for guest feedback targets. Training of all group managers on Customer Service Charter training has been achieved and an online version is being worked on to support induction going forward.
2. **Development of catering provision to include accreditation from VisitScotland Taste our Best Scheme** – Achieved. This is VisitScotland’s certification scheme which recognises and celebrates businesses that provide and promote locally sourced, quality food and drink.
3. **Participation as key centres for the iKnow initiative by becoming a VisitScotland Information Partner (VIP)** – Achieved. Businesses that are part of the programme are recognisable by the iKnow Scotland programme; these are businesses who are “in the know” and can share their local knowledge on a range of key topics.
4. **Development of Edinburgh and Glasgow reception areas and shared guest space** – In progress - Edinburgh has been identified as the priority and the next step is to put in place an outline draft, timeline and financial paper for the works to commence in Business Period 3 2019-20.
5. **Hosting of European Regional Conference in Edinburgh** – Achieved. Finally took place in Brussels in May where it was hosted by Hostelling Scotland.

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Strategic Aim 2: Developing our People

6. **Become an employer of choice through the review and development of recruitment approach** – Achieved with the appointment of a Recruitment Co-ordinator in December 2018.
7. **Promote recruitment opportunities for young people** – Achieved. Participated at Skills Scotland fairs in Edinburgh and Glasgow. Work ongoing to develop an apprenticeship scheme with a view to go live in 2019.
8. **Amalgamate auto-enrolment and defined contribution pension schemes** – In progress - consultation with financial advisers in progress to identify suitable pension scheme provider from April 2019.

Strategic Aim 3: Enhancing our Properties

9. **Refurbishment and re-opening of Glen Nevis Youth Hostel** – Achieved with 5 star VisitScotland accreditation.
10. **Commission a property condition survey for all properties to establish future investment requirements** – Achieved.
11. **Identify and develop a refurbishment project in the Cairngorms National Park with a view to commencing works in autumn 2019** – In progress - report has been commissioned to ascertain structural condition of Cairngorm Lodge. Work is underway to present a full business case and development plans for both Cairngorm Lodge and Aviemore in May 2019.

Strategic Aim 4: Innovating new Systems

12. **Development and launch of a website reflective of the new brand identity to improve traffic and direct bookings** – Achieved and launched in June 2018.
13. **Conclude feasibility study of a property management system for implementation in 2019** – Achieved. Detailed system brief prepared and to be sent out to tender in Business Period 2 2019-20 for training and roll out in Business Period 3 in 2020-21.

Strategic Aim 5: Working with Young People

14. **Develop innovative partnerships with organisations that share our values to increase the impact and outreach of Hostelling Scotland youth/community programmes** – Achieved. Short overnight breaks offered to families via the Scotspirit Project (VisitScotland and Family Holiday Association), Respitality project (Shared Care Scotland) and East Ayrshire young carers. New pilot family group breaks to provide peer support and additional support to disadvantaged families and these have been offered in conjunction with Kids and One Parent Families Scotland.
15. **Promote youth involvement in the Governance of Hostelling Scotland** – Achieved with the appointment of a co-opted young Trustee from the Santander graduate trustee programme.
16. **Launch of Hostelling Scotland Explorer Fund to enable more young people to have meaningful and relevant residential experiences, offering disadvantaged young people from youth groups and schools the opportunity to explore and experience Scotland and experience the benefits of a residential stay in a Youth Hostel** – Achieved; 25 groups have been funded directly through the new Hostelling Scotland Explorer Fund.

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17. **Actively participate in the Year of Young People (YOYP) 2018** – Achieved through many different projects including Hostel Takeover, Doors Open Days and Glenfest at Glen Nevis YH in December, working in partnership with Young Scot, New College Lanarkshire and Lochaber Council.

Strategic Aim 6: Engaging Membership

18. **Implement regular and direct communications with members** – Achieved with direct communication for the call for nominations to stand in Board elections, members' exclusive offer sent out in November and in December members' received a happy holiday message from CEO.
19. **Initiate feedback from members to enhance future membership services** – Achieved - online members' survey issued early November 2018. Review of membership categories and benefits will be conducted following the results of the survey. Survey of newsletter followers who are non-members was also conducted in November 2018.

Strategic Aim 7: Securing the Future

20. **Raise the profile of Hostelling Scotland through rebranding** – Achieved. Brand launch in March 2018 and all key signage in place prior to end of June 2018.
21. **Strengthen market positioning through PR activities to communicate the brand refresh and modernisation of Hostelling Scotland** – Ongoing with success in radio, press and social media coverage and on-going Vlogger content through social media. Active participation and CEO voice within Scottish Tourism Alliance and Scottish Government consultation.
22. **Restructure of sales function to increase focus on yield management in particular group sales** – Achieved with recruitment of Trade and Yield Co-ordinator and Sales Executive.
23. **Increase hostel income by 4% through yield management and new sales initiatives** – Not achieved, resulting in a decrease of 6% to budget. This is due to challenging market conditions such as increased competition in hostel and budget accommodation segment, increase of Airbnb in key locations, consumer confidence in travel remains cautious with evidence that the domestic market is choosing to forego UK travel breaks in favour of summer overseas holiday.
24. **Generate £1.65M surplus for re-investment into the network** – Not achieved. Revenue is down 6% to budget, however, management of expenditure has resulted in marginal savings against budget, minimising the impact and resulting in the generation of a £1.2M operational surplus.

Draft 2019-2020 Strategic Objectives

Strategic Aim 1: Delivering Excellence

1. To develop core services paying attention to accommodation, food & beverage and RentaHostel to ensure invariable high standards across all products in line with competition and modern trends in hospitality.
2. To review and standardise the organisation's current environmental responsibility guidelines in order to strengthen our shared commitment and pro-actively demonstrate our social responsibility across the organisation.
3. To sustain a positive image of a well-established organisation through development of marketing practices and raising awareness of the brand.

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4. Development of online and off-line reputation management practices to proactively monitor, respond and strengthen the organisations reputation and value proposition.
5. To review and adapt to the specific requirements of our target market segments (individual guests, families, groups, meeting rooms and members) to support the increase of revenue in catering and groups.

Strategic Aim 2: Developing our People

6. Engagement and development of a knowledgeable workforce to positively impact organisational performance.
7. Promotion of recruitment opportunities for young people.
8. Review auto-enrolment and defined contribution pension schemes.

Strategic Aim 3: Enhancing our Properties

9. Refurbishment projects at Cairngorm Lodge & Aviemore.
10. Focus on developing receptions in key city sites.
11. Pilot of alternative accommodation.

Strategic Aim 4: Innovating new Systems

12. Identify a new property management systems solution for full roll out across the network in 2020.
13. Investment in WIFI infrastructure to improve speed and availability to meet guest experience and to match competition particularly in the city locations.

