



Financial Statements

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

For the year ended 31 January 2023

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 for the year ended 31 January 2023

Patron

Scottish Youth Hostels Association was honoured to have HRH The Prince Philip, Duke of Edinburgh, ^{KG,}
^{KT, OM, GCVO, GBE, ONZ, QSO, AK, GCL, CC, CMM} as patron for many years and look forward to receiving continued royal
patronage in the future.

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:

Sally Mayer	Chair to 19.11.22	(2019-22)	Retired 19.11.22
Martin Ambrose (co-opted)	Vice Chair to 19.11.22	(2021-22)	Retired 19.11.22
Claire McCorquodale	Chair from 19.11.22	(2020-23)	Appointed 05.09.20
Paul Randall	Vice Chair from 19.11.22	(2022-25)	Appointed 17.09.22
Michael Anderson		(2019-22)	Retired 17.09.22
Sophie Bell		(2021-24)	Appointed 04.09.21
Duncan Craig		(2020-23)	Retired 19.11.22
Martin Davidson		(2022-25)	Appointed 19.11.22
Donald Martin		(2021-24)	Appointed 04.09.21
Yvonne Milne		(2022-25)	Appointed 19.11.22
Jennifer Ruddick		(2020-23)	Appointed 05.09.20
Robert Swinfen		(2021-24)	Appointed 04.09.21
Carolyn Wright		(2022-25)	Appointed 19.11.22

Executive Management

Chief Executive & Company Secretary:	Margo S Paterson
Director of Operations & Deputy Chief Executive:	Sabine Mackenzie
Director of Property & Health and Safety	Audrey Greenwood

Registered Office:	7 Glebe Crescent Stirling FK8 2JA	Telephone: 01786 891400 Facsimile: 01786 891333 Email: info@hostellingscotland.org.uk Website: www.hostellingscotland.org.uk
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Legal and administrative information (continued)
for the year ended 31 January 2023

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:	Henderson Loggie LLP Ground Floor, 11-15 Thistle Street Edinburgh EH2 1DF
Insurance Brokers:	Aon Corporate Division 103 Waterloo Street Glasgow G2 7BW
Financial Advisers:	Chase de Vere 33 Bothwell Street Glasgow G2 6NL

Trustee Report (including Strategic Report)

Principal Charitable Objectives

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’.

Our Values

- We promote our charitable objectives by being open to all.
- We work together with pride and integrity to get things done.
- We are committed to operating in an environmentally sustainable way.
- We actively promote and take equality, diversity and inclusion into account in everything that we do.
- We pledge to give back and provide young people and families, who otherwise wouldn't have the opportunity, the chance to experience Scotland and develop their skills for life, learning and work.
- We empower our teams by providing a fair work environment with meaningful opportunities for advancement.
- We work proactively in partnership with local communities, authorities and agencies.

Our Mission

Inspire all, especially young people to experience Scotland through the provision of great value and welcoming hostelling accommodation.

Our Vision

Staying true to our values, we offer the best hostelling experience throughout Scotland for everyone.

Outcome of 2022-23 Strategic Objectives

1. Emerging From the Pandemic

We will:

- Build the financial health of the organisation to ensure sufficient funds are available for future years to come.
Achieved with revenue and surplus generation exceeding budget along with cash generation and year end cashflow position. Sale of Aberdeen Youth Hostel not achieved.
- Relaunch Volunteer and Youth Engagement Programmes working with key partners to deliver on our social tourism commitment
Partly achieved, however, focus has been on delivery of 2020-2021 Explorer Fund breaks along with reconnecting with key partners delivering much needed breaks for carers, young people and families.
- Rebuild a resilient workforce with focus on employee satisfaction and retention
Achieved and despite recruitment of new employees being challenging within the hospitality sector, we are delighted at the hard work and effort put in by all employees, resulting in a number of internal promotions.
- Develop a future strategy for the organisation from 2023 to 2026
Work commenced on strategy planning throughout 2022-23 with initial strategy aims and activities for 2023-2025 presented and reviewed at the November Board meeting, with final approval in March 2023.

Trustee Report (continued)

2. Customer Service Delivery

We will:

- Upgrade our facilities and services to provide the optimal customer experience and this will be reflected in our guest reviews and ratings
Achievement reflected through year end guest reviews with all key performance indicators achieving +90% ratings.
- Re-commence capital project investment in the network
Achieved on a small scale in line with available cash resources.

The Board of Trustees approved the following Recovery Strategy 2023-2025 and Strategic Objectives for 2023-24:

Recovery Strategy 2023-25

Hostelling Scotland (also known as Scottish Youth Hostels Association) exists to inspire all, but especially young people, through the provision of great value and welcoming hostelling accommodation.

Our charitable objectives and our values will be central to the delivery of our 2023-2025 Recovery Strategy.

The 2023-2025 Recovery Strategy will concentrate on improving the long term viability of the organisation through meaningful activities that will have the greatest impact on retained surpluses.

This will provide Hostelling Scotland with the necessary reserves to develop, invest and grow the organisation ahead of the Centenary in 2031.

Strategy Aims & Activities

This Recovery Strategy is built on four central and interdependent themes.

1. Nurture our Charitable Objectives and Activities

- a) Progress a governance framework that fulfils our social responsibilities in particular focusing on improving diversity and inclusion opportunities.
- b) Develop partnership and community engagement initiatives that promote the good work and reputation of the organisation.
- c) Formulate a plan to enable the relaunch of youth and family explorer programmes and volunteering opportunities.

2. Foster a Culture of People Development

- a) Create an environment that promotes diversity, inclusiveness and engagement.
- b) Provide personal growth opportunities for everyone.

3. Operate and Promote our Hostels Sustainably and Responsibly

- a) Protect the assets through enhancement and development of our estate, hostel facilities, website and systems including where possible implementation of initiatives that will improve accessibility.
- b) Deliver the best, affordable and flexible hostelling experiences.
- c) Inspire travel and promote the Hostelling experience to a wider audience, encouraging adoption as a lifestyle choice.

Trustee Report (continued)

- d) Develop an environmental plan to support the delivery of responsible tourism specific to the hostelling sector thereby reducing our carbon footprint and improving operational efficiency.

4. Protect our Financial Future

- a) Rebuilding of cash reserves to allow for future expansion and financial growth.

Strategic Objectives 2023-24

1. Strategic Aim: Nurture our Charitable Objectives and Activities

- a) Progress a governance framework that fulfils our social responsibilities in particular focusing on improving diversity and inclusion opportunities.

