



# Financial Statements

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

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**For the year ended 31 January 2018**

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	Chairman	(2015-18)	Appointed 20.06.15
Martin Ambrose	Vice Chair	(2015-18)	Appointed 20.06.15
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
Michael Spencer (1 year co-option)		(2016-17)	Retired 17.06.17
William Thomson		(2017-20)	Appointed 17.06.17
Michael West		(2015-18)	Appointed 20.06.15

### Executive Management

**Chief Executive & Company Secretary:** Margo S Paterson

**Director of Operations & Deputy Chief Executive:** Sabine Mackenzie

**Director of Finance & Resources:** David Powrie

**Registered Office:** 7 Glebe Crescent  
Stirling  
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<b>Bankers:</b>	The Royal Bank of Scotland plc 2 Pitt Terrace Stirling FK8 2EX
<b>Solicitors:</b>	Lindsays WS Caledonian Exchange 19A Canning Street Edinburgh EH3 8HE
<b>Auditor:</b>	Grant Thornton UK LLP Registered Auditors and Chartered Accountants 7 Exchange Crescent Conference Square Edinburgh EH3 8AN
<b>Insurance Brokers:</b>	Aon Corporate Division 103 Waterloo Street Glasgow G2 7BW
<b>Financial Advisers:</b>	Chase de Vere 33 Bothwell Street Glasgow G2 6NL
<b>Building Consultants:</b>	GVA An Apleona Company 206 St Vincent Street Glasgow G2 5SG



## 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 November 2012 agreed the following 7 key strategic aims in their adopted 2013 – 2018 Sustainable Strategy:

1. Network Sustainability – economic, social and environmental
2. Quality Experiences – enhancement of guest facilities, comfort, access and customer services
3. Property Management – maintenance, capital investment, sales and acquisitions
4. Youth Programmes – Give Us a Break (GUAB) and Youth Activities Programmes
5. Partnership Collaboration – youth and education, charities and trusts, government and agencies, local communities and affiliates, commercial and corporate
6. Support Resources – employees and training, technology, sales, marketing and fundraising
7. Governance Enhancement – composition and succession, responsibilities and procedures.

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 2017-18, the final year of the 2013-2018 strategy period, and the achievements against those objectives.

### **2017-2018 Strategic Objectives**

#### **Network Sustainability:**

1. Fifth Year of Sustainable Development Strategy (2013-2018), working towards the generation of at least £1.5m operating surplus per annum for sustainable reinvestment in the youth hostel network.  
***Target exceeded with £1.8M operational surplus generated.***
2. Income growth of 3% in network occupancy created by increased room, catering through targeted add on sale promotions and yield management.  
***Target exceeded with operational income growth of 7%.***

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**Quality Experiences:**

3. Enhancement of guest facilities, particularly comfort, access and privacy in at least 10 youth hostels. **Achieved. Replacement of beds and mattresses as part of rolling programme in Broadford, Cairngorm Lodge, Glen Affric, Glasgow, Portree. USB socket enhancement in Edinburgh, Portree, Ratagan, Gairloch and Glenbrittle. Outdoor furniture Ratagan and Loch Ossian. Curtains/Blinds: Glencoe, Cairngorm Lodge, Ratagan, Braemar, Aviemore. Edinburgh Central kitchen, servery and lighting.**

**Property Management:**

4. Construction of a new Glen Nevis Youth Hostel and Aberdeen part refurbishment in 2017. **Achieved. Internal works completed at Aberdeen Youth Hostel. Glen Nevis Youth Hostel refurbishment commenced 31st October 2017.**
5. Investigate the opportunities of enhancing at least 2 Heritage Youth Hostels with funds from the newly created Heritage Youth Hostels Fund formerly known as the Small Hostels Fund. **Achieved. Enhancements for Gairloch Sands, Achmelvich Beach, Durness and Glenbrittle included electrical upgrade works, conversion to electric cookers, replacement of double glazing units, car park improvements and external building repairs.**
6. Feasibility options for the future capital development for at least five separate key sites. **Achieved. Initial feasibility reports have been prepared for Aviemore, Glencoe, Rowardennan and Cairngorm Lodge.**