Strategic Aim 5: Working with Young People

14. Develop and enhance promotion, delivery and evaluation of Explorer Fund in 2019 enabling residential experiences for a wide range of children.
15. Build on Youth Involvement and Youth Engagement ensuring young people are involved at all levels of Hostelling Scotland and have appropriate opportunities.
16. Review of volunteer programme to ensure it meets the needs of the organisation while providing rewarding experiences.

Strategic Aim 6: Engaging Membership

17. Conduct a review of membership categories and benefits.
18. Promote increased member participation and involvement.

Strategic Aim 7: Securing the Future

19. Forge new strategic alliances with other key organisations and advisors.
20. Promote diversity in governance and with our employees.

21. Create a review of efficiencies across the organisation including procurement, resource management and unwanted brand attributes.
22. Identify opportunities to grow and diversify the brand and revenue base of the organisation.

Review of Annual Activities

Hostelling Guests

We welcomed 356,428 overnight guests (2018: 377,682) during the year, a drop of 6% on the previous year.

Guest profiles were:

- 70% Individuals & Families (2018: 72%)
- 30% Groups (10 persons or more) (2018: 28%)

Guest nationalities were:

- 27% Scotland (2018: 27%)
- 25% England, Wales and Ireland (2018: 24%)
- 36% European (2018: 36%)
- 12% Other International (2018: 13%)

Youth & Community Engagement

In 2018/19 we created **The Explorer Fund** designed to give disadvantaged young people a valuable break away from home which in its first year received a high number of applications. The fund supports groups to plan and deliver high quality “Brilliant Residential” experiences. A wide range of Youth, School, College and Nursery Groups from across Scotland were supported to have a residential trip, with the funding supporting the accommodation and catering costs for each group in one of our youth hostels. The groups and schools came from all over Scotland and included young people with additional support needs, care experienced young people, asylum seeking young people, young carers, disadvantaged young people and young people living in areas of deprivation, all of whom would not otherwise experience a holiday or trip away from home. As part of the experience, young people develop their skills for life, learning and work by being involved in the designing and planning of the trip with the aim to provide the best possible residential break which we hope acts as encouragement to explore Scotland further. 618 young people, children, parents and leaders were supported to explore Scotland and have a trip away through the Explorer Fund in 2018/2019, an increase of 53% over those supported in the prior year.

Our **Respitality Programme** supported 34 young carers and young adult carers, and 25 adult carers, through 10 overnight breaks for carers and a guest, and 3 group breaks in hostels across Scotland. Respitality is run by Shared Care Scotland, supported by Scottish Government, and aims to support unpaid carers across Scotland to have a much needed break through developing partnerships with the Hospitality industry.

41 children and 45 parents and leaders were supported through our **Scotspirit Programme**. Scotspirit is run by Visit Scotland, in partnership with the Family Holiday Association, and aims to support families that would not otherwise have a holiday.

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34 young people aged 16 to 25 were supported to stay in a Youth Hostel, and explore new buildings during Doors Open Days weekend, through a new pilot project called **Braw Buildings**. This was run in partnership with Scottish Civic Trust and also supported by Scot Rail. 14 young people were able to stay in a Youth Hostel and explore the Christmas Markets in November and December through the **Festive Fun project**.

In celebration of our newly refurbished Glen Nevis Youth Hostel, we partnered with Highlife Highland to host our **Glenfest** weekend where 40 local young people enjoyed staying in the hostel with activities and entertainment throughout the weekend.

We worked with many partnership organisations during the year and are grateful for all their contributions.

Through our youth and community programmes in 2018/19, in total 851 children, young people, parents and leaders were supported to discover Scotland, have a trip away and experience Hostelling.

Membership in total dropped to 12,840 (2018: 13,834). Life Membership increased by 1% (2018: 2% increase) on the previous year. Temporary membership decreased by 1% to 151,417 (2018: 152,837). Engaging Membership is a key focus of the 2018-20 Growth Strategy.

Guest satisfaction ratings taken from hostellingscotland.org.uk:

	Hostels 2018/19	Network %	Hostels 2017/18	Network %
90% to 100%	20	59%	17	50%
80% to 89%	13	38%	16	47%
70% to 79%	1	3%	1	3%
Total SYHA Hostels	34	100%	34	100%

Hostelling People

Employees: 202 employees participated in 20 types of personal development training events during the year. As an apprenticeship levy employer, we secured funding for Flexible Workforce Development to train 48 employees in IT skills both at foundation and intermediate levels. Other training included guest service and upselling skills to promote best practice and confidence, along with supervisory training for newly promoted managers and duty managers. In addition, and although not part of the statistics, induction training for all new starts, on-going compliance related training and sessions including fire safety and GDPR are routinely delivered across the network.

Volunteer Programmes:

In 2018, we reviewed our seasonal volunteer programme, and developed new volunteer opportunities for young people as part of our Year of Young People offer.

We supported 122 volunteers in the year, of which 76 enjoyed seasonal hostel assistant and project volunteer placements in the majority of hostels across the network. We also continued to offer a valuable year of volunteering, welcoming a new group of 11 German young people beginning their year with us in September 2018, and bidding a fond farewell to the 11 German Volunteers who completed a year of volunteering with us in August 2018. With a key focus on engaging with young people in the Year of Young People and supporting new youth projects, 35 youth volunteers were engaged through a variety of projects.

New volunteering opportunities developed in the year included:

- The Hostel Takeover project in partnership with New College Lanarkshire. 6 HNC and HND students were able to gain experience at Glasgow Youth Hostel and “takeover” some of the key areas of the hostel, this also enabled us to highlight the range of career options available with Hostelling Scotland
- Young people from Royston Youth Action volunteered to help assess the Explorer Fund, and college students from Edinburgh College were supported to develop a film about the Fund
- 2 Year of Young People Ambassadors were able to design and deliver a presentation on the Year of Young People at the Hostelling Scotland AGM
- Young people were able to input into the design and assessment of the Braw Buildings project
- Young volunteers were involved in designing and leading the Glen Fest residential, held in the newly refurbished Glen Nevis Youth Hostel, for young people in the Highlands

Hostelling Operations

Network: Consisted of 59 Hostels (2018: 60), of which 34 SYHA youth hostels (2018: 34) and 25 affiliated hostels (2018: 26) were operational during the year.

Rooms sales decreased by 2% to 74,280 (2018: 75,748), this being due to the closure of Glen Nevis for part of the year. 71% of all bookings in the year (2018: 72%) were generated through Reservations, at the hostels and on our website, with 29% (2018: 28%) being generated through third party booking engines.

