

**Hostelling International**

Annual Report and Financial Statements for the year ended 31 December 2014



Company number 02250706

Charity number 1117014

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**International Youth Hostel Federation**  
**(operating as Hostelling International)**

**Annual Report and Financial Statements for the**  
**Year Ended 31 December 2014**

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**Registered Charity (in England & Wales) No. 1117014 | Company No. 02250706**

**Hostelling International**

Annual Report and Financial Statements for the year ended 31 December 2014

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## Report of the Board of Trustees

### ABOUT HOSTELLING INTERNATIONAL

Hostelling International (HI) is a non-governmental, not-for-profit organisation representing sixty nine Member Associations and three Associate Organisations from all over the world. It is one of the world's largest youth membership organisations and it is recognised by UNESCO (United National Educational Scientific and Cultural Organisation).

HI is the only global network of youth hostel associations. Its nearly 3.4 million members have a choice of more than 3,100 hostels worldwide, all of which meet internationally assured quality standards. HI's Membership Savings Programme also gives access to thousands of travel-related savings.

#### Objects

Article 4 of the Memorandum and Articles of Association states Hostelling International's objects as: *"To promote the education of all young people of all nations, but especially young people of limited means, by encouraging in them a greater knowledge, love and care of the countryside and an appreciation of the cultural values of towns and cities in all parts of the world, and as ancillary thereto to provide hostels or other accommodation in which there shall be no distinction of race, nationality, colour, religion, sex, class, or political opinions and thereby to develop a better understanding of their fellow men, both at home and abroad."*

#### Public Benefit

Since its creation in 1932, Hostelling International has been working together with its Member Associations to promote a greater understanding of people, places and cultures, through the education of peace, environment and global friendship, by providing safe, low cost hostel accommodation for people on their travels. The international network of HI hostels offers quality, affordable accommodation that support youth travel and enables young people of different nationalities, cultures and social backgrounds to meet informally, share experiences and to learn about themselves, each other and their surroundings. Many Member Associations also host youth rallies, run activity programmes for disadvantaged children and coordinate volunteer and exchange programmes.

We refer to the public benefit guidance given by the Charity Commission when evaluating our aims and objectives. Furthermore these factors are considered when planning future activities. Because of our mission we are uniquely placed within the market and we are one of the earliest examples of the movement which is now known as sustainable tourism.

#### The history of hostelling

The concept of hostelling was founded in Germany by Richard Schirrmann, a school teacher, in 1909. He came up with the idea of a network of youth hostels when he and his students were caught in a thunderstorm during an excursion and were offered accommodation in a school. The first official youth

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hostel opened in Burg Altena in 1912, after which the youth hostel movement grew rapidly. By the summer of 1931 there were 12 Youth Hostel Associations in Europe, operating a total of 2,600 hostels. The International Youth Hostel Federation was founded at the first International Conference in Amsterdam, the Netherlands, in 1932 where Richard Schirrmann was elected first President. In 1952 a series of minimum standards to be adopted by all hostels was adopted by the International Conference. The years 1965 to 1970 saw large city hostels become more and more common. Since 2007, the International Youth Hostel Federation operates under the name Hostelling International. The 100<sup>th</sup> anniversary was celebrated all over the network in 2009. Nearly 4,000 hostels are now part of the HI network sharing the same vision and working together to achieve our mission.

## **GOVERNANCE AND ADMINISTRATION**

The directors of the charitable company are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees.

### **Small Company Exemptions**

The Report of the Board of Trustees has been prepared in accordance with the provisions applicable to small companies entitled to the small company's exemption including the exemption to not include a strategic report.

### **Board of Trustees**

The following served as trustees (and therefore also directors) of Hostelling International until 6 August 2014:

President:	Edith Arnoult-Brill (France)
1 <sup>st</sup> Vice President:	Ken Kilkenny (Republic of Ireland)
2 <sup>nd</sup> Vice President:	Igor Jurišič (Slovenia)
Treasurer:	Clive Croy (New Zealand)
Members:	Angela Braasch-Eggert (Germany)
	Fernando Cruz-Tagle (Chile)
	Brent Czarnecki (Canada)
	Dr Mamdouh Mandour (Egypt)

The following trustees were elected at the 50<sup>th</sup> International Conference and served from 7 August 2014:

President:	Angela Braasch-Eggert (Germany)
Vice President:	Brent Czarnecki (Canada)
Vice President:	Alex Zilkens (Australia)
Treasurer:	Eric Oetjen (USA)
Members:	Abdulla Salem AD Al-Bikri (Qatar)
	Sander Allegro (The Netherlands)
	Fernando Cruz-Tagle (Chile)
	Benoit Graisset-Recco (France)

Board members are elected by Member Association delegates at the International Conference which is held every two years. This year the 50<sup>th</sup> International Conference was held in Bangkok from 3 to 6 August. Following a change to the Memorandum and Articles of Association, trustees are now elected for staggered, 4 year terms, whilst the President continues to stand for election every two years. To achieve staggered terms of service (only half of the Board stands for election every two years), three trustees will be required to stand for election at the 2016 International Conference.

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Newly elected Board Members are provided with a comprehensive induction pack covering all aspects of Hostelling International's operations. Additionally, the first Board Meeting following Conference is traditionally held at the International Office to enable Board Members to meet staff face-to-face and learn first-hand about the day-to-day running of the office.

The International Office is managed by the Chief Executive, who is accountable to the Board. The office is located in Welwyn Garden City, Hertfordshire, UK. The Chief Executive, Mikael Hansson, left Hostelling International at the end of August 2014. The interim is ensured by Company Secretary, Jon Rabbett until the CEO position is filled permanently.

### **HI Board Governance Policy**

The role of the Board is governance rather than management, which is the responsibility of the Senior Management Team at the International Office. Governance focuses on the wider issues of the organisation and the establishment and monitoring of the strategic direction.

The Board work closely in partnership with the Chief Executive and Senior Management Team to ensure that their goals are achieved by means of resourcing and supporting the team to carry out their duties.

It is the responsibility of the Chief Executive at the direction of the Board or otherwise to propose new strategies or revise existing strategies for the Board's consideration. Upon approval from the Board, the Chief Executive shall develop implementation plans and take necessary steps to action them. Progress reports are brought to the Board's attention on a regular basis.

The Board give direction for the overall operations of HI, but are not directly responsible for the day-to-day operations of the organisation, which is the task of the Chief Executive. The Board, however, have the ultimate responsibility for the sound management and financial security of HI.

The Board approve the annual budget prior to the beginning of every financial year of HI.