**Youth and Volunteer Development:**

7. Increase SYHA Youth Programmes to above 315 participants per annum, particularly in the National Parks, funded by SYHA and other Trusts and Corporate funders. **Achieved with 405 participants in the year, funded by: Provident Financial, The Gannochy Trust and SYHA Youth Active Grants.**
8. Induct new Youth and Volunteer Engagement Manager into the organisation to further develop Youth and Volunteer Programmes Strategy including new funding sources. **Achieved. Manager recruited in March 2017.**
9. Develop programme of events for Year of Young People 2018. **Achieved. Includes: Doors Open Day, Youth Hostel takeover, provision of trips for families with Scotspirit and young carers with Respitality and participation in the re-opening of Glen Nevis Youth Hostel.**
10. Continue with student design and engagement projects with Scottish Colleges and Universities 2016-2018. **Achieved - Lochranza design project (originally started in 2016/17) completed in the year along with mural in Inverness completed by neighbouring high school pupils.**
11. Further develop SYHA Youth and Adult Volunteer Programmes from 181 in 2016 to 200 participants in 2017 in partnership with other not for profit charitable organisations. **Achieved – 203 volunteers in the year including Duke of Edinburgh Gold Award volunteers, Glasgow University engineering students and Millburn High School along with individual and corporate volunteers.**



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**Partnership Collaboration:**

12. Continue to establish partnerships with Quality Affiliates particularly in the North East and Southern Scotland.  
***One new affiliate joined from Newtonmore – Craigower Lodge. No interest received or found in Southern Scotland during the year.***
  
13. Participation in HI Connect employee exchange programme.  
***Achieved. Hosted a Hostel Assistant from Iceland in March at Glasgow Youth Hostel.***
  
14. Host the European Regional Conference of Youth Hostel Associations 22<sup>nd</sup> – 24<sup>th</sup> February 2018 in Edinburgh.  
***Date changed to 2-4 March 2018. Due to adverse weather, the conference was rescheduled to Brussels on 13-14 May 2018, with SYHA as host.***
  
15. Intensify collaboration with major Youth, Outdoor Pursuit and Learning organisations including key Tourism Destination Management and Environmental partners.  
***Achieved – collaboration in the year with: Duke of Edinburgh, TCV, Young Scot, Youthlink, John Muir Trust, In Your Element, Beyond Adventure, Loch Morlich Watersports, Learning Away, Council for Learning Outside the classroom, National Network for outdoor learning, Education Scotland. In France, La Rochelle University, University de Pau, Lycee Jean Moulin and JTM Jeunes a Travers le Monde (volunteer coordinating organisation). In Sweden, Hudiksvall County. In Luxembourg, Hennialux haute ecole de Namur. In Germany, VAP, IJGD, SRD (German volunteer coordinating organisations).***
  
16. Sustainable Food Sourcing throughout Hostelling Network.  
***Achieved - sustainable food sourcing in place dependent on price and availability of product.***

**Supporting Resources:**

17. Marketing to promote SYHA facilities, services and its membership through VisitScotland themed Years for History, Heritage and Archaeology (YHHA) in 2017 and Year of Young People in 2018 and the UNWTO 2017 Year of Sustainable Tourism and Development.  
***Achieved. Supported through Social Media as this provides us with the most up to date shares and access to wider audience i.e. Throwback Thursday. Some print material has been produced as a result of the year of History, Heritage such as the welcome key cards.***
  
18. Conduct a feasibility study of commercial Reservation Management Systems to meet the future needs of SYHA for the next 2 decades, to possibly replace the current bespoke SYHA Central Reservations System.  
***In progress and will not be concluded until 2019 at the earliest.***

**Governance Enhancement:**

19. Produce new draft Sustainable Strategy Objectives to be achieved between 2018 to 2023 for consideration and adoption by the Board by November 2017.  
***Achieved. Strategy period is for 2018 to 2020.***



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20. Recruitment and induction of a new Chief Executive Officer into the organisation by June 2017.  
***Achieved. Margo Paterson recruited in July 2017.***
21. Continue to refine and review Governance structure and Board election processes, including expanding the election publicity to increase voting participation of Members.  
***Achieved with new approach on direct mailing to members along with expansion of social media marketing.***

### **Review of 2013-2018 Sustainable Strategy**

With the generation of healthy operational surpluses in recent years as a result of currency exchange advantages and a lift in the quality of our provision collectively increasing our volume of business, the strategic approach has achieved financial sustainability providing the organisation a strong position to move forward.

The 5 year period has seen a dramatic increase in competition and there is further work to be done in bringing each property to a position of secure infrastructure followed with enhancements to meet guest expectations. £7.3M has been invested in the network during the strategy period, this being funded by healthy surpluses and funds from the sale of properties, the priority now being to further strengthen the network by creating the right standard of product and service to attract new guests.

In conclusion, the overall vision and direction of the strategy has been achieved with 91% of the network now self-sustaining. Robust governance has also played a significant part in the success of the strategy providing consistent direction to the CEO and operational team. The Board of Trustees are satisfied that our charitable objects and activities have been fulfilled and indeed strengthened by the creation of a youth and volunteer focus and by providing a sustainable footing from which to move forward, ensuring that we continue to provide low cost accommodation for all.