2023-24 objectives:

- Trustees to connect with their network and external organisations to promote involvement in governance.
- Board of Trustees to review the effectiveness of the current governance recruitment processes and bring forward a programme of recommendations for change ahead of the call for nominations 2024.

- b) Develop partnership and community engagement initiatives that promote the good work and reputation of the organisation.

2023-24 objectives:

- Through social media storytelling and media communications, grow awareness of Hostelling Scotland as a sustainable charity to the broadest possible audience.
- Grow partnership connections that support, through association, the promotion of hostelling with a particular focus on under-represented groups.

- c) Formulate a plan to enable the relaunch of youth and family explorer programmes and volunteering opportunities.

2023-24 objectives:

- Assess the role of Charity Youth Engagement Officer to ensure it best meets the needs of the charity in delivering youth and family breaks.
- Working with key partners to provide access to youth and family breaks.
- Provide opportunities for individuals to apply for volunteer projects.

2. Strategic Aim: Foster a Culture of People Development

- a) Create an environment that promotes diversity, inclusiveness and engagement.

2023-24 objectives:

- Create a new induction programme that equips employees with the knowledge and tools to succeed in their role.
- Develop communications within the organisation to include re-energising the employee forum.

Trustee Report (continued)

- b) Provide personal growth opportunities for everyone.

2023-24 objective:

- Provide opportunities for personal development that enhance employee skills to facilitate career progression within the organisation.

3. Strategic Aim: Operate and Promote our Hostels Sustainably and Responsibly

- a) Protect the assets through enhancement and development of our estate, hostel facilities, website and systems and including where possible implementation of initiatives that will improve accessibility.

2023-24 objectives:

- Refresh the website by improving navigation and product information to enable guests to access content improving their browsing and booking experience.
- Completion of phase 1 of Rowardennan legacy project in March 2023 and commencement of phase 2 from October 2023.
- Upgrading of composting toilets in Loch Ossian.
- Replacement of roofs at Ullapool and Glenbrittle.
- Feasibility assessment of Braemar Youth Hostel refurbishment works
- Develop a small hostels project from donation received.

- b) Deliver the best, affordable and flexible hostelling experiences.

2023-24 objectives:

- Enhance the guest experience and stay satisfaction through the improvement of in room guest facilities including washrooms.
- Develop the hostelling catering provision with a particular focus on breakfast delivery and availability of food and beverage choices.
- Enhance customer responsiveness through developing team product knowledge and improving processes and guest communications.

- c) Inspire travel and promote the Hostelling experience to a wider audience, encouraging adoption as a lifestyle choice.

2023-24 objectives:

- Through targeted marketing activities and supported by influencer/partnership working, stimulate travel by celebrating hostelling's core strengths to include:
 - Fantastic and unique locations
 - Affordable, flexible, informal and welcoming accommodation that is open to all.
 - Being part of the communities in which we operate and supporting responsible and sustainable travel.

Trustee Report (continued)

- d) Develop an environmental plan to support the delivery of responsible tourism specific to the hostelling sector thereby reducing our carbon footprint and improving operational efficiency.

2023-24 objective:

- Working in partnership with VisitScotland and other key organisations, progress a climate action plan.

4. Strategic Aim: Protect our Financial Future

- a) Rebuilding of cash reserves to allow for future expansion and financial growth.

2023-24 objectives:

- Continual review of hostel pricing strategy
- Explore potential cost efficiencies and additional income streams
- Work with online third party agents in the delivery of targeted promotions
- Sale of Aberdeen Youth Hostel
- Research the potential to expand Hostelling Scotland student residency services
- Consider rescheduling of borrowing

Review of Annual Activities

Hostelling Guests

We welcomed 292,744 overnight guests (2022: 113,205) during the year, an increase of 159% on the previous year.

Guest profiles were:

- 65% Individuals & Families (2022: 77%)
- 24% Groups (10 persons or more) (2022: 15%)
- 11% Exclusive Private Hire RentaHostel (2022: 8%)

Guest nationalities were:

- 26% Scotland (2022: 28%)
- 33% England, Wales and Ireland (2022: 54%)
- 30% European (2022: 12%)
- 11% Other International (2022: 6%)

Affiliates

24 affiliated hostels within our network welcomed 41,465 overnight guests during the year.

Membership increased to 11,784 (2022: 10,985) mainly due to an increase in annual memberships as guests started to travel again. Lifetime membership continues to be popular with 209 new members in this category during 2022-23.

Working with Young People & Families

Explorer Fund

Ten groups were able to enjoy their funded Explorer trips during the year to 31st January 2023, these having been postponed as a result of lockdown in 2020.

Trustee Report (continued)

Respitality

We continued our partnership working throughout 2022-23, offering 8 much needed short breaks for carers for late 2022 and early 2023. Six carers and their families enjoyed trips during 2022-23.

Parent Network Scotland

We were delighted to offer a 2 night funded trip for families to Rowardennan during 2022-23.

Volunteers

In 2022-23 we were delighted to kick start volunteer project work in various hostels which supported the teams in getting the hostels ready for the start of the season.

Hostelling People

Employees: Following the pandemic Hostelling Scotland secured training funding under the 2022 Flexible Workforce Development Fund (FWDF) and training was focused on supporting both new and returning managers. Courses rolled out were Promoting Positive Diversity, Preventing Bullying, Mental Health Awareness, Emergency First Aid at Work and Fire Safety with 90 colleagues benefitting.

Induction training was revised ahead of the 2023 season with a view to a complete update on our induction programme for season 2024. GDPR training was delivered as part of the induction for every colleague during 2022-23.

All HR policies, procedures and forms were reviewed and updated during 2022 to ensure relevance and continued compliance.

Following extensive research a new HR Information system was procured in December 2022 with all information securely transferred prior to switch off of the old system. 2023 will continue to see all HR processes and procedures transfer to the new system for colleagues to access, providing a secure and paperless system, contributing to our overall environmental objectives.

Hostelling Operations

65% of all bookings in the year (2022: 55%) were generated through Reservations, at the hostels and on our website, with 35% (2022: 45%) being generated through third party booking engines.

On a basis of 5,057 reviews (2022: 1,851), Hostelling Scotland Guest Reviews scored 92% (2022: 91%) for overall stay, with guests scoring the following for the individual parts of their hostelling experience:

- 92% Good Value (2022: 88%)
- 94% Atmosphere (2022: 88%)
- 92% Cleanliness (2022: 93%)
- 88% Comfort (2022: 87%)
- 88% Facilities (2022: 84%)
- 94% Check in (2022: 95%)
- 94% Service (2022:91%)
- 96% Location (2022: 97%)

Hostelling Scotland Guest recommendation score was 95% (2022: 95%).