### **Governance**

In line with their overall governance policy, the Board of Trustees determine the policy and strategy of Hostelling International. In communicating with HI Member Associations, international partner organisations and other stakeholders, the Board work to safeguard the ideals of the hostelling movement. The Board take the necessary steps to protect the financial and organisational interests of HI and all its members, and to broaden the basis of youth hostelling in the world. Trustees also oversee the smooth and effective running of the HI International Office, and provide support and guidance for the managers of HI.

The main Governance event for Hostelling International is the biennial International Conference. The 51<sup>st</sup> International Conference will be held in 2016 in Uruguay.

### **Gratitude**

The Board would like to take this opportunity to express their thanks to all the volunteers and professionals involved in the international hostelling movement. Without their support and assistance, the important work to deliver the vital mission of this global organisation could not take place.

### **Risk Management**

At each Board meeting during 2014, the Board reviewed the risk management strategy prepared by the International Office. It identified the following as the major risks that could seriously affect the work of HI:

- Basic disturbances of the (youth) travel market
- Breakdown of key technical infrastructure
- Increased competition in the provision of quality economy accommodation aimed at the international youth traveller
- Inadequate development of relevant service and product portfolio by HI
- Loss of key staff
- Inadequate revenue

The Board is confident that effective systems have been established to monitor and mitigate those risks.

### **Trustees' Indemnity Insurance**

The charitable company has purchased insurance for the trustees and officers of the charity against liability arising from wrongful acts in relation to the charity.

### **Finance**

Total Incoming Resources at £2,142,805 (2013 £2,890,984) represents a decrease of £748,179 from 2013 as follows:

- Investment income decreased by £202,305 to £82,917. Unlike 2013, where interest on the recovery of the mortgage on the Nairobi Youth Hostel was recognised, there were no substantial items.
- Incoming resources from charitable activities decreased by 20% to £2,025,432. This was mainly due to a decrease in gross booking revenue of 27% from 2013, to £1,415,625 (2013 £1,952,037) following the launch of new platform for [www.hihostels.com](http://www.hihostels.com) , on 1 April 2014.

Total Resources Expended (before gains and losses on investments) at £3,124,707 (2013 £2,529,509) represents an increase of £595,198 from 2013 as the Network Development costs increased due to establishing an internal marketing department which are actively involved in promoting hihostels.com. A further increase is due to the costs attributable to the departure of and the search to replace the outgoing CEO.

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Other Recognised Gains and Losses show overall gains of £2,792 (2013 overall gains of £288,312). The decrease of £285,520 above prior year was mainly as a result of unrealised loss on investments and foreign exchange losses.

Hostelling International's investment policy seeks to maintain purchasing power and achieve long-term capital growth while operating with an average risk tolerance. The balanced portfolio, comprising bonds and equities, money-market holdings and other investments, is managed by Brewin Dolphin in London, which was assigned this responsibility in April 2014 by the CEO and the Board of Trustees. Total accumulated general funds at £3,855,681 (2013 £4,822,791) remain in line with the limits imposed by Hostelling International's reserves policy, which ensures that sufficient funds are available to cover a minimum of two years' worth of core activities.

There was one designated fund at 31 December 2014 totalling £61,699 (2013 £77,675), further details of which are shown in note 17.

The restricted fund was established in 2012 as part of HI's work with sustainability and is described further in the mission support section on page 8.

The trustees have a reasonable expectation that the organisation has adequate resources to continue in operational existence for the foreseeable future. Thus, the trustees consider that the use of the going concern basis of accounting is appropriate in preparing the annual financial statements. Despite showing net current liabilities, the trustees do not consider liquidity risk to be a material financial risk as the charitable company has funds which are represented by cash or investments managed by Brewin Dolphin which can be converted to cash with one week's written notice.

### **The future**

The strategic focus of Hostelling International for 2015 – 2018 will continue to be on the following areas:

- Promoting the Mission
- Service Delivery
- Revenue Generation
- Strengthening the Network
- Organisational Excellence

## REVIEW OF 2014

During the year the main focus areas of Hostelling International were:

- A. Mission support
- B. Revenue generation and service delivery, through the launch of the new hihostels.com website
- C. Customer/member engagement
- D. Strengthening the network

The activities supporting these areas are described below.

### A/ Mission support

#### 1/ Fulfilling our social purpose with mission-based activities

HI and its National Associations run initiatives all over the world to promote their mission – from innovative social media campaigns to grassroots volunteer programmes. These include:

##### The Big Blog Exchange

The Big Blog Exchange (BBE) uses the power of blogs and other social media platforms to encourage young people to dream about travel, to inspire and motivate them to think about the opportunities that exist in the world. At Hostelling International, we enable global interaction for fun, for new experiences, for learning, for peace and understanding. The 16 BBE winners found this out for themselves as they swapped lives and blogs for 10 days in November. We believe that if young people discover, explore and understand other cultures, the world will be a better place. The BBE is an important initiative that HI provides to support this value and our mission. Funding for the BBE was provided from designated funds (for further detail see note 17).

For the second year the BBE was a very popular and successful campaign on social media amongst first time travellers and experienced ones from around the world. Visit [www.bigblogexchange.org](http://www.bigblogexchange.org) for more information.

##### Key results for 2014

- Number of votes during the competition: **128,248**
- Countries reached: **177**
- All together the 16 winners had **231,218** twitter followers
- Twitter audience: **25,244,033**
- Instagram audience: **243,224**
- Instagram pictures: **1,763**

## Network Initiatives

Across all continents the Member Associations of HI offer affordable, quality accommodation but also strive to deliver the mission in various ways by implementing initiatives that focus on core areas such as social sustainability, environmental protection, education, involving the local community, cultural exchange, great outdoor/adventure. Here are a few examples of mission-based initiatives run by our Member Associations.

The **Sleep for Peace** campaign's ambition was to commemorate the International Day of Peace, on 21 September 2014, as designated by the United Nations, on an international scale. Initiated by HI-USA; followed by many hostels in the Americas and 12 European countries, the campaign saw a variety of activities take place to promote a more tolerant world through hostelling by reflecting on the personality of each individual hostel. The activities consisted of debates, collective cooking, photo contest and social media promotion. This common campaign raises awareness around the purpose of the youth hostelling movement in preventing global conflicts and promoting peace and understanding.

**HI-Canada-Pacific Mountain** collaborates with specialist partners to expand the reach of urban-based adventure initiatives by providing outdoor activity programs in hostels for people with disabilities.

Schools groups are one of the biggest and most important markets for **Stayokay** in the Netherlands. Every year, 100,000 pupils stay in hostels of the Stayokay network. Unfortunately, in a third of schools, not all children are able to go on school trips because the parents cannot afford it. Stayokay's answer is their Stay4all program which helps these parents to send their children away by providing the funding. The Stay4all programme is funded by business meeting packages: for every meeting package booked through Stayokay €1 goes to Stay4all. In 2014 the programme helped 194 pupils go on a school trip.