### **2018-2020 Growth Strategy**

The Trustees and Directors agreed the following 7 key strategic aims in their adoption of the 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.*

### **2018-19 Strategic Objectives**

#### **Strategic Aim 1: Delivering Excellence**

1. To be the first choice for hostelling by raising guest service delivery standards.



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2. Development of catering provision to include accreditation from VisitScotland Taste our Best Scheme.
3. Participation as key centres for the IKnow initiative by becoming a VisitScotland Information Partner (VIP).
4. Development of Edinburgh and Glasgow reception areas and shared guest space.
5. Hosting of European Regional Conference in Edinburgh.

**Strategic Aim 2: Developing our People**

6. Become an employer of choice through the review and development of recruitment approach.
7. Promote recruitment opportunities for young people.
8. Amalgamate auto-enrolment and defined contribution pension schemes.

**Strategic Aim 3: Enhancing our Properties**

9. Refurbishment and re-opening of Glen Nevis Youth Hostel.
10. Commission a property condition survey for all properties to establish future investment requirements.
11. Identify and develop a refurbishment project in the Cairngorms National Park with a view to commencing works in autumn 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.
13. Conclude feasibility study of a property management system for implementation in 2019.

**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.
15. Promote youth involvement in the Governance of Hostelling Scotland.
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.
17. Actively participate in the Year of Young People (YOYP) 2018.

**Strategic Aim 6: Engaging Membership**

18. Implement regular and direct communications with members.
19. Initiate feedback from members to enhance future membership services.

**Strategic Aim 7: Securing the Future**

20. Raise the profile of Hostelling Scotland through rebranding.
21. Strengthen market positioning through PR activities to communicate the brand refresh and modernisation of Hostelling Scotland.
22. Restructure of sales function to increase focus on yield management in particular group sales.

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23. Increase hostel income by 4% through yield management and new sales initiatives.

24. Generate £1.65M surplus for re-investment into the network.

## Review of Annual Activities

### Hostelling Guests

**SYHA Youth Hostels** welcomed 377,682 overnight guests (2017: 363,674) during the year, an increase of 4% on the previous year.

Guest profiles were:

- 72% Individuals & Families (2017: 78%)
- 28% Groups (10 persons or more) (2017: 22%)

Guest nationalities were:

- 27% Scotland (2017: 30%)
- 24% England, Wales and Ireland (2017: 25%)
- 36% European (2017: 33%)
- 13% Other International (2017: 12%)

**Youth Engagement:** 335 young people participated in our Youth Programmes over the year (2017: 274). Our Give Us a Break programme hosted 10 youth and school groups from across Scotland to participate in a 2 night break enabling them to explore Scotland, develop new skills and challenge themselves through outdoor activities. This was possible through external support funding received from Provident Financial Good Neighbour Project. Support from the Gannochy Trust enabled us to host 20 young people on a 2 night break in Pitlochry with outdoor activities and we supported 10 groups and schools with a Youth Active Grant. The funding supported the groups with the cost of accommodation and catering for their trip.

SYHA was invited to be a Scottish representative on the Learning Away Consortium in 2017/18 and supported setting up a Scottish Working Group . The UK wide Consortium campaigns for more and higher quality residential experiences for young people and shares key research around residential learning.

**Social Tourism:** We supported 15 disadvantaged families across Scotland to have a 2 night break through Scot Spirit, a Social Tourism programme run by Visit Scotland in partnership with The Family Holiday Association. The programme supports disadvantaged families who would otherwise be unable to take a holiday.

We enabled 2 unpaid carers and their companions from Angus Carers Centre to have an overnight break at Aberdeen Youth Hostel. Run by Shared Care Scotland, Respiteability supports partnerships between the Hospitality sector and local Carers Centres to enable unpaid carers to have a break.

**Membership** in total dropped to 13,834 (2017: 14,599). Life Membership increase by 2% (2017: 2% increase) on the previous year. Temporary membership increased by 8% to 152,837 (2017: 141,003). Engaging Membership is a key focus of the 2018-20 Growth Strategy.



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Guest satisfaction ratings taken from SYHA.org.uk:

	Hostels 2017/18	Network %	Hostels 2016/17	Network %
90% to 100%	17	50%	20	61%
80% to 89%	16	47%	11	33%
70% to 79%	1	3%	2	6%
<b>Total SYHA Hostels</b>	<b>34</b>	<b>100%</b>	<b>33</b>	<b>100%</b>

### Hostelling People

**Volunteer Programmes:** Involved 203 volunteers over the year, an increase of 12% percent on previous year (2017: 181). We welcomed a wide range of volunteers in many different hostels throughout the network these included 106 volunteer hostel assistants and range of other volunteers. 13 young people from Germany began a year-long volunteer placement as Volunteer Hostel Assistants, and 2 young people from Holland completed a 20 week placement for their Travel and Tourism studies. We were supported by 5 young people completing their Gold Duke of Edinburgh Award in Stirling Youth Hostel who gave the TV lounge a makeover, and 34 corporate volunteers from Scottish Power who helped to spruce up the outside areas of 3 different hostels. We partnered with Millburn Academy, to design a new mural at Inverness Youth Hostel, and a number of pupils helped to paint this. In the summer a number of volunteers from the UK and throughout Europe supported the hostels through 4 week placements as volunteer hostel assistants.