Trustee Report (continued)

VisitScotland Quality Assurance (QA): Visit Scotland operated hybrid working in 2022, the focus for audit visits involved those properties either new to the scheme or pending appeal since their last inspection.

7 properties received an in person visit, with the remaining hostels having their awards upheld from the inspections completed in 2019. Cairngorm Lodge increased to a 4 star property (Previously 3) following the refurbishment of the ground floor public spaces and new beds throughout. Rowardennan reduced to a 3 star property (Previously 4) reflecting the current aesthetics of the offering. 2019's audit action points highlighted redevelopment required within the bedrooms such as décor, carpeting and furnishing which could not be taken forward as we emerged from the pandemic.

	Hostels 2022/23	Network %	Hostels 2021/22	Network %
4-5 Stars	17	57%	17	52%
3 Star	11	37%	11	33%
1-2 Star	2	6%	4	12%
Awaiting Accreditation	0	0%	1	3%
Total SYHA Hostels	30	100%	33	100%

Green Tourism: Post pandemic, Hostelling Scotland took the decision to leave the Green Tourism Business Scheme and is currently reviewing alternative sustainable tourism certification scheme providers that will support the organisation's green credentials and achievement of environmental sustainability objectives.

Hostelling Property

£1,057,023 was re-invested into the network during the year. £129,886 was expended on capital, the major elements of this being replacement fire protection system, water heating system and boiler works. £555,908 was expended on routine property and equipment maintenance and costs relating to statutory compliance and health and safety. £313,846 was spent on furniture and equipment across the network, with the remaining £57,383 spent on upgrading the organisation's information technology infrastructure and system enhancements.

Hostelling Finance

Total operational income was £8,407,404 (2022: £4,656,673) a 80% increase of £3,750,731 on prior year (2022: £998,196 increase). Total resources expended was £7,441,058 (2022: £4,804,351), a 55% increase of £2,636,707 (2022: £365,474 increase). The resulting surplus of income over expenditure was £966,346 in the year after all costs including depreciation (2022: deficit £147,678).

SYHA (Trading) Ltd. a wholly owned subsidiary trading company generated, in its thirteenth year of trading, incoming resources of £203,197 (2022: £170,044), with resources expended of £153,259 (2022: £140,857) providing a net profit of £49,938 (2022: £29,187), a sum which has been gifted to the parent company.

SYHA gratefully received general donations and legacies of £128,249 (2022: £16,948) along with restricted donations and legacies totalling £36,544 (2022: £189,717).

The following expenditure was made from these restricted funds in the year;

- Social Inclusion: £15,139 (2022: £18,221) was expended on social inclusion youth programmes
- Small Hostels Project: £5,595 (2022: £0)
- Property Legacy : We had no expenditure in the year
- Visit Scotland Funding £15,947 was expended on marketing (£11,147) and IT (£4,800) in the year

Trustee Report (continued)

After making all due enquiry, the Trustees confirm their expectation following preparation of forecasts and in consideration of key scenarios and assumptions, 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 24). SYHA reports net surplus in funds for the year ended 31 January 2023 of £966,346 (2022: £147,678 net deficit) after providing for all charges, including depreciation. The resulting balance of funds as at 31 January 2023 is £13,623,584 (2022: £12,657,238). 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 as a global network provides support by driving direct reservations and promoting the mission and quality of the brand on behalf of 61 Youth Hostel Associations around the world, with over 3,000 hostels in 59 countries.

We meet regularly with British and Irish Youth Hostelling Associations and other European national associations to discuss matters of mutual benefit and cooperation.

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 are delighted to represent the hostelling sector in Scotland on the Council of The Scottish Tourism Alliance (STA) which is the largest member organisation for tourism businesses in Scotland and the leading representative body for its tourism industry.

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 COVID-19 and 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;
5. Declining tourism

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

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;

1. Strategic and operational planning, budgeting, management control and finance reporting, conducted through the Board and Management meetings;
2. Formal written policies where required;
3. A formal review of SYHA's risk management process, undertaken on an annual basis.

Trustee Report (continued)

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

Following two years of lockdowns, travel restrictions, limited hostel services and reduced customer confidence, 2022-23 certainly could be considered as our year of "bounce back".

However the return to hostelling as we know it remained challenging as a result of continued economic uncertainty, labour supply issues, unforeseen property concerns and relentless cost increases, particularly utility costs.

That said, we were determined to succeed and with all resources pulling together, we opened up, operated and kept open the network of hostels right through to the end of the season.

There was much to celebrate during the year. With the popularity of Woofhostelling continuing to grow, we were delighted to secure VisitScotland support and increase the number of Woofhostels to 17 to include Broadford, Kirkwall and Rowardennan.

Lifetime membership once again proved popular, however, it was also good to see an increase in annual membership in the year.

As part of a review of our website and to provide the best experience, we updated the online availability to improve navigation and display availability in real time.

Social media channels continued to be a key source of engagement throughout the year along with communications to our members and followers through regular e-mail and newsletter updates. We launched our own TikTok account and our first activity with a TikTok influencer generating +213K views.

We were proud to attend the Central, Fife & Tayside Scottish Thistle Awards and won the category Working Together in Tourism with our 'What would Mary Do? Campaign. A record number of hostels were shortlisted for the TGO Magazine Awards - Cairngorm Lodge, Glen Nevis, Loch Ossian, Ratagan and Torridon. Cairngorm Lodge Youth Hostel received a commendation award in the hostel or bunkhouse of the year category in The Great Outdoors Readers Awards 2022.

There was great demand in the year for property works to be carried out across the network and these included the completion of the upgrading of hallway lighting at Inverness to energy efficient PIR controlled units and replacement and overhaul of roofs at Crianlarich, Rowardennan and Tobermory.

Our AGM originally scheduled for September 2022 was postponed due to the death of HM Queen Elizabeth II. On 19th November 2022 we successfully held the first hybrid AGM in person at Glasgow Youth Hostel and online, providing greater access for members to attend. At the end of the AGM we welcomed a new Chair, Claire McCorquodale and two new Vice Chairs, Sophie Bell and Paul Randall along with three new Trustees to the Board - Martin Davidson, Yvonne Milne and Carolyn Wright.

Trustee Report (continued)

Our year has not been without challenges, not least the storm damage to the roof at Glenbrittle Youth Hostel at the end of January 2023 and a flood at Head Office in late December 2022 resulting in employees having to relocate to temporary offices. Glenbrittle roof was replaced ahead of the start of the 2023 season and works to repair the damage to Head Office are now also complete.