**HI Norway** run social volunteer activities which provide opportunities for increased interaction of travellers within the hostels, using common space to facilitate activities open to all guests. The activities are designed with the explicit focus of promoting intercultural understanding and include excursions, games, barbeques, cultural kitchen, talks, hikes, fishing, sightseeing, coffee and cookies, waffle baking and music. All in the name of cultural exchange and bringing people together.

In **South Africa**, the Fair Trade Travel Pass gives you the freedom of choice to visit the most beautiful and culturally diverse parts of the country, knowing that the Community where you spend your money is going to see the benefit. The tour was designed by a collaboration of 7 hostels which have all been Fair Trade accredited and the tour funds are used to the benefit of our local communities of South Africa through the development projects of our hostels.

Every year **REAJ**, our member in **Spain**, and five autonomous communities in Spain co-organise and co-fund five programmes to take place in REAJ hostels across the country targeting the young Spanish people. All regions of Spain are invited to submit their projects then a REAJ committee and a public online vote decide on the five projects to be implemented. All types of activity are welcome such as: creative, literary and theatre camps, entrepreneurial meetings, cooking workshops, environmental and peace projects. Every year different hostels and participants are selected to take part in the creative

mobility project (MOVIC) to ensure diversity and accessibility. 180 young Spaniards benefited from this programme in 2014.

## **2/ Minimising our impact on climate change**

Since it was introduced in 2012 the overall '*Green Rating*' on [hihostels.com](http://hihostels.com) has increased each year to reach 82.6% in 2014. This rating is an indicator from our customers on their perception of our hostels' environmental achievements and all the initiatives implemented to minimise our impact on climate change.

We continued to collect donations for our two main sustainability initiatives: the HI Sustainability Fund and myclimate.

### **Hostelling International Sustainability Fund (HISF)**

The HISF reflects our true passion for pioneering projects and commitment to sustainable travel by supporting actions by hostels in the HI network to reduce their impact, and the impact of travellers, on the environment.

In 2014 the fund spent £45,157 (for innovative projects working towards achieving carbon neutrality by reducing energy consumption and CO<sub>2</sub> emissions in Youth Hostels. More than 12,000 people across the globe voted for 12 worldwide projects, all of which aim to minimise the impact on climate change.

The winner was selected by the public through votes, while the runners up were selected by an International Jury:

1<sup>st</sup> place: "A Sustainable Future for YHA Boggle Hole," YHA England & Wales wins £25,000 for its photovoltaic project in the iconic YHA Boggle Hole that will save 4.1 tonnes of CO<sub>2</sub> each year. The energy-saving panels will reduce carbon emissions by 56% and is just one of the many initiatives the hostel has in place to reduce its carbon footprint and educate guests about sustainability.

2<sup>nd</sup> place: "Micro-hydro installation in a natural park", HI Canada wins £6,026 for the Whiskey Jack hostel in Yoho National Park, HI-Canada, which plans to install a micro-hydro electrical power generator to reduce CO<sub>2</sub> emissions whilst providing safer means for lighting the hostel.

3<sup>rd</sup> place: "Air conditioning system combined with water heating system", Israel YHA. The remainder of this year's fund was allocated to Israel YHA to help implement a new and advanced system at Youth Hostel Eilat, which will use naturally available heat to produce air-conditioning and hot water, reducing CO<sub>2</sub> output by 200 tonnes each year.

### **myclimate**

HI continued the partnership with myclimate in 2014 by passing through the relevant part of customer donations received through bookings on [www.hihostels.com](http://www.hihostels.com). Since inception, we have collected over £80,000 in customer donations, and these funds helped offset 4,281,580 kilogrammes of CO<sub>2</sub>, save 4,186 tonnes of wood and protect 22 hectares of forest. These funds make a sustainable contribution to

voluntary climate protection projects with not just a clear reduction in CO<sub>2</sub> emissions but a beneficial impact in social sustainability, improving lives and giving back to the communities. We continued support for the three projects: Stove Efficient Qori Q'oncha Peru; Stove Efficient Impact Carbon China; and Stove Efficient Hestian Malawi.

### **Sustainability certifications**

In 2014 we continued to increase the number of environmentally or sustainably certified hostels in the network, reaching a proud 356 certified hostels 87% of which are located in Western Europe. Across our network over 20 different labels are represented; the most popular being: European Eco-Label, The Green Key, Green Tourism or Ibex Label. Each Member Association has implemented a certain label for different reasons with the best customer recognition in the country or supported by their government.

## **3/ Investing in quality**

### **Quality certifications – HI-Q**

HI-Q is a Quality Management System that helps to focus on customers within every activity in both hostels and their National Association head offices. In 2014, 46 National Associations and 500 hostels have successfully joined HI-Q. HI-Q Light, a version of the quality certification programme has been tailored to the needs of hostels with less than 10,000 overnights per year, was launched in 2012. At the end of 2014 96 hostels had joined HI-Q Light.

### **HI-Quality & Sustainability (HI-Q&S)**

HI-Q&S enlarges the existing HI-Q System with Social and Environmental elements based on the Global Sustainable Tourism Council (GSTC) criteria. This innovative tool will help all National Associations implement the Sustainability Charter agreed by the 2010 and 2014 Conference. Certifications will commence in 2015.

### **Best hostel awards**

These awards highlight the hostels and staff in our network that go that extra mile and make our customers' experiences especially memorable. HI would like to thank all who ensure that our customers have "the real hostel experience".

The winners of the prestigious HI-Sives awards in 2014 were the following:

- *Best Hostel Overall – Reykjavik – Loft Hostel, Iceland (95.3 %)*
- *Friendliest Hostel – HI Martha's Vineyard, USA (99%)*
- *Most Comfortable – HI Seoul YH, South Korea (96%)*
- *Green Hostel – YHA Jockey Club Mt. Davis, Hong Kong (96.2 %)*
- *Best Hostel Country – Hong Kong (90.6 %)*

Overall customer satisfaction (hostels sold via hihostels.com) has increased from 85% in 2013 to 86.2% in 2014.

## B/ Service delivery and revenue generation

### Summary KPIs

A selection of statistics are shown to illustrate the breadth of commercial operations, the focus on a quality network (the best scoring hostels are honoured at the annual CEO meeting) and the relative strengths in terms of destinations and source markets.