**Employees:** 164 employees participated in 18 personal development training events during the year. Particular focus was on customer service training through continued roll out of our own Customer Service & Employee Promise sessions, and 'Service that sell' specific training for the Reservations team along with supervisory training for newly promoted managers and duty managers. Fire Safety and Evacuation e-learning refresher training was rolled out to managers and the General Data Protection Regulations (GDPR) project team attended an overview of GDPR seminar. In addition and although not part of the statistics, induction training for all new starts is routinely delivered across the network.

### Hostelling Operations

**Network:** Consisted of 60 Hostels (2017: 61), of which 34 SYHA youth hostels (2017: 33) and 26 SYHA Affiliated hostels (2017: 28) were operational during the year.

Rooms sales in SYHA youth hostels increased by 17% to 75,748 (2017: 64,836). 72% of all bookings in the year (2017: 74%) were generated through Reservations, at the hostels and on our website, with 28% (2017: 26%) being generated through third party booking engines.

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

	Hostels 2017/18	Network %	Hostels 2016/17	Network %
4-5 Stars	16	47%	15	46%
3 Star	11	32%	12	36%
1-2 Star	5	15%	5	15%
Awaiting Accreditation	2	6%	1	3%
<b>Total SYHA Hostels</b>	<b>34</b>	<b>100%</b>	<b>33</b>	<b>100%</b>



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**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 Business Tourism Scheme:** SYHA continues to take steps to increase energy efficiency, reduce its carbon footprint through hostel refurbishment and promote such sustainable projects, not only for their own value but also to assist in the non-formal education of our members and guests.

	<b>Hostels 2017/18</b>	<b>Network %</b>	<b>Hostels 2016/17</b>	<b>Network %</b>
Gold	11	32%	10	30%
Silver	18	53%	20	61%
Bronze	1	3%	1	3%
Awaiting Accreditation	4	12%	2	6%
	<b>34</b>	<b>100%</b>	<b>33</b>	<b>100%</b>

### Hostelling Property

In line with the Sustainable Strategy objectives, £2,101,710 was re-invested into the network during the year of which £609,331 was expended on routine youth hostel maintenance and equipment and costs relating to statutory compliance and health and safety. £1,492,379 was expended on capital, comprising: £1,338,359 on property with major works at Aberdeen and Glen Nevis Youth Hostels, along with window upgrades and shower replacements. £108,144 was spent on customer facing enhancements in a variety of projects across the network, with the remaining £45,876 spent on upgrading SYHA's information technology infrastructure and system enhancements.

### Hostelling Finance

Total operational income was £8,970,521 (2017: £8,285,325) an 8% increase of £685,196 on prior year (2017: £275,154 increase). As no properties were sold during the year no other income was derived from gain on sale of assets (2017: £735,142). Total resources expended was £7,630,253 (2017: £7,786,669), a 2% decrease of £156,416 (2017: £175,979 decrease). The resulting surplus of income over expenditure was £1,340,268 in the year after all costs including depreciation (2017: £1,233,798).

Based on operational income, average income per overnight was £23.75, a 4% increase on the previous year (2017: £22.78). Average expenditure per overnight was £18.88 (before depreciation), which was an increase of 1.6% on the previous year (2017: £18.59). As a result, the average operational trading surplus per overnight was £4.87, a 16% increase on the previous year (2017: £4.19).

SYHA (Trading) Ltd. a wholly owned subsidiary trading company generated in its eighth year of trading incoming resources of £250,929 (2017: £257,782), with resources expended of £211,812 (2017: £225,472) providing a net profit of £39,117 (2017: £32,310), a sum which has been gifted to the parent company.

SYHA gratefully received general donations and legacies of £169,111 (2017: £17,987) along with restricted donations and legacies totalling £15,006 (2017: £27,831). No grant funding was received in the year (2017: £38,000).



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

- Glen Nevis: £522,529 was utilised against the refurbishment costs of Glen Nevis Youth Hostel
- Social Inclusion: £32,212 (2017: £43,711) was expended on social inclusion youth programmes
- Small Hostels Project: £2,813 (2017: £22,324) on furniture for Loch Ossian, Glen Affric and Achmelvich Beach
- Environmental improvement, maintenance and upgrading of more rural and rustic hostels £20,130 was expended on a power supply upgrade 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 20). SYHA reports a net surplus in funds for the year ended 31 January 2018 of £1,340,268 (2017: £1,233,798) after providing for all charges, including depreciation. The resulting balance of funds as at 31 January 2018 is £12,242,546 (2017: £10,902,278). 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 its formation in 1931 SYHA has 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 SYHA members access to over 4,000 youth hostels worldwide.