Thanks to a busy year our financial year end cash position was better than had been originally budgeted and much improved on prior year. This provided a secure position to move forward into our new 2023-2025 Recovery Strategy period.

We look forward to continuing the legacy works at Rowardennan Youth Hostel in 2023 after the main season, these following on from Phase 1 works to create more shower and toilet facilities.

Our commitment to social tourism and our work with young people and families continued through the delivery of postponed Explorer Fund breaks from 2020 and carer breaks with Respitality. We were delighted to extend our partnership working to include Parent Network Scotland and SOYT (Scottish Outdoor Youth Travel) during the year.

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

Our recovery post COVID-19 will take a number of years to achieve and we will continue to work with colleagues in hospitality and specifically the hostelling sector to consult with Scottish Government.

We continue to achieve our charitable objectives through our financial management, investment in properties and drive to deliver customer excellence to guests along with our development of and commitment to social tourism and youth programmes.

The Board of Trustees and Directors is committed to rebuilding surpluses to invest back into the Youth Hostelling network as we recover from the impact of the COVID-19 pandemic, ensuring our long-term future. Since 1931 it has been our mission to make more of Scotland more accessible to more people. This remains core to everything we do and we will continue to work hard to provide quality experiences for all.

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 Board's diversity and skills base, in order to facilitate succession planning and enhance the achievement of its charitable purposes.

At the proxy AGM in September 2021, members passed a motion to modernise the articles to allow for members' meetings to be held by electronic means, enabling a larger number of members to view and participate in meetings going forward.

Trustee Report (continued)

The Board normally meets formally at least four times per annum. The Board 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 Committees of the Board, meet formally at least four times each year, along with the Remuneration Committee which meets at least twice every 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 assigned.

The training of Trustees and Directors after election or co-option usually comprises an induction briefing programme involving elected Board members, the Chief Executive and 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 Articles of Association, and a copy of the Office of the Scottish Charity Regulator's Trustees' guidelines. Ongoing training is also provided where needs are identified.

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.

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.

Trustee Report (continued)

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.

APPROVED BY THE BOARD OF TRUSTEES ON 27TH JUNE 2023 AND SIGNED ON THEIR BEHALF BY:

Claire Mccorquodale
Claire Mccorquodale - 2023-07-20, 13:05:02 UTC

Claire McCorquodale
Chair

Margo Paterson
Margo Paterson - 2023-07-20, 10:41:56 UTC

Margo Paterson
Chief Executive

Standard operating policies for the year ended 31 January 2023

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 strict cash management during the period of recovery post pandemic, 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 employee meetings and communications, regular meetings with the management team and postings on the internal 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 Chief Executive Officer, taking into account employment market conditions and financial affordability. It also reviews, on an annual basis, the remuneration of the Chief Executive Officer, Senior Management Team and 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.

APPROVED BY THE BOARD OF TRUSTEES ON 27TH JUNE 2023 AND SIGNED ON THEIR BEHALF BY:


Claire McCorquodale – 2023-07-20, 13:05:02 UTC

Claire McCorquodale
Chair


Margo Paterson – 2023-07-20, 10:41:56 UTC

Margo Paterson
Chief Executive

Independent Auditor's Report to the Trustees and Members of the Scottish Youth Hostels Association (operating as Hostelling Scotland)

Opinion

We have audited the financial statements of Scottish Youth Hostels Association (the 'parent charitable company') and its subsidiary (the 'group') for the year ended 31 January 2023 which comprise the Group and Charity Statements of Financial Activities (incorporating the Income and Expenditure accounts), the Group and Charity Balance Sheets, the Group and Charity Cash Flow Statements and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 January 2023 and of the group's and parent charitable company's incoming resources and application of resources, including the group's and parent charitable company's 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 regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

Basis for opinion

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 responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' (who are also the directors of the charitable company for the purpose of company law) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report to the Trustees and Members of the Scottish Youth Hostels Association (operating as Hostelling Scotland) (*continued*)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions 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' Report (incorporating the Strategic report and Directors' Report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees' report.

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

- adequate and proper accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' 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 page 35, the trustees (who are also the directors of the parent charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report to the Trustees and Members of the Scottish Youth Hostels Association (operating as Hostelling Scotland) (*continued*)

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

Auditor responsibilities for the audit of the financial statements

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.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

As part of our planning process:

- We enquired of management the systems and controls the group and parent charitable company has in place, the areas of the financial statements that are mostly susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud. Management informed us that there were no instances of known, suspected or alleged fraud;
- We obtained an understanding of the legal and regulatory frameworks applicable to the group and parent charitable company. We determined that the following were most relevant: Health and safety legislation, employment law, and compliance with the UK Companies Act, Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts Regulations 2006
- We considered the incentives and opportunities that exist in the group and parent charitable company, including the extent of management bias, which present a potential for irregularities and fraud to be perpetrated, and tailored our risk assessment accordingly; and
- Using our knowledge of the group and parent charitable company, together with the discussions held with management at the planning stage, we formed a conclusion on the risk of misstatement due to irregularities including fraud and tailored our procedures according to this risk assessment.

Independent Auditor's Report to the Trustees and Members of the Scottish Youth Hostels Association (operating as Hostelling Scotland) (*continued*)

The key procedures we undertook to detect irregularities including fraud during the course of the audit included:

- Inquiry of management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of relevant board and other trustee or management meetings;
- Review of correspondence with the regulator, where applicable;

- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

Owing to the inherent limitations of an audit, there is unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance.

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 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, the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Keith Macpherson

Keith Macpherson – 2023-07-20, 20:58:01 UTC

Keith Macpherson (Senior Statutory Auditor)

For and on behalf of Henderson Loggie LLP

Chartered Accountants

Statutory Auditor

Henderson Loggie LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006.