*The figures below represent the gross booking revenues generated through hihostels.com. HI retains a 6% commission with the balance payable to the hostel on arrival.*

Bookings			Overnight			Gross Revenue GBP		
2014	2013	YOY	2014	2013	YOY	2014	2013	YOY
237,937	305,943	-22.2%	859,648	1,182,395	-27.3%	19,147,779	25,698,715	-24.5%

### Top 10 destinations by overnights booked - 2014

Ranking	Destination	Change in ranking
1	USA	=
2	France	=
3	Iceland	=
4	UK	=
5	Norway	=
6	Canada	↑
7	Italy	↓
8	Germany	↑
9	Spain	↓
10	Belgium	↑

### Top 10 source markets by overnights booked - 2014

Ranking	Source	Change in ranking
1	Germany	=
2	USA	=
3	France	=
4	Japan	↑
5	Canada	↑
6	Spain	=
7	UK	↓
8	Brazil	↓
9	Australia	=
10	China	↑

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**Top 20 hostels by bookings (on hihostels.com) - 2014**

World Rank	Country	Hostel
1	USA	HI - New York City
2	France	Paris - Yves Robert
3	USA	HI - San Francisco - Downtown
4	France	Paris - Le d'Artagnan
5	USA	HI - Boston
6	Italy	Roma - Downtown Hostel
7	USA	HI - Los Angeles - Santa Monica
8	USA	HI - Chicago
9	USA	HI - Washington DC
10	France	Paris - Jules Ferry
11	France	Lyon
12	Belgium	Brussels - Bruegel
13	Iceland	Reykjavik - Loft Hostel
14	USA	HI - San Francisco - City Center
15	Netherlands	Stayokay Amsterdam Vondelpark
16	France	Nice Camélias
17	USA	HI - San Francisco - Fisherman's Wharf
18	Netherlands	Stayokay Amsterdam Stadsdoelen
19	Norway	Oslo Central
20	USA	HI - Seattle at the American Hotel

**Top 10 rated hostels - 2014**

World Rank	Country	Hostel	Rating	No. of Reviews
1	Iceland	Reykjavik - Loft Hostel	95.20%	221
2	Iceland	Reykjavik Downtown	94.80%	178
3	USA	HI - Martha's Vineyard	94.50%	66
4	Korea	Seoul - HI Seoul Youth Hostel	93.90%	62
5	Taiwan	C U Hostel Taipei International YH	93.80%	74
6	USA	HI - Hyannis	93.70%	69
7	Norway	Oslo Central	92.80%	242
8	USA	HI - Boston	92.60%	535
9	Norway	Flåm	92.60%	127
10	Hong kong	YHA Mei Ho House	92.30%	61

### **Launch of new hihostels.com**

April 2014 saw the launch of the new website and booking platform (i.e. hihostels.com) that supports both our operations and our mission. This milestone represented the completion of the development phase of the most ambitious project ever undertaken by Hostelling International. The feasibility study was approved by the Board in April 2012 and the design and implementation work has continued since then. The launch took place within 3 months of the original planned launch date and the total project cost came in under the £2.6m budget. HI is now in a position of greater control over future digital developments, having previously relied entirely on a single technology supplier.

The website is built on the Salesforce CRM platform, benefitting from the expertise of a world class technology company. Front end changes include more contemporary presentation of the hostels, with better photography, along with Google maps integration. But the most fundamental development is that of the Tripbook concept. HI and National Associations have created Tripbooks which are destination guides however travellers can create their own Tripbooks whereby they can link in other articles, blogs and images that will help them plan their journey, and make the most of it while they are abroad.

As is often the case with a new website launch we have experienced a drop in visitors. This drop was greater than projected in the project plan. Additionally, the need for additional features and enhancements to achieve the desired level of usability for travellers and National Associations was greater than envisioned in the original plan. These additional features and enhancements are a top priority for HI and will increase the site's visibility and improve the quality of the user experience. Once implemented, the improved visibility and user experience should enable HI to achieve at least the volume of bookings realized under the previous booking engine, and ultimately a further growth in volume of bookings. Importantly, hihostels.com not only enables travellers to book overnights at hostels within the network, it also supports the delivery of HI's mission by giving hostellers a means to share their travel experience and identify opportunities to learn more about the countries and locations that they visit.

HI made important progress during 2014 in increasing the features and functionality of the hihostels.com. The principal issues to resolve during 2015 include:

- Translations – we launched in English and our core languages of Spanish, German and French were translated by machine, with a poor scoring rating. We are now using human editing of the machine translation to improve the score. HI-created Tripbooks, which were not translated at launch, have now been presented in those core languages. Japanese has recently been added and now the 250 most popular hostels along with all destination information is available in five languages, including English.
- Search Engine Optimisation (SEO) – the new website dropped in its visibility and placement in search engine results, such as Google, and will take time to recover its visibility. Such drops are common with the launch of a new website, although the drop was much greater than expected. Much of the ongoing technical and day to day operational work is dedicated to improving SEO.

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- The critical inventory and hostel content loading system was not deemed user friendly and adversely affected the volume of hostels and beds available via the website. Improving this component of the system is a high priority for 2015. As this capability improves, the expectation is that more inventory will be made available via the website.

Subsequent to launch, website improvements have been managed in phased deployments based on work requests or ideas submitted by internal HI staff and National Associations. These are then prioritised according to three criteria:

- Improves customer booking experience/drives bookings
- Enhances service to the network
- Improves platform stability

## **C/ Customer engagement**

### **eCRM**

A major benefit of partnering with Salesforce is we get access to one of the “best in breed” CRM tools. The Salesforce CRM platform allows for better management of customer data, with greater capacity to segment data so we can better offer customers relevant product information at the time they are making their purchase decisions.

Via their ExactTarget B2C platform, we re-launched our email campaign. 2015 will see the full roll-out. In 2014, we started by cleansing our opt-in database of global customer email addresses. Secondly, we implemented a new three-stage “welcome” programme for new sign-ups. At the end of 2014 we had approximately 120,000 email recipients, plus a further 1.5m customer records, which emphasises our potential reach. Finally, we have revamped our customer satisfaction survey which customers receive after they have travelled. Understanding our customers’ preferences will help us to develop our relationship with them in a more meaningful way and will help convert more of them to become brand advocates.

### **Social media**

In 2014, we continued to embrace social media as a way of reaching out to our customers and fans. Facebook, Google+ and Twitter remain at the core of our activity and we will look to develop our presence on other channels in the immediate future.

Having gained 30,000 Facebook fans in 2013, we hit 80,000 in 2014 – a most satisfactory result. We have 40,000 Goggle+ fans, 9,000 Twitter followers and 1400 members in our Linked-in group.

Hostelling International tracks customer engagement globally, and in 2014 we had 27,500 mentions across all media and scored a 93% positive sentiment rating, which benchmarks favourably against the industry averages.

## **2/ Events**

### **CEO Meeting 2014**

The 2014 CEO Meeting took place in Paris, France in the new ecofriendly Yves Robert Hostel. The agenda focused on the imminent launch of the new hihostels.com website, sharing the HI plans for the forthcoming year, examining the increasing presence in the market of the large online travel agents, individual membership and developing the HI network.