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 Edinburgh and Antwerp during 2017-18 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;
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;



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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

In the final year of the 5 year Sustainable Strategy (2013-2018), operational surplus increased substantially by 21% on previous year. Commitment to guest service, investment in properties and a focused marketing drive along with favourable exchange rates all contributed towards achieving a surplus of £1.8M before depreciation.

Major investments in the year included Aberdeen Youth Hostel, with a £500K development of the property which saw a re-vamp of the public spaces and introduction of ensuite rooms. Shower and washroom upgrades across the network amounted to £104K along with upgrade of power supplies of £27K in Achmelvich Beach, Durness and Gairloch Sands Youth Hostels. The Glen Nevis refurbishment project commenced in November 2017 and will be completed by early summer 2018.

2017-18 saw the creation of a new post of Youth and Volunteer Engagement Manager and as a result of this much progress has been made in the year in building collaborative partnerships with Youth, Outdoor Pursuit and Learning organisations. We are proud to be working with social tourism organisations such as Respitability 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. In addition, 405 young people from school and youth groups benefitted from our youth programmes, supported by funding from Provident Financial, The Gannochy Trust and our own SYHA Youth Active Grants.

This was also a period of change for the organisation's senior management. Keith Legge, CEO for 14 years retired at the end of June 2017. The Board of Trustees is extremely grateful to Keith for his achievements and dedication to SYHA during his tenure. Margo Paterson was appointed CEO in July 2017, having been employed by SYHA for 16 years in a number of roles, most recently as Deputy CEO.

Healthy surpluses generated during the strategy period 2013-18, coupled with proceeds from sales of properties have provided a strong foundation to re-invest in key priorities and secure our future. We are operating in a time of economic uncertainty, when choice is greater than ever before and where hotel chains are opening hostels because they know the commercial opportunities within the hostelling sector. Guest expectations continue to rise in terms of quality of guest service, facilities and value for money. In order to ensure hostelling is attractive for all, we have to further evolve through continued investment to modernise our infrastructure and amenities and ensure as a trusted organisation that we are recognised as the modern face of Scottish Hostelling.

Looking forward, 2018-19 is the start of a new 3 year strategy period during which there will be a focus on delivering excellence, developing our people, enhancing our properties, innovating new systems, working with young people, engaging membership and securing our future.



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We launched a branding refresh in early March 2018 which will roll out throughout the year and include a new website from June 2018. Year of Young People events will take place throughout 2018 and we look forward to welcoming guests in early summer to a new hostelling experience at Glen Nevis Youth Hostel.

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.

The financial results, investment in properties and drive to deliver quality service to guests, along with our commitment to social tourism and youth programmes collectively enable SYHA to continue to achieve its charitable objectives. In our 87th year, the Board of Trustees and Directors remain committed to reinvesting surpluses back into the Youth Hostelling network to ensure that we provide modern facilities and experiences. 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.

The Board meet formally at least four times per annum and are 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 2018**

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.

The Trustees confirm that:

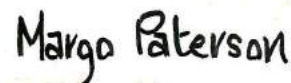
- so far as each trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that 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**  
**27<sup>th</sup> April 2018**



**Margo Paterson**  
**Chief Executive**  
**27<sup>th</sup> April 2018**



## SYHA 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 consultation committee, 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 1<sup>st</sup> 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  
27<sup>th</sup> April 2018



**Margo S Paterson**  
Chief Executive  
27<sup>th</sup> April 2018



## Independent auditor's report to the Members and Trustees of Scottish Youth Hostels Association

### Opinion

We have audited the financial statements of Scottish Youth Hostels Association (the 'charitable company') and its subsidiaries (the 'Group') for the year ended 31 January 2018 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 Group's and of the charitable company's affairs as at 31 January 2018 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.

### Who we are reporting to

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.

### Conclusions relating to going concern

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

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



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

### **Other information**

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual 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 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 Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- The Trustees' Annual 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 the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the and 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 by the charitable company, 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

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

### Responsibilities of trustees

As explained more fully in the Trustees' Responsibilities Statement set out on page 15 and 16, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the Group's and 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 Group or 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 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



**Diana Penny**  
Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Edinburgh

Date: 27 April 2018

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 £1,340,268 (2017: surplus of £1,233,798). The Trustees are satisfied that SYHA has sufficient funds to enable it to fulfil its obligations through the implementation of a Sustainable Strategy for 2013 – 2018 and the marketing of a number of properties with the expectation of sales proceeds over the following few years. 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) Limited 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) Limited. 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 £1,340,268 (2017:surplus £1,233,798).