VisitScotland Quality Assurance (QA): Youth hostel awards during the period were:

	Hostels 2018/19	Network %	Hostels 2017/18	Network %
4-5 Stars	18	53%	16	47%
3 Star	10	29%	11	32%
1-2 Star	5	15%	5	15%
Awaiting Accreditation	1	3%	2	6%
Total SYHA Hostels	34	100%	34	100%

Hostelling International Quality (HI-Q): 11 SYHA youth hostels hold HI-Q accreditation for successfully passing the international hostel management programme. As a consequence the HI-Q hostel management systems have now been adopted and implemented in all SYHA youth hostels.

Green Tourism: We continue to take steps to increase energy efficiency, reduce carbon footprint through hostel refurbishment and promote sustainable projects to reduce negative environmental impacts. We work closely with the independent environmentally qualified assessors of Green Tourism to reassure members and guests that we care about sustainability and are working hard to make a difference. Green Tourism rating is valid for three years.

	Hostels 2018/19	Network %	Hostels 2017/18	Network %
Gold	11	32%	11	32%
Silver	18	53%	18	53%
Bronze	1	3%	1	3%
Awaiting Accreditation	4	12%	4	12%
	34	100%	34	100%

Hostelling Property

In line with the Sustainable Strategy objectives, £2,820,980 was re-invested into the network during the year. £1,964,674 was expended on capital, the major element of this being on the refurbishment of Glen Nevis Youth Hostel (£1,695,346), the balance was invested into various projects throughout the network including new kitchens, replacement windows and boilers, upgrades to washrooms and rewiring schemes. £625,399 was expended on routine youth hostel maintenance and equipment and costs relating to statutory compliance and health and safety. £114,440 was spent on furniture and equipment across the network, with the remaining £74,852 spent on upgrading the organisations information technology infrastructure and system enhancements.

Hostelling Finance

Total operational income was £8,650,464 (2018: £8,970,521) a 3.6% decrease of £320,057 on prior year (2018: £685,196 increase). Total resources expended was £8,062,743 (2018: £7,630,253), a 5.7% increase of £432,490 (2018: £156,416 decrease). The resulting surplus of income over expenditure was £587,721 in the year after all costs including depreciation (2018: £1,340,268).

Based on operational income, average income per overnight was £24.27, a 2% increase on the previous year (2018: £23.75). Average expenditure per overnight was £20.91 (before depreciation), which was an increase of 10.8% on the previous year (2018: £18.88). As a result, the average operational trading surplus per overnight was £3.36, a 31% decrease on the previous year (2018: £4.87).

SYHA (Trading) Ltd. a wholly owned subsidiary trading company generated in its ninth year of trading incoming resources of £239,670 (2018: £250,929), with resources expended of £206,858 (2018: £211,812) providing a net profit of £32,812 (2018: £39,117), a sum which has been gifted to the parent company. SYHA gratefully received general donations and legacies of £46,198 (2018: £169,111) along with restricted donations and legacies totalling £8,910 (2018: £15,006).

The following investments were made from these restricted funds in the year;

- Social Inclusion: £66,450 (2018: £32,212) was expended on social inclusion youth programmes
- Small Hostels Project: £2,144 (2018: £2,813) on furniture for Glen Affric and Achmelvich Beach
- Environmental improvement, maintenance and upgrading of more rural and rustic hostels £9,590 was expended on a shower and heating improvements to Achmelvich Beach

After making all due enquiry, the Trustees confirm their expectation that SYHA has adequate resources to continue to operate as a charity for the foreseeable future. Therefore, in preparing the accounts, the Trustees continue to adopt the going concern basis as explained further in the accounting policies (Page 22). SYHA reports a net surplus in funds for the year ended 31 January 2019 of £587,721 (2018: £1,340,268) after providing for all charges, including depreciation. The resulting balance of funds as at 31 January 2019 is £12,830,267 (2018: £12,242,546). It is the intention of the Trustees that this sum be carried forward to be utilised by SYHA to further its charitable objectives.

Hostelling International

Since our formation in 1931, we have taken an active part in the activities of Hostelling International (HI) which co-ordinates over 70 national Youth Hostel Associations across the world, averaging over 30 million overnights per annum. HI provides our members access to over 4,000 youth hostels worldwide.

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We meet with British and Irish Youth Hostelling Associations and other European national associations annually to discuss matters of mutual benefit and cooperation. Meetings were held in Brussels and Iceland during 2018-19 to which the Chairman and CEO attended.

We are pleased to continue our Affiliate Hostel programme with independent, trust and community accommodation providers. We promote hostels in the western and northern isles belonging to the Gatliff Hebridean Hostels Trust and Orkney and Shetland Councils along with all other Affiliate Hostels throughout the country. We also continue to collaborate with the Cairngorm Business Partnership to promote and develop the hostelling ethos within the Cairngorms National Park.

Risk Management

SYHA's major risks are assessed to be:

1. Financial sustainability in a challenging economic climate, such as the impact of Brexit;
2. Competitor growth in market share and SYHA brand protection;
3. Breakdown of Key IT infrastructure;
4. Fire or other serious incident involving employees, guests and property;

The Board of Trustees endorse the following key procedural controls used to manage the charity's risks:

1. Clear terms of reference for roles and responsibilities, formal agendas and minutes for Governance, and Management meetings and special projects, including structural lines of reporting and issuing of instructions, authorisation and approval at each level;
2. Strategic and operational planning, budgeting, management control and finance reporting, conducted through the Board and Management meetings;
3. Formal written policies where required;
4. A formal review of SYHA's risk management process, undertaken on an annual basis.

SYHA's Board of Trustees maintains a Risk Register which includes measures to control and mitigate these risks. The Register is reviewed regularly at Management and Board meetings. It is recognised that systems can only provide reasonable, and not absolute, assurance that major risks have been appropriately managed.

Annual Activities Summary

Operational surplus of £1.2M before depreciation was generated in the year despite the challenging trading conditions including Beast from the East in March, increase in competition in hostel and budget accommodation, increase in Airbnb competition in our key locations and low consumer confidence in light of the confusion surrounding Brexit negotiations. Whilst revenue overall was down on prior year, there was success in the growth of our catering which generated £1M.

2018-19 was a busy year which started with the rebranding to Hostelling Scotland. Raising the profile of our organisation at this point of change was key and we were delighted with the PR through press and social media coverage. To complement the rebrand we launched our new website in June 2018 and increased our social media engagement with the use of video content, bloggers and vloggers. Our

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modernisation initiatives in the year continued with the completion of an 8 months, £2.2M refurbishment of Glen Nevis Youth Hostel which re-opened in July 2018 and received 5 star VisitScotland grading. To date the new hostel has been very popular and is seen as a new hostelling experience for a new generation of hostellers.

Our focus on developing our properties continues and as part of our 2018-20 strategy objectives, we also conducted a property condition survey in order to create a building and facility investment forecast for the next 10 years, this being crucial to our decision making on future priorities.