11 -15 Thistle Street
Edinburgh
EH2 1DF

Group statement of financial activities (incorporating the group income and expenditure account)
for the year ended 31 January 2023

	Note	Unrestricted funds £	Restricted funds £	Total funds 2023 £	Total funds 2022 £
Income from:					
<i>Donations and legacies</i>	2	128,249	36,544	164,793	206,665
<i>Grants receivable</i>	3	-	-	-	909,441
Charitable activities - Operating Youth Hostels		7,374,764	-	7,374,764	3,092,168
Other trading activities					
Commercial Income from SYHA (Trading) Ltd	4	203,197	-	203,197	170,044
Membership subscriptions	4	539,100	-	539,100	278,055
Investments – bank interest		14,291	-	14,291	300
Other Income – net gain on disposal of fixed assets		111,259	-	111,259	-
Total income		8,370,860	36,544	8,407,404	4,656,673
Expenditure on:					
Raising funds					
SYHA (Trading) Ltd expenditure	8	153,259	-	153,259	140,857
Membership costs		38,749	-	38,749	39,155
Charitable activities - Operating Youth Hostels		7,212,369	36,681	7,249,050	4,624,339
Total expenditure	5	7,404,377	36,681	7,441,058	4,804,351
Net (expenditure)/income		966,483	(137)	966,346	(147,678)
Transfers between funds		-	-	-	-
Net movement in funds		966,483	(137)	966,346	(147,678)
Reconciliation of funds					
Total funds brought forward		11,603,514	1,053,724	12,657,238	12,804,916
Total funds carried forward	16	12,569,997	1,053,587	13,623,584	12,657,238

The statement of financial activities includes all gains and losses recognised in the year.
All income and expenditure derive from continuing activities

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

Charity statement of financial activities (incorporating the charity income and expenditure account)
for the year ended 31 January 2023

	Note	Unrestricted funds £	Restricted funds £	Total funds 2023 £	Total funds 2022 £
Income from:					
<i>Donations and legacies</i>	2	128,249	36,544	164,793	206,665
<i>Grants Receivable</i>	3	-		-	909,441
Charitable activities - Operating Youth Hostels		7,374,764		7,374,764	3,092,168
Other trading activities					
Membership subscriptions	4	539,100	-	539,100	278,055
<i>Investments</i> – bank interest		14,291	-	14,291	300
- donation from subsidiary		49,938	-	49,938	29,187
Other Income – net gain on disposal of tangible fixed assets		111,259		111,259	-
Total income		8,217,601	36,544	8,254,145	4,515,816
Expenditure on:					
<i>Raising funds</i>					
Membership costs		38,749	-	38,749	39,155
Charitable activities - Operating Youth Hostels		7,212,369	36,681	7,249,050	4,624,339
Total expenditure	5	7,251,118	36,681	7,287,999	4,663,494
Net (expenditure)/income		966,483	(137)	966,346	(147,678)
Transfers between funds		-	-	-	-
Net movement in funds		966,483	(137)	966,346	(147,678)
Reconciliation of funds					
Total funds brought forward		11,603,514	1,053,724	12,657,238	12,804,916
Total funds carried forward	16	12,569,997	1,053,587	13,623,584	12,657,238

The statement of financial activities includes all gains and losses recognised in the year.
All income and expenditure derive from continuing activities

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

Group and charity balance sheets As at 31 January 2023

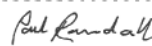
	Note	Group 2023 £	Group 2022 £	Charity 2023 £	Charity 2022 £
Fixed assets					
Tangible assets	7	14,960,807	15,153,194	14,960,807	15,153,194
Investments	8	-	-	100	100
		<u>14,960,807</u>	<u>15,153,194</u>	<u>14,960,907</u>	<u>15,153,294</u>
Current assets					
Stocks	9	29,888	20,108	29,888	20,108
Debtors	10	250,660	702,112	290,115	738,984
Cash at bank and in hand		6,007,548	3,736,805	5,967,993	3,699,833
Assets held for sale		650,174	650,174	650,174	650,174
		<u>6,938,270</u>	<u>5,109,199</u>	<u>6,938,170</u>	<u>5,109,099</u>
Creditors: amounts falling due within one year	11	<u>(4,058,866)</u>	<u>(2,715,988)</u>	<u>(4,058,866)</u>	<u>(2,715,988)</u>
Net current assets		<u>2,879,404</u>	<u>2,393,211</u>	<u>2,879,304</u>	<u>2,393,111</u>
Total assets less current liabilities		<u>17,840,211</u>	<u>17,546,405</u>	<u>17,840,211</u>	<u>17,546,405</u>
Creditors: amounts falling due after more than one year	13	<u>(4,216,627)</u>	<u>(4,889,167)</u>	<u>(4,216,627)</u>	<u>(4,889,167)</u>
Net assets		<u>13,623,584</u>	<u>12,657,238</u>	<u>13,623,584</u>	<u>12,657,238</u>
Funds					
Restricted Funds	16	1,053,587	1,053,724	1,053,587	1,053,724
Unrestricted general funds	16	12,569,997	11,603,514	12,569,997	11,603,514
Total charity funds	16	<u>13,623,584</u>	<u>12,657,238</u>	<u>13,623,584</u>	<u>12,657,238</u>

The financial statements were approved by the Board of Trustees on 27th June 2023 and signed on their behalf by:


Claire McCorquodale - 2023-07-20, 13:05:02 UTC

Claire McCorquodale

Director


P Randall - 2023-07-20, 12:13:42 UTC

Paul Randall

Director

Company Registration Number SC310841

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

Group and charity cash flow statement for the year ended 31 January 2023

	Note	Group 2023 £	Group 2022 £	Charity 2023 £	Charity 2022 £
Cash flows from operating activities:					
Net cash provided by/ (outflow from) operating activities	18	3,427,437	2,545,705	3,424,854	2,542,637
Cash flows from investing activities					
Interest and similar income received		14,291	300	14,291	300
Proceeds from sale of property		132,014		132,014	
Purchase of tangible fixed assets		(503,032)	(222,342)	(503,032)	(222,342)
Net cash outflow from investing activities		(356,727)	(222,142)	(356,727)	(222,042)
Cash flows from financing activities					
Interest paid		(134,089)	(61,860)	(134,089)	(61,860)
Repayment of defined benefit scheme		(180,000)	(180,000)	(180,000)	(180,000)
Repayment of borrowings		(485,880)	(276,796)	(485,880)	(276,796)
Additional borrowing in year		-	-	-	-
Net cash from/used in financing activities		(799,967)	(518,656)	(799,967)	(518,656)
Increase/ (decrease) in cash and cash equivalents for the year		2,270,743	1,805,007	2,268,160	1,801,739
Cash and cash equivalents at the beginning of the year		3,736,805	1,931,798	3,699,833	1,897,804
Cash and cash equivalents at the end of the year		6,007,548	3,736,805	5,967,993	3,699,833

Notes to the financial statements for the year ended 31 January 2023

1 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)– “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)”, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and with the Companies Act (2006) and the Charities and Trustee Investment (Scotland) Act 2005. They have been prepared under the historical cost convention.