### Judgements and Estimates

Preparation of the financial statements requires management to make judgements and estimates. During the year the depreciation applied to Heritable Property has been reviewed. 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 2018 £	Total 2017 £
<b>Income</b>					
Donations and legacies	3	169,111	15,006	184,117	45,818
<i>Income from charitable activities:</i>					
Income from operating Youth Hostels		8,048,987	-	8,048,987	7,482,908
Grants Receivable	2	-	-	-	38,000
<i>Income from other trading activities:</i>					
Commercial Income from SYHA (Trading) Ltd	7	250,929	-	250,929	257,782
Membership subscriptions and related income	1	466,757	-	466,757	433,039
Investment income		19,731	-	19,731	27,778
<i>Other income:</i>					
Net gain on disposal of tangible fixed assets		-	-	-	735,142
<b>Total Income</b>		<u>8,955,515</u>	<u>15,006</u>	<u>8,970,521</u>	<u>9,020,467</u>
<b>Expenditure</b>					
<i>Costs of raising funds:</i>					
Costs of operating SYHA (Trading) Ltd	7	211,812	-	211,812	225,472
Membership costs		36,598	-	36,598	35,773
<i>Expenditure on charitable activities:</i>					
Costs of operating Youth Hostels		6,760,530	577,684	7,338,214	7,467,203
Governance costs		43,629	-	43,629	58,221
<b>Total Expenditure</b>	4	<u>7,052,569</u>	<u>577,684</u>	<u>7,630,253</u>	<u>7,786,669</u>
<b>Net income and net movement in funds for the year</b>		<b>1,902,946</b>	<b>(562,678)</b>	<b>1,340,268</b>	<b>1,233,798</b>
<b>Reconciliation of funds</b>					
Total funds brought forward		<u>10,210,535</u>	<u>691,743</u>	<u>10,902,278</u>	<u>9,668,480</u>
<b>Total funds carried forward</b>	15	<u>12,113,481</u>	<u>129,065</u>	<u>12,242,546</u>	<u>10,902,278</u>

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



## Group and Company Balance Sheets

	Note	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
<b>Fixed assets</b>					
Tangible assets	6	<b>13,988,394</b>	12,995,852	<b>13,988,394</b>	12,995,852
Investments	7	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
		<b><u>13,988,394</u></b>	<b><u>12,995,852</u></b>	<b><u>13,988,494</u></b>	<b><u>12,995,952</u></b>
<b>Current assets</b>					
Stocks	8	<b>30,355</b>	35,936	<b>30,355</b>	35,936
Debtors	9	<b>105,644</b>	126,131	<b>138,825</b>	159,422
Cash at bank and in hand		<u>6,858,296</u>	<u>6,477,842</u>	<u>6,825,015</u>	<u>6,444,451</u>
		<b>6,994,295</b>	<b>6,639,909</b>	<b>6,994,195</b>	<b>6,639,809</b>
<b>Creditors: amounts falling due within one year</b>	10	<u><b>(3,033,844)</b></u>	<u>(2,586,467)</u>	<u><b>(3,033,844)</b></u>	<u>(2,586,467)</u>
<b>Net current assets</b>		<u><b>3,960,452</b></u>	<u>4,053,442</u>	<u><b>3,960,352</b></u>	<u>4,053,342</u>
<b>Total assets less current liabilities</b>		<b>17,948,845</b>	17,049,294	<b>17,948,845</b>	17,049,294
<b>Creditors: amounts falling due after more than one year</b>	12	<u><b>(5,706,299)</b></u>	<u>(6,147,016)</u>	<u><b>(5,706,299)</b></u>	<u>(6,147,016)</u>
<b>Net assets</b>		<u><b>12,242,546</b></u>	<u>10,902,278</u>	<u><b>12,242,546</b></u>	<u>10,902,278</u>
<b>Funds</b>					
Restricted Funds	15	<b>129,065</b>	691,743	<b>129,065</b>	691,743
Unrestricted general funds	15	<u><b>12,113,481</b></u>	<u>10,210,535</u>	<u><b>12,113,481</b></u>	<u>10,210,535</u>
<b>Total charity funds</b>	16	<u><b>12,242,546</b></u>	<u>10,902,278</u>	<u><b>12,242,546</b></u>	<u>10,902,278</u>