2018 was also the Year of Young People and we embraced the natural synergy of the campaign with our own ethos to ensure as many young people as possible have the opportunity to go out and enjoy what Scotland has to offer through youth hostelling. Building on our collaborative partnerships with youth, outdoor pursuit and learning organisations we developed a programme of breaks, events and activities throughout the year. We created a new Explorer Fund with £50,000 set aside from our own generated income. The aim of the fund is to enable young people to discover Scotland and experience hostelling and we are proud to have supported 618 young people from school and youth groups. We also continue to work with social tourism organisations such as Respitality and the Family Holiday Association in providing much needed breaks to carers and young families who would not otherwise be able to experience Scotland and youth hostelling.

We were delighted to host the European Regional Conference, originally to be held at Edinburgh Central Youth Hostel in March 2018 but eventually thanks to the Beast from the East, in Brussels in May 2018. This is an annual opportunity to share best practices with our sister organisations throughout Europe.

In Governance, there was a change to the Articles of Association that saw the Board have the flexibility to extend the term of a Board member at the end of the maximum 3 x 3 years by 1 further year in a co-opted place should the need present itself. This measure will act as a safeguard to ensure a good mix of necessary skills on the Board at all times. Two new Trustees were appointed in the year, Josephine Smith as a result of the election process and Sophie Bell who was co-opted to the Board as part of our strategy to involve younger people in the governance of the organisation. Sophie took part in the Santander Young Trustee Initiative, which involved attending training and mentoring for 11 months before joining the Board of Trustees.

One of the aims of the new 2018-2020 strategy is engaging membership and in 2018-19 we proactively communicated with our members including a members' exclusive offer. We also conducted a survey to establish the needs of our members in relation to our services and to understand their motivation to support us. The findings of this survey will be used as the basis to conduct a project in 2019-20 to look at how we can attract new and engage better with our existing membership and improve benefits.

We are extremely grateful to all individuals, trusts and corporate organisations that have supported our charitable objectives during the year - to our own people, for their work as employees and contributions as volunteers, to our members and guests for their custom, and to those who have provided financial support by gift or waiver.

We are operating in a time of economic uncertainty, with the potential impact of Brexit on the number of European guests, cost of supplies and as a multi-national employer concern around the supply of workforce and retention of our people. To that end we are looking at different ways to encourage recruitment including the creation of a dedicated recruitment co-ordinator role from December 2018.

Another challenge moving forward is the introduction of the tourism tax which at the moment will be targeted at accommodation providers. This will push up the cost of staying in our hostels for both overseas and domestic guests and will be of particular significance to us in relation to our shared accommodation and how the tax will be applied.

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We will continue to closely monitor the economic climate and competition and plan accordingly. Looking to the future, we are already well underway with our feasibility of Cairngorm and Aviemore development opportunities and Edinburgh Central ground floor refurbishment along with continuing in the quest to find new sites and alternative forms of accommodation.

We continue to achieve our charitable objectives through our financial results, investment in properties and drive to deliver customer excellence to guests, along with our development of and commitment to social tourism and youth programmes. In our 88th year, the Board of Trustees and Directors remains committed to reinvesting surpluses back into the Youth Hostelling network. With the drive to be recognised as the modern face of Scottish hostelling, we will continue to work hard to ensure that we provide quality modern facilities and experiences for all. Since 1931 it has been our mission to make more of Scotland more accessible to more people than anyone else and this remains core to everything we do.

Hostelling Governance

As defined by the Articles of Association, the governance of SYHA derives from a Board of Trustees and Directors of up to 9 members who are elected by rotation annually for a renewable term of three years up to a maximum of 9 years, through a ballot of SYHA's current Hostelling Members prior to each AGM. The Articles of Association also provide for 3 individuals to be co-opted to be members of the Board. SYHA remains committed to broaden participation in its governance skills base, in order to facilitate succession planning and enhance the achievement of its charitable purposes.

At the AGM in June 2018, members passed a motion to change Article 35 which allows the Board of Trustees to extend the maximum term of a Board Member (previously set at nine years, i.e. three successive periods of three years) for 1 further year in a co-opted place, thus safeguarding the constitutional opportunities for members to be elected. This provision allows the Board extra flexibility to ensure continuity of skills mix if it was required.

The Board meets formally at least four times per annum and is accountable in law for SYHA's charitable and company activities with specific responsibility for governance, strategy, and the monitoring of operational activities, risk and financial sustainability. Furthermore the Audit and Risk and the Governance Nominations Committees of the Board, meet formally at least four times each year. The day-to-day executive and operational management is delegated to the Chief Executive and where appropriate, to those to whom specific duties have been responsibly delegated.

The training of Trustees and Directors after election or co-option comprises an induction briefing programme involving elected Board members, the Chief Executive and Senior Management Team. Trustees and Directors are issued with copies of previous annual reports and minutes, audited financial statements and management accounts, relevant governance strategy and procedural policies, the Memorandum and Articles of Association, and a copy of the Office of the Scottish Charity Regulator's Trustees' guidelines.

SYHA maintains liability insurance cover for Trustees, Directors and Officers, which includes provision for legal representation expenses for Trustees and Directors and for the Executive Management of the Charity and Company.

Trustees' Responsibilities Statement

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

Scottish Youth Hostels Association
Financial Statements for the year ended 31 January 2019

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 FRS102 "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 the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. 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 (FRS102);
- make judgements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable 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 the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to Auditor

The Trustees confirm that:

- so far as each trustee is aware, there is no relevant audit information of which the charitable company's auditor is 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 charitable company's auditor is aware of that information.

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

ON BEHALF OF THE TRUSTEES AND DIRECTORS



David Calder
Chairman
25th April 2019



Margo S Paterson
Chief Executive
25th April 2019

Standard Operating Policies

The Board of Trustees and Management Team operate the following key policies and procedures:

Reserves

The reserves policy of SYHA is to hold its reserves in the form of property, which represents its principal working asset and is integral to the pursuit of its charitable objectives. SYHA re-invests all surpluses generated through the running of youth hostels back into the network.

It is the Trustees' opinion that the substantial reserve which exists in excess of market value over book value of SYHA's heritable properties along with surpluses generated provides sufficient security to meet existing and future known commitments.

Investments

An investment is held in SYHA (Trading) Ltd. which is a wholly owned subsidiary of SYHA.

Payments

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

Employees

SYHA declares its intention to continue to work for the furtherance of equality of opportunity in all areas of its work; in particular, equality is sought in employment practices, access to services, service provision, Board and committee structures, Hostel Membership, volunteer recruitment, selection and training processes.

SYHA has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting SYHA through the employee forum, regular meetings with the management team, routine meetings and communications on the internal staff intranet system. It is the policy of SYHA that appropriate training, career development and promotion opportunities should be available to all employees.

The Board of Trustees determines the terms and conditions of employment of the Senior Management Team, comprising the CEO, Director of Operations / Deputy CEO and Director of Finance & Resources, taking into account employment market conditions and financial affordability. It also reviews, on an annual basis, the remuneration of all other employees.