### **50<sup>th</sup> International Conference & General Meeting**

The meeting took place in Bangkok, Thailand attended by representatives from 47 National Associations. All delegates, guests and staff enjoyed the exemplary hospitality of our hosts HI Thailand and the Thai Tourism Board.

A new board was elected and the Conference saluted the outgoing members by acknowledging their invaluable contribution to Hostelling International, their dedication and enthusiasm for the youth hostelling movement.

The agenda covered a wide range of topics including the recent launch of the new hihostels.com website, a look back at the Big Blog Exchange, individual membership, the adoption of a revised sustainability charter based on new Global Sustainable Tourism Council (GSTC) criteria, and the adoption of the Values of Youth Hostelling.

A marketing plan incorporating the three core values of inclusivity, learning and understanding and sustainability will be developed in 2015.


The Conference received and adopted the motion from the Board to admit the Youth Hostel Association Bosnia & Herzegovina to full membership of HI.

### **Sustainability & Quality Coordinators' Meeting**

This year saw the first Sustainability & Quality Coordinators' Meeting in Switzerland in the very modern Interlaken hostel. 23 attendees from 15 National Associations sent their representatives to support the implementation of the HI Sustainability Charter and continue work on three main objectives:

- Strengthen the sustainability network
- Exchange knowhow and discuss the new HI-Q&S criteria
- Set-up an action plan for 2015

Signed on behalf of the Board by

  
**Angela Braasch-Eggert**, President  
27 March 2015

  
**Eric Oetjen**, Treasurer

Sitting in between our social media content and hihostels.com is our blog site [blog.hihostels.com](http://blog.hihostels.com), which is updated weekly with articles, pictures and stories, providing tips and insight for young travellers around the world.

## D/ Strengthening the network

As an organisation HI strives to encourage implementation of, and adherence to, collective Conference and CEO Meeting decisions as well as nurturing strong, collaborative relationships and best practice exchange between the National Associations.

### 1/ HI Groups

2014 was a transition year for the International Group Scheme as it was integrated with the international office and is now known as HI-Group (IGS) marketing fund. It's still a membership based scheme where National Associations or hostels pay a flat fee for sales and marketing services offered by the scheme. Designated funds used to support the scheme are shown in note 17.

The hostels which are part of HI Groups are showcased on the new website ([groups.hihostels.com](http://groups.hihostels.com)) where group leaders can make a booking enquiry in a few clicks for any of the 346 hostels in 38 countries.

Participating countries in 2014				
Argentina	Denmark	Iceland	Netherlands	Spain
Australia	England and Wales	India	New Zealand	Sweden
Austria	Finland	Northern Ireland	Norway	Switzerland
Belgium	France	Ireland (Republic of)	Portugal	Thailand
Canada	Germany	Japan	Scotland	Turkey
China	Greece	Liechtenstein	Singapore	USA
Croatia	Hong Kong	Luxemburg	Slovenia	
Czech Republic	Hungary	Malta	South Korea	

Throughout the year we have received 7,074 enquiries representing 293,559 overnights for the network. The group types we cater for are mainly school and university/college groups.

Group Type	
School Group	28%
University / College Group	28%
Group of Family or Friends	14%
Organised/Interest Group	11%
Sports Club or Association	10%
Other	7%
Tour operator	1%

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL YOUTH HOSTEL FEDERATION**

We have audited the financial statements of International Youth Hostel Federation for the year ended 31 December 2014 which comprise the statement of financial activities, the balance sheet and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditors**

As explained more fully in the Trustees' Responsibilities Statement, 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of the charitable company's affairs as at 31 December 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006;

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the Board of Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept 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; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from preparing a strategic report in preparing the Report of the Board of Trustees



**Reza Motazed FCA (Senior Statutory Auditor)**

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

27.3.2015

## **TRUSTEES' RESPONSIBILITY STATEMENT**

The trustees (who are also the directors of International Youth Hostel Federation for the purposes of company law) are responsible for preparing the Report of the Board of Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company 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;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company 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 charitable 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.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

**Hostelling International**

Annual Report and Financial Statements for the year ended 31 December 2014

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.

Signed on behalf of the Board by



**Angela Braasch-Eggert**

President

27 March 2015



**Eric Oetjen**

Treasurer

# STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2014

		Unrestricted Funds	Restricted Funds	Total Funds	Total Funds
	Notes	2014	2014	2014	2013
		£	£	£	£
<b>INCOMING RESOURCES</b>					
Incoming resources from generated funds					
Voluntary income – donations		-	19,447	19,447	48,530
Investment income	2	82,917	-	82,917	285,222
Activities for generating funds		26,951	-	26,951	18,721
Incoming resources from charitable activities	3	2,013,432	-	2,013,432	2,538,370
Other incoming resources					
Gain on disposal of fixed assets		58	-	58	141
<b>Total Incoming Resources</b>		<b>2,123,358</b>	<b>19,447</b>	<b>2,142,805</b>	<b>2,890,984</b>
<b>RESOURCES EXPENDED</b>					
Costs of generating funds					
Fundraising trading: cost of goods sold	4	12,999	-	12,999	7,897
Investment management costs		23,801	-	23,801	51,620
Charitable activities					
Grants	16	-	45,157	45,157	59,800
Network development costs	5	977,543	-	977,543	889,135
Website running costs	5	1,797,848	-	1,797,848	1,558,642
Release of bad debt provision	13	-	-	-	(245,276)
Governance costs	5	267,359	-	267,359	207,691
<b>Total Resources Expended</b>		<b>3,079,550</b>	<b>45,157</b>	<b>3,124,707</b>	<b>2,529,509</b>
Net (outgoing) / incoming resources	17, 18	(956,192)	(25,710)	(981,902)	361,475
<b>OTHER RECOGNISED GAINS / (LOSSES)</b>					
Realised gains on investment assets	10	309,968	-	309,968	166,365
Unrealised (losses) / gains on investment assets	10	(294,550)	-	(294,550)	120,445
Realised (losses) on foreign exchange		(12,798)	-	(12,798)	(19,079)
Unrealised gains on loan accounts	13	172	-	172	20,581
<b>NET MOVEMENT IN FUNDS</b>		<b>(953,400)</b>	<b>(25,710)</b>	<b>(979,110)</b>	<b>649,787</b>
Total funds brought forward	17, 18	4,790,483	32,308	4,822,791	4,173,004
Total funds carried forward	17, 18	3,837,083	6,598	3,843,681	4,822,791

All operations are classified as continuing.

The income and expenditure account is shown in note 22.