The charity meets the definition of a public benefit entity and a company limited by guarantee, incorporated in Scotland with the registered office as noted on page 1. The Financial Statements are prepared under FRS102 and are prepared in £ Sterling, the functional currency of the charity rounded to the nearest pound.

Going concern

The financial statements have been prepared on a going concern basis. The Trustees have considered relevant information, including the annual budget, forecasted future cash flows and the impact of subsequent events in making their assessment. The Trustees have performed a robust analysis of forecasted future cash which support the ability of the charitable company to remain a going concern and be able to trade and meet its debts as they fall due.

The Trustees therefore are of the opinion that they can continue to adopt the going concern basis in preparing the annual report and accounts.

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 in 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 and is recognised when 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.

Notes to the financial statements for the year ended 31 January 2023

1 Accounting policies (continued)

Income from investments

Investment income is recognised when receivable.

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% - 12%	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.

Notes to the financial statements *(continued)* for the year ended 31 January 2023

1 Accounting policies *(continued)*

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.

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

Pension costs charged to the statement of financial activities represent contributions payable in the year to the defined contribution pension schemes which are run for the benefit of employees. In the year ended 31 January 2016 the association agreed to withdraw from the defined benefit Scottish Voluntary Sector Pension Scheme and to pay its share of the crystallised scheme deficit of £2,160,000 equally over 12 years.

Redundancy and termination payments

Hostelling Scotland aims to avoid redundancies, where this is not possible redundancy and termination costs are recognised as an expense in the Statement of Financial Activities and a liability on the Balance Sheet immediately at the point the charity is demonstrably committed to: terminate the employment of an employee.

Basis of consolidation

The group financial statements consolidate those of the Scottish Youth Hostels Association and its subsidiary undertaking, SYHA (Trading) Ltd using the acquisition method of consolidation.

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.

Notes to the financial statements *(continued)* for the year ended 31 January 2023

1 Accounting policies *(continued)*

Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Trust's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. In preparing these financial statements, the trustees have made the following judgements:

- Tangible fixed assets are depreciated over a period to reflect their estimated useful lives. The applicability of the assumed lives is reviewed annually, taking into account factors such as physical condition, maintenance and obsolescence.
- Fixed assets are also assessed as to whether there are indicators of impairment. This assessment involves consideration of the economic viability of the purpose for which the asset is used.

2 Income from donations and legacies

	Unrestricted funds 2023	Restricted funds 2023	Total 2023	Unrestricted funds 2022	Restricted funds 2022	Total 2022
Group and charity	£	£	£	£	£	£
Donations - general	19,478	-	19,478	14,761	-	14,761
Give Us a Break/ Social Inclusion	-	6,994	6,994	-	4,462	4,462
Explorer Fund	-	950	950	-	-	-
Legacies	108,771	-	108,771	2,187	116,855	119,042
Small Hostels Fund	-	-	-	-	400	400
Visit Scotland Funding	-	3,600	3,600	-	68,000	68,000
Capital Hostel Donation	-	25,000	25,000	-	-	-
	<u>128,249</u>	<u>36,544</u>	<u>164,793</u>	<u>16,948</u>	<u>189,717</u>	<u>206,665</u>

3 Government Grants Receivable

Group	2023 £	2022 £
Strategic Business Fund	-	242,500
CJRS Grants	-	98,141
Visit Scotland Funding	-	568,800
	<u>-</u>	<u>909,441</u>

4 Income from other trading activities

Group	2023 £	2022 £
Income from SYHA (Trading) Ltd		
- Property management fees	135,565	135,565
- Other income	25,764	12,027
- Catering sales	41,868	22,452
	<u>203,197</u>	<u>170,044</u>
Group & Charity		
Membership income received directly by SYHA	539,100	278,055
	<u>539,100</u>	<u>278,055</u>

Notes to the financial statements *(continued)*
for the year ended 31 January 2023

4 Income from other trading activities

Membership categories and prices are:

	2023	2022
	£	£
Life	150	150
Individual (Adult) – 1 year	20	15
Group (10 or more members) – 1 year	35	30
Temporary membership	4	3

5 Total resources expended

	Direct staff costs	Other direct costs	Support costs	Total 2023	Total 2022
	£	£	£	£	£
Costs of operating Youth Hostels	3,035,395	3,319,237	894,418	7,249,050	4,624,339
Membership costs	38,749	-	-	38,749	39,155
Total charity	3,074,144	3,319,237	894,418	7,287,799	4,663,494
SYHA (Trading) Limited	105,279	39,434	-	153,259	140,857
Total group	3,179,423	3,367,217	894,418	7,441,058	4,804,351
Total group 2022	<u>1,931,613</u>	<u>2,057,018</u>	<u>815,720</u>	<u>4,804,351</u>	

Other direct costs		2023	2022
		£	£
Repairs and maintenance of buildings and equipment		555,908	344,031
Fuel, telephone, cleaning and laundry		1,010,159	710,972
Catering and store purchases		397,045	152,875
Interest payable on bank loans		134,089	61,860
Marketing and publications and social inclusion costs		123,490	75,408
Rent, rates and insurance		326,237	210,719
Operating lease rentals	Land and buildings	6,912	3,303
	Fixtures, fittings and equipment	18,607	18,513
Commissions payable		476,248	221,525
Other direct costs		318,522	257,812
		<u>3,367,217</u>	<u>2,057,018</u>
Support costs			
Depreciation		674,663	674,236
Governance costs		49,161	35,324
Auditors' remuneration	Audit fees	23,050	19,950
	Non audit fees	3,025	790
Administration		114,519	85,420
		<u>894,418</u>	<u>815,720</u>

Notes to the financial statements *(continued)*
for the year ended 31 January 2023

6 Staff numbers and costs

	Group 2023 £	Group 2022 £	Charity 2023 £	Charity 2022 £
Wages and salaries	2,896,316	1,766,236	2,896,316	1,766,236
Social security costs	236,547	140,206	236,547	140,206
Pension contributions – Defined contribution	70,409	48,053	70,409	48,053
Other pension costs	9,945	9,137	9,945	9,137
Redundancy payments	-	-	-	-
	3,213,217	1,963,632	3,213,217	1,963,632

At the year end £16,035 (2022; £11,245) of pension contributions were due to the defined contribution pension scheme.

The pay of key management in the year totalled £210,052 (2022; £154,857). One employee earned remuneration excluding pension contributions which exceeded £60,000 which fell in the band between £80,000 and £90,000 (2022: one employee had remuneration between £80,000 and £90,000).