SYHA operates a defined contribution pension provision which was established in February 2010. The scheme provider is AEGON Scottish Equitable and contributions made by both SYHA and members are a percentage of participating members' pay dependent on length of continuous service. In addition, a Qualifying Workplace Pension Scheme commenced on 1st April 2014 to allow SYHA to comply with its auto enrolment requirements. The scheme provider is The Peoples Pension. All eligible employees are auto enrolled into the scheme following a three month postponement period, with contributions in line with the current minimum auto enrolment requirements.

ON BEHALF OF THE TRUSTEES AND DIRECTORS



David Calder
Chairman
25th April 2019



Margo S Paterson
Chief Executive
25th April 2019

Independent auditor's report to the Members and Trustees of Scottish Youth Hostels Association (continued)

Opinion

We have audited the financial statements of Scottish Youth Hostels Association (the 'charitable company') for the year ended 31 January 2019, which comprise the Group Statement of Financial Activities, the Group and Company Balance Sheets, the Group Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, 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 charitable company's affairs as at 31 January 2019 and of its incoming resources and application of resources including, its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts. 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 charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Report, set out on pages 5 to 17 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

Independent auditor's report to the Members and Trustees of Scottish Youth Hostels Association (continued)

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 Strategic Report the Directors' Report, prepared for the purposes of company law, included in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report included in the Trustees' Annual Report have 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 charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report included in the Trustees' Annual Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- proper and adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

As explained more fully in the Trustees' Responsibilities Statement set out on pages 16 and 17, 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 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 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

Independent auditor's report to the Members and Trustees of Scottish Youth Hostels Association (continued)

includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

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

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

Use of our report

This report is made solely to the charitable company's members and trustees, as a body, in accordance with Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under 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 and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Diana Penny
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Edinburgh
Date: 25 April 2019

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

Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including the Charities SORP (FRS 102) effective 1 January 2015 – 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 United Kingdom and Republic of Ireland (“FRS 102”), and with the Companies Act (2006) and the Charities and Trustee Investment (Scotland) Act 2005. They have been prepared under the historical cost convention.

Going Concern

As described in the Trustees’ Annual Report, the group has reported a surplus for the year of £587,721 (2018: surplus of £1,340,268). The Trustees are satisfied that SYHA has sufficient funds to enable it to fulfil its obligations through the implementation of a Growth Strategy for 2018 – 2020. The Trustees and Officers continue to exercise controls over operating expenditure with savings wherever practicable.

The Trustees have reviewed the budgets and plans and, taking account of reasonable changes in trading performance together with rescheduling of major capital expenditure if required and the existing level of cash resources and banking facilities, have reasonable expectation that the Charity has adequate resources to continue in operation for the foreseeable future. The Trustees consider the foreseeable future to be 12 months from the date that the financial statements are signed. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Income

Income is recognised when there is entitlement to the funds, any performance conditions have been met, it is probable that the income will be received and the amount can be measured reliably.

Income from accommodation, goods supplied and services is recognised through the statement of financial activities when a guest stays in a hostel. Income received in advance of a visit is held as deferred income until such time as the stay occurs. Cancellation charges are applied as per the standard SYHA terms and conditions if a guest cancels a booking within the allotted timeframe.

Membership fees, including life membership fees, are recognised when membership is taken out and fees are non-refundable.

Donations, gifts and legacies that provide core funding or are of a general nature are recognised when there is entitlement, probability of receipt and the amount can be measured with sufficient reliability.

Commercial income from SYHA (Trading) Ltd represents goods and services supplied by that company and is recognised when those goods and services are delivered.

Grants

Revenue grants are credited as income 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 income when receivable. The grant is released to general reserves by equal annual instalments over the expected useful lives of the relevant assets.

Income from Investments

Investment income is recognised when receivable.

Accounting Policies (continued)

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 SYHA. Designated funds are unrestricted funds that have been designated for specific purposes by the Trustees.

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 SYHA's unrestricted funds.

Tangible Fixed Assets

Individual fixed assets costing more than £500 and which are not part of a designated project are capitalised at cost.

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

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

Heritable property	-3% - 5%	straight line
Short leasehold property	-10%	straight line or, for leases of less than 10 years, over the period of the lease
Long leasehold property	-3%	straight line
Hostel equipment	-10%	straight line
Office equipment	-20%	straight line
Computer equipment	-33%	straight line
Transport	-30%	of cost in the first year and 15% of cost thereafter

Assets Under Construction Policy

Costs of construction projects which are unfinished at the year-end are classed as Assets Under Construction and are not depreciated. When the project is complete the costs will be transferred out and will be subject to depreciation at the above rates for Heritable Property.

Impairment

Tangible Fixed Assets will be tested for impairment if there is an indication that impairment has occurred. Impairment will be measured by comparing the net book value of the asset with the net recoverable value of the asset or group of assets.

Expenditure

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

- expenditure on charitable activities which include costs of operating the hostels and associated support costs; and
- costs of raising funds which comprise the cost of commercial trading and membership matters.

Accounting Policies (continued)

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.

Stocks

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

Leased Assets

Operating leases and the payments made under them are charged to the statement of financial activities on a straight line basis over the lease term.

Pensions

The pension costs charged are the contributions payable in the year.

Basis of Consolidation

The group financial statements consolidate those of the Scottish Youth Hostels Association and its subsidiary undertaking, SYHA (Trading) Ltd. A separate statement of financial activities and a separate income and expenditure account are not presented for the charity following the exemptions allowed by Section 408 of the Companies Act 2006. The charity's surplus for the year was £587,721 (2018: surplus £1,340,268).

Judgements and Estimates

Preparation of the financial statements requires management to make judgements and estimates. Management consider that in light of recent valuations it is appropriate to assign a residual value to each property and write down the remaining net book value of these assets to the residual value over its estimated useful life. All other judgements and estimates have been addressed in these accounting policies.

Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discounts offered. Prepayments are valued at the amount prepaid.