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

## BALANCE SHEET AS AT 31 DECEMBER 2014

	<u>Notes</u>	<u>2014</u> £	<u>2013</u> £
<b>FIXED ASSETS</b>			
Tangible fixed assets	12	1,916,077	1,981,195
Investments	10	2,334,702	2,998,395
Programme related investments	13	105,728	126,308
Total Fixed Assets		4,356,507	5,105,898
<b>CURRENT ASSETS</b>			
Stock		12,003	13,292
Debtors	14	126,483	184,762
Cash at bank and in hand	15	133,337	307,273
Total Current Assets		271,823	505,327
<b>LIABILITIES</b>			
Creditors: Amounts falling due within one year	16	784,649	788,434
<b>NET CURRENT (LIABILITIES)</b>		(512,826)	(283,107)
<b>TOTAL ASSETS LESS LIABILITIES</b>		<u>3,843,681</u>	<u>4,822,791</u>
<b>THE FUNDS OF THE CHARITY</b>			
Unrestricted funds			
General fund	17	3,775,384	4,712,808
Designated funds	17	61,699	77,675
Restricted funds			
	18	6,598	32,308
		<u>3,843,681</u>	<u>4,822,791</u>

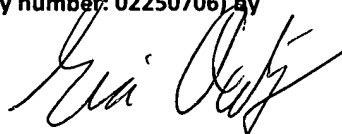
The accompanying accounting policies and notes form an integral part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to the small companies regime and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Signed on behalf of the Board of Hostelling International (Company number: 02250706) by



Angela Braasch-Eggert, President



Eric Oetjen, Treasurer

Approved by the Board of Trustees on 27<sup>TH</sup> MARCH 2015.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. PRINCIPAL ACCOUNTING POLICIES

- a) The financial statements have been prepared in accordance with the Statement of Recommended Practice: "Accounting and Reporting by Charities" (revised 2005), provisions applicable to companies subject to the small companies regime and with the Financial Reporting Standard for Smaller Entities (effective April 2008). They have been prepared under the historical cost convention, modified to include the revaluation of investments and the Peru property.

The principal accounting policies are set out below and remain unchanged from the previous year, apart from the addition of the policy relating to grant accounting.

These accounts have been prepared on the going concern basis. The trustees believe the charitable company is financially secure for the foreseeable future as described in the Report of the Board of Trustees.

- b) **Fixed Assets** Fixed assets are stated at cost less any impairment.

Depreciation is calculated by reference to the cost or valuation of fixed assets at rates considered appropriate, having regard to the expected lives of the fixed assets.

- Website development costs have been capitalised and will be depreciated over 5 years from date of completion. The website was launched in April 2014, and hence 9 months' of depreciation has been charged in 2014. There are further ongoing development costs being capitalised and depreciated.
- Freehold buildings are depreciated on equal annual instalments over 40 years from the date of acquisition. Prior to the implementation of FRS 15, the Company had revalued the Peru property to its open market value. Under transitional rules of FRS 15, the Company has retained this previously revalued book amount.
- Leasehold improvements are depreciated on equal annual instalments, and are fully depreciated.
- Office equipment costing more than £500 is capitalised at cost and depreciated on a 25% straight line basis.

- c) **Stocks** Stocks are valued at the lower of cost or net realisable value.
- d) **Foreign Currencies** Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Income and expenditure in foreign currencies are recorded at the exchange rate ruling at the date of the transaction.
- e) **Pension Costs** The charitable company's contributions to employees' own individual pension schemes are charged to the SOFA for the year in which they are payable to the scheme.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

f) **Fund Accounting** Funds are accounted for as follows:

- Restricted funds are used for specific purposes laid down by the donor. Expenditure for these purposes is charged to the fund.
- Unrestricted funds are other incoming resources received or generated for expenditure on the general objectives of the charitable company.
- Designated funds are unrestricted funds which have been designated for specific purposes by the trustees.

g) **Myclimate funding** As part of HI's sustainability activities, part of the voluntary donation received to offset the carbon footprint of the traveller is paid over directly to myclimate who invest in sustainability projects. No income or expense is recognised in respect of this transaction as HI acts as an intermediary for myclimate.

h) **Investments** Securities held for investment purposes are valued at market value at the balance sheet date. Any unrealised gain or loss on revaluation is taken to the SOFA. Investment income is accounted for in the period in which the charitable company is entitled to receipt.

i) **Programme Related Investments** Loans are made at arm's length to National Associations to support key hostel projects. Interest is charged at commercial rates and is recognised as income when received.

j) **Resources Expended** Resources expended are accounted for on an accruals basis. Expenditure is apportioned to cost categories, based on estimated staff time. Resources are allocated between:

- Governance expenditure which includes costs associated with Board of Trustees' Meetings, Officers' Meetings, biennial international conference, annual report and audit
- Expenditure on developing the hostel network, including Quality (network development)
- Expenditure on maintaining and developing the internet booking system (website operating costs)

Expenditure incurred in the management and administration of the charity is allocated to the above categories on a per capita basis (see Note 5). No support costs are currently allocated to grants or costs of generating funds on the grounds of materiality.

k) **Income** Charitable income includes membership fees and conference fees from National Associations, which is accounted for on a receivable basis, and revenue from the hihostels.com website, which is recognised when the booking is made.

Revenue from the hihostels.com website includes the deposit in respect of bookings, a booking fee and commission on the sale of eMemberships.

Fundraising trading includes sales of welcome stamps and other merchandise to National Associations, which is accounted for on a receivable basis.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

- l) **Leases** Payments made under operating leases are recognised in the SOFA on a basis representative of the pattern of benefits expected to be derived from the leased asset.
- m) **Taxation** As a registered charity, Hostelling International is exempt from taxation on its income and gains falling due within part 11 of the Corporation Taxation Act 2010 and s256 Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable purposes. No tax charge has arisen in the period ended 31 December 2014.
- n) **Grants** Grants payable from the Sustainability Fund are recognised in the SOFA when awarded and communicated to the recipient.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. INVESTMENT INCOME

	<b>2014</b>		<b>2013</b>	
	<u>In UK</u>	<u>Outside UK</u>	<u>In UK</u>	<u>Outside UK</u>
	£	£	£	£
Dividends on listed equities	34,154	21,103	27,962	6,492
Interest on listed securities	10,447	7,874	4,000	26,370
Interest on other interest bearing accounts	441	-	-	-
Interest on loans	-	8,898	-	220,398
	<u>45,042</u>	<u>37,875</u>	<u>31,962</u>	<u>253,260</u>
	82,917		285,222	

### 3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	<u><b>2014</b></u>	<u><b>2013</b></u>
	£	£
Membership Fees	529,147	591,440
Booking Revenue	1,403,625	1,952,037
Conference Fees	80,660	(5,107)
	<u>2,013,432</u>	<u>2,538,370</u>
Attributable to geographical markets outside the UK	1,869,547	2,370,335