The average number of employees of the group during the year was 140 this was split 167 high season and 98 low season (2022: average number of employees was 92 split 111 high season; 73 low season). The average number of charity employees was 133 (2022; 86).

Members of the Board receive no salary or other benefits. Out of pocket expenses totalling £118 (2022; £nil) which were reimbursed to one (2022; none) Trustees.

Notes to the financial statements (continued)
for the year ended 31 January 2023

7 Tangible fixed assets

Group and charity	Freehold properties £	Long leasehold property £	Short leasehold property £	Assets under construction £	Hostel and office equipment £	Transport £	Total £
Cost							
At 1 February 2022	26,392,042	589,639	123,599	-	2,836,821	45,306	29,987,407
Additions	96,874	36,764	-	-	369,393	-	503,031
Transfers	-	-	-	-	-	-	-
Disposals	(75,366)	-	-	-	(5,003)	-	(80,369)
At 31 January 2023	26,413,550	626,403	123,599	-	3,201,212	45,306	30,410,069
Depreciation							
At 1 February 2022	11,969,953	417,761	123,599	-	2,281,898	41,002	14,834,213
Provided in the year	469,698	17,437	-	-	184,945	2,583	674,663
Disposals	(54,611)	-	-	-	(5,003)	-	(59,614)
At 31 January 2023	12,385,040	435,198	123,599	-	2,461,840	43,585	15,449,262
Net book amount							
At 31 January 2023	14,028,510	191,205	-	-	739,372	1,721	14,960,807
At 31 January 2022	14,422,089	171,878	-	-	554,923	4,304	15,153,194

All tangible fixed assets were used for charitable purposes.

Notes to the financial statements *(continued)*
for the year ended 31 January 2023

8 Investments

The investment held by the charity is 100 shares in SYHA (Trading) Limited.

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

	2023 £	2023 £	2022 £	2022 £
Turnover		203,197		170,044
Cost of sales	(17,334)		(12,038)	
Administrative expenses	(135,925)		(128,819)	
		(153,259)		(140,857)
Profit for the period		49,938		29,187
Distribution to parent company under gift aid		(49,938)		(29,187)
Net assets carried forward		-		-

SYHA (Trading) Ltd is a company 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 £49,938 (2022: £29,187), which will be paid to the parent company within 9 months of the year end.

9 Stocks

Group and charity	2023 £	2022 £
Consumable stores	17,718	7,207
Goods for resale	12,170	12,901
	29,888	20,108

Notes to the financial statements *(continued)*
for the year ended 31 January 2023

10 Debtors

	Group 2023 £	Group 2022 £	Charity 2023 £	Charity 2022 £
Trade debtors	24,460	35,961	7,288	1,618
Prepayments and accrued income	223,505	666,151	223,505	666,151
Other debtors	2,695		2,695	
Amounts owed by group company	-	-	56,627	71,215
	<u>250,660</u>	<u>702,112</u>	<u>290,115</u>	<u>738,984</u>

11 Creditors: Amounts falling due within one year

	Group 2023 £	Group 2022 £	Charity 2023 £	Charity 2022 £
Bank loans	492,541	485,880	492,541	485,880
Trade creditors	309,457	193,873	309,457	192,873
Social security and other loans	331,643	119,928	331,643	119,928
Other creditors	7,585	2,735	7,585	2,735
Accruals	229,394	187,003	229,394	187,003
Defined benefit pension scheme debt	180,000	180,000	180,000	180,000
Deferred income (note 12)	2,508,246	1,546,569	2,508,246	1,546,569
	<u>4,058,866</u>	<u>2,715,988</u>	<u>4,058,866</u>	<u>2,715,988</u>

12 Deferred income

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

Group and charity	2023 £
Balance at 1 February 2021	1,546,569
Amounts released	(1,546,569)
Amounts deferred in the year	2,508,246
	<u>2,508,246</u>
Balance as at 31 January 2022	<u>2,508,246</u>

13 Creditors: Amounts falling due after more than one year

Group and charity	2023 £	2022 £
Bank loans	3,676,627	4,169,167
Defined benefit pension scheme loan	540,000	720,000
	<u>4,216,627</u>	<u>4,889,167</u>

Notes to the financial statements *(continued)*
for the year ended 31 January 2023

14 Bank loans

Bank loans are repayable in instalments as follows:

	Group 2023	Group 2022	Charity 2023	Charity 2022
	£	£	£	£
Within one year	492,541	485,880	492,541	485,880
After one year and within two years	499,357	492,541	499,357	492,541
After two years and within five years	1,273,912	1,452,494	1,273,912	1,452,494
After five years	1,903,357	2,224,132	1,903,357	2,224,132
	-----	-----	-----	-----
Total borrowings	4,169,167	4,655,047	4,169,167	4,655,047
Cash at bank and in hand	(6,007,548)	(3,736,805)	(5,967,993)	(3,699,833)
	-----	-----	-----	-----
Net funds	(1,838,381)	918,242	(1,798,826)	955,214
	=====	=====	=====	=====

The bank loan of £3,435,834 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 2034. Repayment of the CBILS loan is due by 2026.

15 Defined benefit pension scheme loan

In the year ended 31 January 2016 the association agreed to withdraw from the Scottish Voluntary Sector Pension Scheme and to pay its share of the crystallised scheme deficit of £2,160,000 equally over 12 years.

Group and charity	2023	2022
	£	£
Within one year	180,000	180,000
After one year and within two years	180,000	180,000
After two years and within five years	360,000	540,000
After five years	-	-
	-----	-----
Total debt	720,000	900,000
	=====	=====

Notes to the financial statements *(continued)*
for the year ended 31 January 2023

16 Funds analysis

Group	Funds at 1 February 2022 £	Income £	Expenditure £	Funds at 31 January 2023 £
<i>Restricted</i>				
Social Inclusion	32,630	7,944	(15,139)	25,435
Small Hostels Fund	55,267	-	(5,595)	49,672
Property Legacy	916,855	-	-	916,855
Capital Hostel Donation		25,000		25,000
Visit Scotland Funding	48,972	3,600	(15,947)	36,625
	1,053,724	36,544	(36,681)	1,053,587
<i>Unrestricted</i>	11,603,514	8,370,860	(7,404,377)	12,569,997
Total funds	12,657,238	8,407,404	(7,441,058)	13,623,584