The financial statements were approved by the Board of Trustees on 27<sup>th</sup> April 2018 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	2018 £	2017 £
<b>Cash flows from operating activities:</b>			
Net cash provided by operating activities	16	<u>2,362,041</u>	<u>1,967,863</u>
<b>Cash flows from investing activities:</b>			
Interest and similar income received		19,731	27,778
Proceeds from sale of tangible fixed assets		-	1,194,200
Purchase of tangible fixed assets	6	<u>(1,492,378)</u>	<u>(774,679)</u>
<b>Net cash provided by investing activities</b>		<u>(1,472,647)</u>	<u>447,299</u>
<b>Cash flows from financing activities:</b>			
Interest Paid		(74,159)	(122,631)
Repayment of defined benefit scheme		(180,000)	(180,000)
Repayment of borrowings		<u>(254,781)</u>	<u>(248,979)</u>
<b>Net cash used in financing activities</b>		<u>(508,940)</u>	<u>( 551,610)</u>
<b>Increase in cash and cash equivalents for the year</b>		<b>380,454</b>	<b>1,863,552</b>
Cash and cash equivalents at the beginning of the year		<u>6,477,842</u>	<u>4,614,290</u>
<b>Cash and cash equivalents at the end of the year</b>		<u><b>6,858,296</b></u>	<u><b>6,477,842</b></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

<b>Group and Company</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Membership income received directly by SYHA	<u><b>466,757</b></u>	<u><b>433,039</b></u>

Membership categories and prices are:

	<b>£</b>	<b>£</b>
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

<b>Group and Company</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>Unrestricted</b>	<b>Restricted</b>	<b>Unrestricted</b>	<b>Restricted</b>
	<b>Funds</b>	<b>Funds</b>	<b>Funds</b>	<b>Funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Grants receivable in the year	<u>-</u>	<u>-</u>	<u>-</u>	<u><b>38,000</b></u>

### 3 Donations, gifts and legacies

	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>Unrestricted</b>	<b>Restricted</b>	<b>Unrestricted</b>	<b>Restricted</b>
	<b>Funds</b>	<b>Funds</b>	<b>Funds</b>	<b>Funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Small Hostels Fund	-	<b>990</b>	-	6,615
Give Us a Break/Social Inclusion	-	<b>14,016</b>	-	21,216
General Donations	<u><b>169,111</b></u>	<u>-</u>	<u><b>17,987</b></u>	<u>-</u>
Total Donations, gifts and legacies	<u><b>169,111</b></u>	<u><b>15,006</b></u>	<u><b>17,987</b></u>	<u><b>27,831</b></u>

## Notes to the financial statements (continued)

### 4 Total resources expended

	Direct Staff costs £	Other Direct Costs £	Depreciation £	Total 2018 £	Total 2017 £
Costs of operating Youth Hostels	3,479,552	3,347,541	499,837	<b>7,326,930</b>	7,467,203
Membership costs	36,598	-	-	<b>36,598</b>	35,773
Cost of operating SYHA (Trading) Ltd	118,986	92,826	-	<b>211,812</b>	225,472
Governance Costs	<u>43,629</u>	<u>11,284</u>	-	<u><b>54,913</b></u>	<u>58,221</u>
Total resources expended	<u><b>3,678,765</b></u>	<u><b>3,451,651</b></u>	<u><b>499,837</b></u>	<u><b>7,630,253</b></u>	<u><b>7,786,669</b></u>

Other direct costs comprise:	Total 2018 £	Total 2017 £
Repairs and maintenance of buildings and equipment	<b>609,331</b>	549,756
Fuel, telephone, cleaning and laundry	<b>911,478</b>	892,259
Catering and store purchases	<b>471,696</b>	400,346
Interest payable on bank loans	<b>74,159</b>	122,631
Fair value movement in derivative financial instrument	-	(38,150)
Marketing and publications & social inclusion costs	<b>224,806</b>	200,849
Rent, rates and insurance	<b>547,146</b>	505,538
Auditors' remuneration – audit fees	<b>20,100</b>	19,500
– non-audit fees	-	-
Operating lease rentals – land and buildings	<b>9,790</b>	9,790
– fixtures, fittings and equipment	<b>18,794</b>	18,417
Administration	<b>172,957</b>	175,723
Other direct costs	<u><b>391,394</b></u>	<u>340,806</u>
	<u><b>3,451,651</b></u>	<u><b>3,197,465</b></u>



## Notes to the financial statements (continued)

### 5 Trustees, Directors and employees

#### Employees

Employee costs during the year were as follows:

	2018	2017
	£	£
Wages and salaries	3,378,418	3,274,389
Social security costs	238,038	224,127
Pension Contributions	50,039	50,157
Other pension costs	12,270	13,880
	<u>3,678,765</u>	<u>3,562,553</u>

Of which, remuneration in respect of the Senior Management Team was:

	2018	2017
	£	£
Emoluments	175,832	178,914
Pension Contributions	5,980	7,374
	<u>181,812</u>	<u>186,288</u>

Within the Senior Management Team, one employee earned between £70,000 and £80,000 (2017: one employee earned between £90,000 and £100,000) and had pension contributions paid by SYHA during the year of £3,624 (2017:£4,251).