### 4. RESOURCES EXPENDED – COST OF GENERATING FUNDS

	<u><b>2014</b></u>	<u><b>2013</b></u>
	£	£
Fundraising trading: cost of goods sold		
Welcome Stamp sales costs	4,783	2,035
Merchandising Income costs	8,216	5,862
	<u>12,999</u>	<u>7,897</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5. RESOURCES EXPENDED – CHARITABLE ACTIVITIES & GOVERNANCE COSTS

	Direct Costs £	Support Costs £	2014 Total £	2013 Total £
<b>Governance</b>				
Staff costs	35,592	17,006	52,598	56,576
Facilities and equipment	364	4,515	4,879	7,857
Professional services	9,209	4,156	13,365	7,443
Travel and subsistence	87,713	851	88,564	111,628
Biennial conference	102,641	-	102,641	-
Other	1,710	3,602	5,312	24,187
<b>Total Governance</b>	<b>237,229</b>	<b>30,130</b>	<b>267,359</b>	<b>207,691</b>
<b>Network Development</b>				
Staff costs	343,905	216,223	560,128	545,760
Facilities and equipment	2,957	57,408	60,365	49,604
Professional services	92,536	52,839	145,375	181,368
Travel and subsistence	41,885	10,823	52,708	27,290
Richard Schirrmann Fund	66,118	-	66,118	44,839
Other	47,055	45,794	92,849	40,274
<b>Total Network Development</b>	<b>594,456</b>	<b>383,087</b>	<b>977,543</b>	<b>889,135</b>
<b>Website running costs</b>				
Staff costs	422,969	279,390	702,359	398,252
Facilities and equipment	4,179	74,179	78,358	113,360
Professional services	474,977	68,276	543,253	925,007
Travel and subsistence	13,709	13,985	27,694	57,026
Other	387,012	59,172	446,184	64,997
<b>Total Website Running Costs</b>	<b>1,302,846</b>	<b>495,002</b>	<b>1,797,848</b>	<b>1,558,642</b>
	<b>2,134,531</b>	<b>908,219</b>	<b>3,042,750</b>	<b>2,655,468</b>

Support costs are allocated pro rata on the basis of headcount and include all costs of the CEO and his assistant, the finance department, the IT department, HR and all facilities costs.

Richard Schirrmann Fund expenditure relates to expenditure on mission based activities, the BBE, from the Richard Schirrmann 100<sup>th</sup> Anniversary Designated Fund (note 17).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6. STAFF COSTS

	<u>2014</u>	<u>2013</u>
	£	£
Gross Salaries	1,032,081	787,580
Social security costs	103,877	85,542
Pension costs	44,230	35,825
	<u>1,180,188</u>	<u>908,947</u>
Temporary labour	69,510	26,349
Health costs	12,480	5,307
Other costs associated with employees	53,223	59,988
	<u>1,315,401</u>	<u>1,000,591</u>

During the year, £54,016 (2013 £54,651) of salaries, social security and pension costs were capitalised as part of Website Development Costs and are not included above.

	<u>No. in 2014</u>	<u>No. in 2013</u>
<b>Employees whose remuneration was between:</b>		
£60,000 - £70,000	2	1
£130,000 - £140,000	-	1
£210,000 - £220,000	1	-

Contributions paid by Hostelling International into employees' individual pension schemes for the employees whose remuneration was above £60,000 amounted to £14,986 (2013 £15,562). In 2014 the highest paid employee's emoluments included a sum relating to a compromise agreement.

**The number of employees during the year, analysed by function, was:**

	<u>No. in 2014</u>		<u>No. in 2013</u>	
	Average No.	Full Time Equivalent	Average No.	Full Time Equivalent
Management	3	3	2	2
Sales & Marketing	7	6	3	2
Website	11	11	11	10
Sustainable Development	2	2	1	1
Other	4	4	7	5
	<u>27</u>	<u>26</u>	<u>24</u>	<u>20</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7. TOTAL EXPENDITURE included:

	<u>2014</u>	<u>2013</u>
	£	£
Depreciation	338,137	26,414
Fees payable to the company's auditors for the audit of the company's annual accounts:		
Current year	20,000	19,000
Previous year	5,000	-
Non-audit remuneration	4,000	31,000
Premises - Rent (leases)	64,340	75,101

### 8. TRUSTEES' EXPENSES

All 8 trustees elected at the 49<sup>th</sup> International Conference in 2012 served their full term on the Board until the 50<sup>th</sup> International Conference in August 2014, at which 8 trustees were elected (3 of the previous trustees were re-elected). No trustee received remuneration during 2014 (2013 – Nil).

Travel and other expenses incurred by the trustees during the year amounted to £65,272 (2013 £75,220). The trustees are based in Australia, Canada, Chile, France, Germany, Netherlands, Qatar and USA.

### 9. LEASING COMMITMENTS

Operating lease payments amounting to £ 54,976 (2013 £54,584) are due within one year. £ 53,644 (2013 £53,644) relates to a property lease and £ 1,332 (2013 £940) relates to equipment leases. Both leases expire within five years.

### 10. INVESTMENTS

The value of securities shown in the Balance Sheet is the market value at 31 December 2014.

	<u>2014</u>	<u>2013</u>
	£	£
Market value at 1 January	2,998,395	3,471,434
Acquisitions at cost	2,879,759	822,570
Sale proceeds from disposals	(3,558,870)	(1,582,419)
Realised gain in the year	309,968	166,365
Unrealised (loss)/ gain in the year	(294,550)	120,445
Market value at 31 December	<u>2,334,702</u>	<u>2,998,395</u>
Historical cost at 31 December	<u>2,299,292</u>	<u>2,668,437</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****10. INVESTMENTS (CONTINUED)****Market value at 31 December**

	<b>Listed in</b>	<b>Listed</b>	<b>Total</b>	<b>Total</b>
	<b><u>UK 2014</u></b>	<b><u>Outside</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bonds	252,235	63,633	315,868	1,155,294
Equities	1,098,383	680,356	1,778,739	1,632,101
Other Investments	131,443	108,652	240,095	211,000
	<u>1,482,061</u>	<u>852,641</u>	<u>2,334,702</u>	<u>2,998,395</u>

At 31 December 2014 the following investments represented more than 5% of the portfolio by market value:

	<b><u>Value</u></b>
	<b>£</b>
	<b>%</b>
<b>S&amp;P iShares plc</b>	<b>5.7%</b>
	<b>133,175</b>

**11. CAPITAL COMMITMENTS**

At 31 December 2014 there were no capital commitments in respect of website development costs (2013 £3,413).