Creditors and Provisions

Creditors and provisions are recognised when the charity has a present obligation resulting from a past event that will probably result in a transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Loans are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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

	Note	Unrestricted Funds £	Restricted Funds £	Total 2019 £	Total 2018 £
Income					
Donations and legacies	3	46,198	8,910	55,108	184,117
<i>Income from charitable activities:</i>					
Income from operating Youth Hostels		7,895,214	-	7,895,214	8,048,987
Grants Receivable	2	-	-	-	-
<i>Income from other trading activities:</i>					
Commercial Income from SYHA (Trading) Ltd	7	239,670	-	239,670	250,929
Membership subscriptions and related income	1,3	387,705	50,000	437,705	466,757
Investment income		22,617	-	22,617	19,731
<i>Other income:</i>					
Net gain on disposal of tangible fixed assets		150	-	150	-
Total Income		8,591,554	58,910	8,650,464	8,970,521
Expenditure					
<i>Costs of raising funds:</i>					
Costs of operating SYHA (Trading) Ltd	7	206,858	-	206,858	211,812
Membership costs		33,734	-	33,734	36,598
<i>Expenditure on charitable activities:</i>					
Costs of operating Youth Hostels		7,665,010	78,184	7,743,194	7,326,930
Governance costs		78,957	-	78,957	54,913
Total Expenditure	4	7,984,559	78,184	8,062,743	7,630,253
Net income and net movement in funds for the year		606,995	(19,274)	587,721	1,340,268
Reconciliation of funds					
Total funds brought forward		12,113,481	129,065	12,242,546	10,902,278
Total funds carried forward	15	12,720,476	109,791	12,830,267	12,242,546

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

Group and Company Balance Sheets

	Note	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Fixed assets					
Tangible assets	6	15,574,286	13,988,394	15,574,286	13,988,394
Investments	7	-	-	100	100
		<u>15,574,286</u>	<u>13,988,394</u>	<u>15,574,386</u>	<u>13,988,494</u>
Current assets					
Stocks	8	32,699	30,355	32,699	30,355
Debtors	9	244,525	105,644	276,679	138,825
Cash at bank and in hand		<u>5,343,567</u>	<u>6,858,296</u>	<u>5,311,313</u>	<u>6,825,015</u>
		5,620,791	6,994,295	5,620,691	6,994,195
Creditors: amounts falling due within one year	10	<u>(3,105,303)</u>	<u>(3,033,844)</u>	<u>(3,105,303)</u>	<u>(3,033,844)</u>
Net current assets		<u>2,515,488</u>	<u>3,960,452</u>	<u>2,515,388</u>	<u>3,960,352</u>
Total assets less current liabilities		18,089,774	17,948,845	18,089,774	17,948,845
Creditors: amounts falling due after more than one year	12	<u>(5,259,507)</u>	<u>(5,706,299)</u>	<u>(5,259,507)</u>	<u>(5,706,299)</u>
Net assets		<u><u>12,830,267</u></u>	<u><u>12,242,546</u></u>	<u><u>12,830,267</u></u>	<u><u>12,242,546</u></u>
Funds					
Restricted Funds	15	109,791	129,065	109,791	129,065
Unrestricted general funds	15	<u>12,720,476</u>	<u>12,113,481</u>	<u>12,720,476</u>	<u>12,113,481</u>
Total charity funds	15	<u><u>12,830,267</u></u>	<u><u>12,242,546</u></u>	<u><u>12,830,267</u></u>	<u><u>12,242,546</u></u>

The financial statements were approved by the Board of Trustees on 25th April 2019 and signed on their behalf by:

David Calder 

Director

Martin Ambrose 

Director

Company Registration Number SC310841

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

Group cash flow statement

	Note	2019 £	2018 £
Cash flows from operating activities:			
Net cash provided by operating activities	16	<u>1,185,663</u>	<u>2,362,041</u>
Cash flows from investing activities:			
Interest and similar income received		22,617	19,731
Proceeds from sale of tangible fixed assets		150	-
Purchase of tangible fixed assets	6	<u>(2,195,581)</u>	<u>(1,492,378)</u>
Net cash provided by investing activities		<u>(2,172,814)</u>	<u>(1,472,647)</u>
Cash flows from financing activities:			
Interest Paid		(86,861)	(74,159)
Repayment of defined benefit scheme		(180,000)	(180,000)
Repayment of borrowings		<u>(260,717)</u>	<u>(254,781)</u>
Net cash used in financing activities		<u>(527,578)</u>	<u>(508,940)</u>
Increase in cash and cash equivalents for the year		(1,514,729)	380,454
Cash and cash equivalents at the beginning of the year		<u>6,858,296</u>	<u>6,477,842</u>
Cash and cash equivalents at the end of the year		<u>5,343,567</u>	<u>6,858,296</u>

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

Notes to the financial statements

1 Membership and related income

Group and Company	2019 £	2018 £
Membership income received directly by SYHA	<u>437,705</u>	<u>466,757</u>

Membership categories and prices are:

	£	£
Life	150.00	150.00
Individual (Adult) – 1 year	15.00	15.00
Group (10 or more members) – 1 year	30.00	30.00
Young Person (25 years and under)	6.00	6.00
Temporary Membership	3.00	3.00

2 Grants

Group and Company	2019 Unrestricted Funds	2019 Restricted Funds	2018 Unrestricted Funds	2018 Restricted Funds
	£	£	£	£
Grants receivable in the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

3 Donations, gifts and legacies

	2019 Unrestricted Funds	2019 Restricted Funds	2018 Unrestricted Funds	2018 Restricted Funds
	£	£	£	£
Small Hostels Fund	-	700	-	990
Give Us a Break/Social Inclusion	-	8,210	-	14,016
Explorer Fund	-	50,000	-	-
General Donations	<u>46,198</u>	-	<u>169,111</u>	-
Total Donations, gifts and legacies	<u>46,198</u>	<u>58,910</u>	<u>169,111</u>	<u>15,006</u>

Notes to the financial statements (continued)

4 Total resources expended

	Direct Staff costs £	Other Direct Costs £	Depreciation £	Total 2019 £	Total 2018 £
Costs of operating Youth Hostels	3,609,349	3,524,156	609,689	7,743,194	7,326,930
Membership costs	33,734	-	-	33,734	36,598
Cost of operating SYHA (Trading) Ltd	118,536	88,322	-	206,858	211,812
Governance Costs	48,724	30,233	-	78,957	54,913
Total resources expended	<u>3,810,343</u>	<u>3,642,711</u>	<u>609,689</u>	<u>8,062,743</u>	<u>7,630,253</u>

Other direct costs comprise:		Total 2019 £	Total 2018 £
Repairs and maintenance of buildings and equipment		625,399	609,331
Fuel, telephone, cleaning and laundry		974,068	911,478
Catering and store purchases		468,025	471,696
Interest payable on bank loans		86,861	74,159
Marketing and publications & social inclusion costs		270,145	224,806
Rent, rates and insurance		571,608	547,146
Auditors' remuneration	- audit fees	20,500	20,100
	- non-audit fees	-	-
Operating lease rentals	- land and buildings	9,790	9,790
	- fixtures, fittings and equipment	18,794	18,794
Administration		189,072	172,957
Other direct costs		408,449	391,394
		<u>3,642,711</u>	<u>3,451,651</u>

Notes to the financial statements (continued)

5 Trustees, Directors and employees

Employees

Employee costs during the year were as follows:

	2019	2018
	£	£
Wages and salaries	3,488,378	3,378,418
Social security costs	241,666	238,038
Pension Contributions	67,764	50,039
Other pension costs	<u>12,535</u>	<u>12,270</u>
	<u>3,810,343</u>	<u>3,678,765</u>

Of which costs in respect of the Senior Management Team was:

	2019	2018
	£	£
Emoluments	195,987	175,832
Pension Contributions	<u>6,075</u>	<u>5,980</u>
	<u>202,062</u>	<u>181,812</u>

Within the Senior Management Team, one employee emoluments amounted to between £90,000 and £100,000 (2018: one employee emoluments amounted to between £70,000 and £80,000) and had pension contributions paid by SYHA during the year of £4,288 (2018:£3,624).