Charity	Funds at 1 February 2022 £	Income £	Expenditure £	Funds at 31 January 2023 £
<i>Restricted</i>				
Social Inclusion	32,630	7,944	(15,139)	25,435
Small Hostels Fund	55,267	-	(5,595)	49,672
Property Legacy	916,855	-	-	916,855
Capital Hostel Donation		25,000		25,000
Visit Scotland Funding	48,972	3,600	(15,947)	36,625
	1,053,724	36,544	(36,681)	1,053,587
<i>Unrestricted</i>	11,603,514	8,217,601	(7,251,118)	12,569,997
Total funds	12,657,238	8,254,145	(7,287,799)	13,623,584

Group	Funds at 1 February 2021 £	Income £	Expenditure £	Funds at 31 January 2022 £
<i>Restricted</i>				
Social Inclusion	46,389	4,462	(18,221)	32,630
Small Hostels Fund	54,867	400	-	55,267
Visit Scotland Funding		68,000	(19,028)	48,972
Property Legacy	800,000	116,855	-	916,855
	901,256	189,717	(37,249)	1,053,724
<i>Unrestricted</i>	11,903,660	4,466,956	(4,767,102)	11,603,514
Total funds	12,804,916	4,656,673	(4,804,351)	12,657,238

Notes to the financial statements *(continued)*
for the year ended 31 January 2023

16 Funds analysis (continued)

Charity	Funds at 1 February 2021 £	Income £	Expenditure £	Funds at 31 January 2022 £
<i>Restricted</i>				
Social Inclusion	46,389	4,462	(18,221)	32,630
Small Hostels Fund	54,867	400	-	55,267
Visit Scotland Funding		68,000	(19,028)	48,972
Property Legacy	800,000	116,855	-	916,855
	901,256	189,717	(37,249)	1,053,724
<i>Unrestricted</i>	11,903,660	4,466,956	(4,767,102)	11,603,514
Total funds	12,804,916	4,656,673	(4,804,351)	12,657,238

Social Inclusion

SYHA raised funds for Youth Programmes through online and collection tin donations. During 2022-2023, 11 groups were granted funding with the funds remaining at 31 January 2023 to be used throughout 2023 and 2024.

Small Hostels Fund

The small hostels fund value is to be used for improvements to the smaller hostels in the network. We spent £5,595 on white goods and bed linen for Achmelvich Beach, Glen Affric and Loch Ossian.

Legacy

The property legacy was received for the construction, or part or whole reconstruction, of one new or existing hostel in a mountainous region of Scotland primarily for the use of walkers.

Capital Hostel Donation

We received donations totalling £25,000 to be used towards capital projects at Gairloch Sands, Ratagan or Achmelvich Beach

Visit Scotland Funding

We received grants from the following Visit Scotland fund:

Destination and Sector Marketing Fund – awarded £3,600 to promote our dog friendly Youth Hostels and the concept of “Woofhostelling”.

Notes to the financial statements *(continued)*
for the year ended 31 January 2023

17 Analysis of net assets between funds

	Unrestricted funds £	Restricted funds £	Total 2023 £
Group			
Tangible fixed assets	14,960,807	-	14,960,807
Current assets	5,884,682	1,053,587	6,938,269
Current liabilities	(4,058,866)	-	(4,058,866)
Long term liabilities	(4,216,627)	-	(4,216,627)
	<u>12,569,997</u>	<u>1,053,587</u>	<u>13,623,584</u>
Charity			
Tangible fixed assets	14,960,807	-	14,960,807
Investments	100	-	100
Current assets	5,844,582	1,053,587	6,938,169
Current liabilities	(4,058,866)	-	(4,058,866)
Long term liabilities	(4,216,627)	-	(4,216,627)
	<u>12,569,997</u>	<u>1,053,587</u>	<u>13,623,584</u>
	Unrestricted funds £	Restricted funds £	Total 2022 £
Group			
Tangible fixed assets	15,153,194	-	15,153,194
Current assets	4,055,475	1,053,724	5,109,199
Current liabilities	(2,715,988)	-	(2,715,988)
Long term liabilities	(4,889,167)	-	(4,889,167)
	<u>11,603,514</u>	<u>1,053,724</u>	<u>12,657,238</u>
Charity			
Tangible fixed assets	15,153,194	-	15,153,194
Investments	100	-	100
Current assets	4,055,375	1,053,724	5,109,099
Current liabilities	(2,715,988)	-	(2,715,958)
Long term liabilities	(4,889,167)	-	(4,889,167)
	<u>11,603,514</u>	<u>1,053,724</u>	<u>12,657,238</u>

Notes to the financial statements *(continued)*
for the year ended 31 January 2023

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

	Group 2023 £	Group 2022 £	Charity 2023 £	Charity 2022 £
Deficit of income over expenditure	966,346	(147,678)	966,346	(147,678)
Depreciation	674,663	674,236	674,663	674,236
Interest and similar income	(14,291)	(300)	(14,291)	(300)
Interest payable	134,089	61,860	134,089	61,860
Profit on sale of assets	(111,259)	-	(111,259)	-
Decrease/(increase) in stock	(9,780)	(4,200)	(9,780)	(4,200)
Decrease/(increase) in debtors	451,452	1,224,218	448,869	1,221,150
(Decrease)/ increase in creditors	1,336,217	737,569	1,336,217	737,569
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash inflow from operating activities	3,427,437	2,545,705	3,424,854	2,542,637
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

19 Analysis of changes in net debt

	As at 1 February 2022 £	Group Cashflows £	As at 31 January 2023 £	As at 1 February 2022 £	Charity Cashflows	As at 31 January 2023
Cash	3,736,805	2,270,743	6,007,548	3,699,833	2,268,159	5,967,992
Loans	(4,655,047)	485,880	(4,169,167)	(4,655,047)	485,880	(4,169,167)
Pension scheme debt	(900,000)	180,000	(720,000)	(900,000)	180,000	(720,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(1,818,242)	2,936,622	1,118,380	(1,855,214)	2,934,039	1,078,825
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements *(continued)*
 for the year ended 31 January 2023

20 Leasing commitments

The future minimum operating lease payments are as follows:

	2023	2022
Group and charity	£	£
Within one year	28,575	28,284
Between one and two years	24,155	27,495
Between two and five years	31,455	43,605
Five years and over	643,545	653,760
	<hr/> 753,144 <hr/>	<hr/> 753,144 <hr/>

21 Capital commitments

	2023	2022
Group and charity	£	£
Capital expenditure authorised and contracted for	-	134,555
	<hr/> <hr/>	<hr/> <hr/>

22 Related party transactions

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, trading profits of SYHA (Trading) Ltd of £49,938 (2022: £29,187 were gift aided to Scottish Youth Hostel Association) in the year.