The average number of employees of SYHA during the year was 245 high season and 162 low season (2017:245 high season; 172 low season).

SYHA operates a Defined Contribution Group Personal Pension Scheme. The cost of the contributions to this scheme amounted to £28,838 (2017: £30,384). From July 2014 an auto enrolment scheme was also put in place and during the year the cost of the contributions were £21,201 (2017: £19,773).

#### Trustees

Members of the Board receive no salary.

Out of pocket expenses were reimbursed to Trustees as follows:

	2018	2017	2018	2017
	Number	Number	£	£
Travel	<u>2</u>	<u>3</u>	<u>165</u>	<u>843</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
	£	£	£	£	£	£	£
<b>Cost</b>							
At 1 February 2017	22,172,847	588,756	123,599	105,455	2,056,870	40,377	25,087,904
Additions	685,642	1,497		651,220	156,008	-	1,494,367
Disposals	-	(1,988)		-	-	-	(1,988)
At 31 January 2018	<u>22,858,489</u>	<u>588,265</u>	<u>123,599</u>	<u>756,675</u>	<u>2,212,878</u>	<u>40,377</u>	<u>26,580,283</u>
<b>Depreciation</b>							
At 1 February 2017	10,238,398	313,183	123,599	-	1,390,083	26,803	12,092,052
Provided in the year	301,369	22,191	-	-	172,064	4,213	499,837
At 31 January 2018	<u>10,539,753</u>	<u>335,374</u>	<u>123,599</u>	<u>-</u>	<u>1,562,147</u>	<u>31,016</u>	<u>12,591,889</u>
<b>Net book amount</b>							
At 31 January 2018	<u>12,318,736</u>	<u>252,891</u>	<u>-</u>	<u>756,675</u>	<u>650,731</u>	<u>9,361</u>	<u>11,988,394</u>
At 31 January 2017	<u>11,934,463</u>	<u>275,573</u>	<u>-</u>	<u>105,455</u>	<u>666,787</u>	<u>13,574</u>	<u>12,995,852</u>

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. Those hostels owned by SYHA at 31 January 2018 were valued at £29,980,000 which includes 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:

	2018	2017
	£	£
Turnover	250,929	257,782
Cost of Sales	(47,876)	(44,975)
Administrative expenses	<u>(163,936)</u>	<u>(180,497)</u>
	<u>(211,812)</u>	<u>(225,472)</u>
	39,117	32,310
Donation to parent company	<u>(39,117)</u>	<u>(32,310)</u>
<b>Profit for the period</b>	<u>-</u>	<u>-</u>
<b>Reserves carried forward</b>	<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 £39,117 (2017: £32,310), which will be paid to the parent company within 9 months of the year end.

### 8 Stocks

Group and Company	2018	2017
	£	£
Consumable stores	12,244	14,412
Goods for resale	<u>18,111</u>	<u>21,524</u>
	<u>30,355</u>	<u>35,936</u>

### 9 Debtors

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade debtors	4,470	15,013	4,470	15,013
Prepayments and accrued income	100,519	110,401	100,519	110,401
Other debtors	655	717	655	717
Amounts owed by group company	<u>-</u>	<u>-</u>	<u>33,181</u>	<u>33,291</u>
	<u>105,644</u>	<u>126,131</u>	<u>138,825</u>	<u>159,422</u>

## Notes to the financial statements (continued)

### 10 Creditors : amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Bank loans	260,717	254,781	260,717	254,781
Trade creditors	627,530	313,068	627,530	313,068
Social security and other taxes	130,391	208,034	130,391	208,034
Other creditors	8,989	10,131	8,989	10,131
Accruals	270,436	156,290	270,436	156,290
Defined benefit pension scheme debt	180,000	180,000	180,000	180,000
Deferred income (note 11)	<u>1,555,781</u>	<u>1,464,163</u>	<u>1,555,781</u>	<u>1,464,163</u>
	<u><b>3,033,844</b></u>	<u><b>2,586,467</b></u>	<u><b>3,033,844</b></u>	<u><b>2,586,467</b></u>

### 11 Deferred income

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

Group and Company	2018 £
Balance as at 1 February 2017	1,464,163
Amounts released to incoming resources	(1,464,163)
Amounts deferred in the year	1,555,781
Balance as at 31 January 2018	<u>1,555,781</u>

### 12 Creditors : amounts falling due after more than one year

Group and Company	2018 £	2017 £
Bank loans	4,266,299	4,527,016
Defined benefit pension scheme debt	<u>1,440,000</u>	<u>1,620,000</u>
	<u><b>5,706,299</b></u>	<u><b>6,147,016</b></u>