The average number of employees of SYHA during the year was 252 high season and 166 low season (2018:245 high season; 162 low season).

SYHA operates a Defined Contribution Group Personal Pension Scheme. The cost of the contributions to this scheme amounted to £25,569 (2018: £28,838). From July 2014 an auto enrolment scheme was also put in place and during the year the cost of the contributions were £42,195 (2018: £21,201).

Trustees

Members of the Board receive no salary.

Out of pocket expenses were reimbursed to Trustees as follows:

	2019	2018	2019	2018
	Number	Number	£	£
Travel	<u>1</u>	<u>2</u>	<u>36</u>	<u>165</u>

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

Notes to the financial statements (continued)

6 Tangible fixed assets

Group and Company

	Freehold Properties	Long leasehold property	Short leasehold property	Assets under construc tion	Hostel and Office equipment	Transport	Total
	£	£	£	£	£	£	£
Cost							
At 1 February 2018	22,858,489	588,265	123,599	756,675	2,212,878	40,377	26,580,283
Additions	2,703,699	-	-	15,869	214,220	17,218	2,951,006
Disposals	(59,959)	-	-	(755,425)	-	(12,289)	(827,673)
At 31 January 2019	25,502,229	588,265	123,599	17,119	2,427,098	45,306	28,703,616
Depreciation							
At 1 February 2018	10,539,753	335,374	123,599	-	1,562,147	31,016	12,591,889
Provided in the year	392,847	20,566	-	-	186,897	9,379	609,689
Disposals	(59,959)	-	-	-	-	(12,289)	(72,248)
At 31 January 2019	10,872,641	355,940	123,599	-	1,749,044	28,106	13,129,330
Net book amount							
At 31 January 2019	14,629,588	232,325	-	17,119	678,054	17,200	15,574,286
At 31 January 2018	12,318,736	252,891	-	756,675	650,731	9,361	13,988,394

All tangible fixed assets were used for charitable purposes.

As at 31 January 2018 SYHA instructed GVA, independent Chartered Surveyors to carry out a valuation exercise on the freehold properties. In addition, in the year to 31 January 2019, a valuation was completed on Glen Nevis Youth Hostel. Those hostels owned by SYHA at 31 January 2019 were valued at £31,005,000 which includes £5,025,000 for the value of the land. This valuation has not been incorporated into the accounts.

Notes to the financial statements (continued)

7 Investments

The investment held by the company is 100 shares in SYHA (Trading) Ltd.

Investment in SYHA (Trading) Ltd

A summary of the results of the trading activities of the subsidiary is set out below:

	2019	2018
	£	£
Turnover	239,670	250,929
Cost of Sales	(44,155)	(47,876)
Administrative expenses	(162,703)	(163,936)
	<u>(206,858)</u>	<u>(211,812)</u>
	32,812	39,117
Donation to parent company	<u>(32,812)</u>	<u>(39,117)</u>
Profit for the period	<u>-</u>	<u>-</u>
Reserves carried forward	<u>-</u>	<u>-</u>

SYHA (Trading) Ltd is a company limited by guarantee, registered in Scotland (No. SC330788) and a wholly owned subsidiary of Scottish Youth Hostels Association (SYHA). The trustees of SYHA have the authority to appoint the board of directors of SYHA (Trading) Ltd.

The principal activities of SYHA (Trading) Ltd in the year were: the provision of coffee shops, conferencing facilities and student residence management.

SYHA (Trading) Ltd pays any surplus taxable profits to the parent company by gift aid. The surplus taxable profits this period are £32,812 (2018: £39,117), which will be paid to the parent company within 9 months of the year end.

8 Stocks

Group and Company	2019	2018
	£	£
Consumable stores	11,667	12,244
Goods for resale	<u>21,032</u>	<u>18,111</u>
	<u>32,699</u>	<u>30,355</u>

9 Debtors

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Trade debtors	18,372	4,470	18,372	4,470
Prepayments and accrued income	225,669	100,519	225,669	100,519
Other debtors	484	655	484	655
Amounts owed by group company	<u>-</u>	<u>-</u>	<u>32,154</u>	<u>33,181</u>
	<u>244,525</u>	<u>105,644</u>	<u>276,679</u>	<u>138,825</u>

Notes to the financial statements (continued)

10 Creditors : amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Bank loans	266,792	260,717	266,792	260,717
Trade creditors	489,506	627,530	489,506	627,530
Social security and other taxes	188,855	130,391	188,855	130,391
Other creditors	8,671	8,989	8,671	8,989
Accruals	235,060	270,436	235,060	270,436
Defined benefit pension scheme debt	180,000	180,000	180,000	180,000
Deferred income (note 11)	<u>1,736,419</u>	<u>1,555,781</u>	<u>1,736,419</u>	<u>1,555,781</u>
	<u>3,105,303</u>	<u>3,033,844</u>	<u>3,105,303</u>	<u>3,033,844</u>

11 Deferred income

Deferred income in the current year relating to advanced bookings for hostel stays is as follows:

Group and Company	2019 £
Balance as at 1 February 2018	1,555,781
Amounts released to incoming resources	(1,555,781)
Amounts deferred in the year	<u>1,736,419</u>
Balance as at 31 January 2019	<u>1,736,419</u>

12 Creditors : amounts falling due after more than one year

Group and Company	2019 £	2018 £
Bank loans	3,999,507	4,266,299
Defined benefit pension scheme debt	<u>1,260,000</u>	<u>1,440,000</u>
	<u>5,259,507</u>	<u>5,706,299</u>

Notes to the financial statements (continued)

13 Borrowings

Bank borrowings are repayable in instalments as follows:

Group	2019	2018
	£	£
Within one year	266,792	260,717
After one year and within two years	273,009	266,792
After two years and within five years	857,791	838,259
After five years	<u>2,868,707</u>	<u>3,161,249</u>
Total borrowings	4,266,299	4,527,017
Cash at bank and in hand	<u>(5,343,567)</u>	<u>(6,858,296)</u>
Net funds	<u>(1,077,268)</u>	<u>(2,331,279)</u>

Company	2019	2018
	£	£
Within one year	266,792	260,717
After one year and within two years	273,009	266,792
After two years and within five years	857,791	838,259
After five years	<u>2,868,707</u>	<u>3,161,249</u>
Total borrowings	4,266,299	4,527,017
Cash at bank and in hand	<u>(5,311,313)</u>	<u>(6,825,015)</u>
Net funds	<u>(1,045,014)</u>	<u>(2,297,998)</u>

The bank loan of £4,266,299 is secured by a fixed charge over Edinburgh Central Youth Hostel and Glasgow Youth Hostel, and a bond and floating charge over all assets. The combined market value of Edinburgh Central Youth Hostel and Glasgow Youth Hostel is £11,000,000. Repayment of the loan is due by 2032.

Defined benefit pension scheme debt is repayable in instalments as follows:

Group and Company	2019	2018
	£	£
Within one year	180,000	180,000
After one and within two years	180,000	180,000
After two years and within five years	540,000	540,000
After five years	<u>540,000</u>	<u>720,000</u>
Total debt	<u>1,440,000</u>	<u>1,620,000</u>

Notes to the financial statements (continued)

14 Funds analysis

Group and Company

	Funds at 1 February 2018	Income	Expenditure	Funds at 31 January 2019
Restricted	£	£	£	£
Social Inclusion	56,035	58,210	(66,450)	47,795
Small Hostels Project	45	-	(45)	-
Environmental/Rustic/Rural Small Hostels Fund	9,590	-	(9,590)	-
	<u>63,395</u>	<u>700</u>	<u>(2,099)</u>	<u>61,996</u>
	129,065	58,910	(78,184)	109,791
Unrestricted	<u>12,113,481</u>	<u>8,591,554</u>	<u>(7,984,559)</u>	<u>12,720,476</u>
Total Funds	<u>12,242,546</u>	<u>8,650,464</u>	<u>(8,062,743)</u>	<u>12,830,267</u>

Social Inclusion

Provident Financial provided funds for youth programmes. In addition, SYHA raised funds for Youth Programmes through online and collection tin donations and in 2018-2019 set aside £50,000 from Membership Income towards the Explorer Fund. During 2018-2019, 33 groups were granted funding with the funds remaining at 31 January 2019 to be used throughout 2019.

Small Hostels Projects

This fund receives donations/legacies given in the year for the Small Hostels Appeal. The money goes towards maintaining some of the smaller Hostels within SYHA. During the year the remaining £45 was expended on furniture for Achmelvich Beach.

Environmental improvement, maintenance and upgrading of more rural and rustic hostels

Donations received are to be used towards the environmental improvement, maintenance and upgrade of rural and more rustic hostels operated by SYHA including Loch Ossian. During the year £9,590 was expended on a new solid fuel stove to allow for removal of all gas and a new shower in the annexe along with furniture for Achmelvich Beach.

Small Hostels Fund

The small hostels fund value is to be used for improvements to the smaller hostels in the network. During the year £2,099 was expended on furniture for Achmelvich Beach.

Notes to the financial statements (continued)

15 Analysis of net assets between funds

	Unrestricted Funds £	Restricted Funds £	Total £
Group			
Tangible Fixed Assets	15,574,286	-	15,574,286
Current assets	5,511,000	109,791	5,620,791
Current liabilities	(3,105,303)	-	(3,105,303)
Long term liabilities	(5,259,507)	-	(5,259,507)
	<u>12,720,476</u>	<u>109,791</u>	<u>12,830,267</u>

	Unrestricted Funds £	Restricted Funds £	Total £
Company			
Tangible Fixed Assets	15,574,286	-	15,574,286
Investments	100	-	100
Current assets	5,510,900	109,791	5,620,691
Current liabilities	(3,105,303)	-	(3,105,303)
Long term liabilities	(5,259,507)	-	(5,259,507)
	<u>12,720,476</u>	<u>109,791</u>	<u>12,830,267</u>

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

	2019 £	2018 £
Group		
Surplus of income over expenditure	587,721	1,340,268
Depreciation	609,689	499,837
Interest and similar income	(22,617)	(19,731)
Interest payable	86,861	74,159
Profit on sale of tangible fixed assets	(150)	-
Decrease/(increase) in stock	(2,344)	5,581
Decrease/ (increase) in debtors	(138,881)	20,487
Increase in creditors	65,384	441,440
Net cash inflow from operating activities	<u>1,185,663</u>	<u>2,362,041</u>

17 Leasing Commitments

The future minimum operating lease payments are as follows:

	2019 £	2018 £
Group and Company		
Within one year	29,373	29,373
Between one and two years	29,373	29,373
Between two and five years	40,544	60,127
Five years and over	655,960	665,751
	<u>755,250</u>	<u>784,624</u>

Notes to the financial statements (continued)

18 Capital Commitments	2019	2018
Group and Company	£	£
Capital Expenditure authorised and contracted for	-	<u>1,043,780</u>

19 Transactions with Trustees and other related parties

There were no transactions with Trustees other than those disclosed in note 5. There were no material transactions with related parties.

As SYHA (Trading) Ltd is a wholly-owned subsidiary of SYHA, SYHA is exempt from the requirement of FRS 102 to disclose transactions with this company.

20 Financial Risk Management

The group is funded by financial instruments including loans, cash and operational items such as trade debtors and trade creditors which have inherent financial risk. The Board prudently manages these financial risks in the manner shown below. All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

Insurance risk

Appropriate insurance policies are held in the following areas : property, employer and public liability, director and officer cover, business interruption and cyber risk. Annual reviews are undertaken to ensure that cover is maintained and in appropriate areas and at levels sufficient to protect the business.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely. Short term flexibility is achieved by significant cash balances and overdraft facilities as required.

Interest rate risk

The interest rate risk is deemed to be low however it will be mitigated by continuously monitoring the rates during 2019.

Notes to the financial statements (continued)

21 Financial Assets and Liabilities

	Group	Group	Company	Company
	2019	2018	2019	2018
	£	£	£	£
Financial assets measured at amortised cost				
Trade debtors	18,372	4,470	18,372	4,470
Other debtors	484	655	484	655
Amounts owed by group undertakings	-	-	32,154	33,181
Cash at bank and in hand	5,343,567	6,858,296	5,311,313	6,825,015
Stocks	<u>32,699</u>	<u>30,355</u>	<u>32,699</u>	<u>30,355</u>
	<u>5,395,122</u>	<u>6,893,776</u>	<u>5,395,022</u>	<u>6,893,676</u>
Financial liabilities measured at amortised cost				
Trade creditors	489,506	627,529	489,506	627,529
Other creditors	197,526	139,380	197,526	139,380
Bank loans	4,266,299	4,527,016	4,266,299	4,527,016
Defined benefit scheme debt	<u>1,440,000</u>	<u>1,620,000</u>	<u>1,440,000</u>	<u>1,620,000</u>
	<u>6,393,331</u>	<u>6,913,925</u>	<u>6,393,331</u>	<u>6,913,925</u>