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 12. TANGIBLE FIXED ASSETS

	Website Development Costs £	Freehold Land and Buildings £	Leasehold Improvements £	Office Equipment £	Total £
<b>Cost or valuation</b>					
At 1 January 2014	1,897,439	130,215	2,801	97,197	2,127,652
Additions	271,850	-	-	2,521	274,371
Disposals	-	-	-	(2,291)	(2,291)
At 31 December 2014	2,169,289	130,215	2,801	97,427	2,399,732
<b>Depreciation</b>					
At 1 January 2014	-	87,892	2,801	55,764	146,457
Provided for in year	311,687	3,255	-	23,195	338,137
Disposals	-	-	-	(939)	(939)
At 31 December 2014	311,687	91,147	2,801	78,020	483,655
<b>Net Book Value</b>					
At 31 December 2014	1,857,602	39,068	-	19,407	1,916,077
At 31 December 2013	1,897,439	42,323	-	41,433	1,981,195

Freehold land and buildings comprise exclusively of the Lima hostel. The historical cost was US \$200,582 (£104,475). The difference between the historical cost and market value used for the accounts is US \$49,418 (£25,740). Accumulated Depreciation would have been £73,133 if based on the historical cost (2013 £70,521). The revaluation took place in 1987 on introduction of FRS.

Two valuations of the property were performed in November 2012 and range from US \$2,100,000 to US \$2,772,699.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****13. PROGRAMME RELATED INVESTMENTS**

	<b><u>2014</u></b>	<b><u>2013</u></b>
	£	£
<b>Loans to National Associations</b>		
Iceland	-	11,609
Hungary	12,428	14,699
Hong Kong	93,300	100,000
	<u>105,728</u>	<u>126,308</u>

	<b><u>2014</u></b>	<b><u>2013</u></b>
	£	£
<b>Movement on loans in the year</b>		
Balance 1 January	126,308	41,359
New loan granted	-	100,000
Repayments	(20,752)	(280,908)
Translation gain on year end balances in US Dollars	172	20,581
	<u>105,728</u>	<u>(118,968)</u>
 Adjustment to provision for bad debts	 -	 245,276
 Balance 31 December	 <u>105,728</u>	 <u>126,308</u>

In addition to repayments, exchange rate fluctuations impact the loan balances. The Iceland loan was US dollar denominated, and fully repaid in the year. The loans to the Hungarian Youth Hostel Association and Hong Kong Youth Hostels Association are denominated in Esterling.

**14. DEBTORS**

	<b><u>2014</u></b>	<b><u>2013</u></b>
	£	£
National Associations	11,328	26,988
Other debtors	29,352	64,686
Prepayments and accrued income	85,803	93,088
	<u>126,483</u>	<u>184,762</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 15. CASH AT BANK AND IN HAND

	<u>2014</u>	<u>2013</u>
	£	£
Deposit accounts	101,677	258,918
Current accounts	30,236	46,984
Petty cash	1,424	1,371
	<u>133,337</u>	<u>307,273</u>

### 16. CREDITORS

	<u>2014</u>	<u>2013</u>
	£	£
National Associations	315,632	274,403
Other taxes and social security	24,327	25,883
Other creditors and accruals	339,733	428,348
Grant award creditor	104,957	59,800
	<u>784,649</u>	<u>788,434</u>

Included in other creditors and accruals is a balance of £7,775 (2013: £5,912) relating to CO<sub>2</sub> offset donations received, which will be paid to Myclimate. Of the £5,912 balance brought forward from 2013 and £15,549 received during the year, £13,686 (2013 £31,529) has been paid to myclimate.

The grant award creditor relates to grants awarded but not yet paid of £59,800 for 2013 and £45,157 for 2014 from the HI Sustainability restricted fund – see note 18. The grants were awarded to YHA England & Wales, YHA Canada and YHA Israel as described on page 9.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 17. UNRESTRICTED FUNDS

	<u>Balance at</u> <u>31 December</u> <u>2013</u> £	<u>Deficit of</u> <u>Income over</u> <u>Expenditure</u> £	<u>Realised and</u> <u>Unrealised</u> <u>Gains &amp; Losses</u> £	<u>Transfers</u> £	<u>Balance at</u> <u>31 December</u> <u>2014</u> £
General fund	4,712,808	(915,625)	2,792	(24,591)	3,775,384
Richard Schirrmann 100 <sup>th</sup> Anniversary fund	41,527	(66,118)	-	24,591	-
HI-Group (IGS) marketing fund	36,148	25,551	-	-	61,699
Total unrestricted funds	4,790,483	(956,192)	2,792	-	3,837,083

During the year the Designated Funds were utilised as follows:

- Richard Schirrmann 100<sup>th</sup> Anniversary fund – this fund was created from the donation received from the Friendship Centres Ltd as detailed in the 2010 financial statements. This fund was dedicated to supporting mission-based activities and the expenditure in the year saw the successful completion of The Big Blog Exchange, with a further contribution of £ 24,951 from the General Fund.
- The IGS marketing fund was set up to fund specific marketing initiatives for group travel.

### 18. RESTRICTED FUNDS

	<u>Balance at</u> <u>31 December</u> <u>2013</u> £	<u>Surplus of</u> <u>Income over</u> <u>Expenditure</u> £	<u>Realised and</u> <u>Unrealised</u> <u>Gains &amp; Losses</u> £	<u>Transfers</u> £	<u>Balance at</u> <u>31 December</u> <u>2014</u> £
HI Sustainability Fund	32,308	(25,710)	-	-	6,598
Total restricted funds	32,308	(25,710)	-	-	6,598

In 2012, Hostelling International launched the Sustainability Fund on [hihostels.com](http://hihostels.com) whereby HI customers may make a donation to offset the CO<sub>2</sub> of their overnight stay. Part of the donated amount is passed to myclimate for carbon offsetting projects. No income or expense is recognised in respect of this transaction as HI acts as an intermediary for myclimate.

The other part of the donation is held within a restricted fund by HI to be expended as grants to National Associations to support their sustainable projects. No grants were paid to date, however, a further three projects have been identified and agreed in 2014, totalling £45,157. This amount is included in creditors (note 16) and these grants will be paid in 2015 or on completion of projects.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 19. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	<u>Unrestricted</u>		<u>Restricted</u>	<u>Total funds</u>
	<u>General</u>	<u>Designated</u>		
	£	£	£	£
Tangible fixed assets	1,916,077	-	-	1,916,077
Investments (including programme related investments)	2,440,430			2,440,430
Current assets and liabilities	(569,123)	61,699	6,598	(500,826)
Total net assets	3,787,384	61,699	6,598	3,855,681

### 20. RELATED CHARITY

The directors consider that the International Youth Hostel Federation, an unincorporated charity registered with the Charity Commission for England and Wales, is a related charity by virtue of the fact that both charities have the same trustees. IYHF is dormant with no transactions during the year (2013 – Nil).

A new company, Hostelling International Trading Limited with company number 09019564 was registered on 30<sup>th</sup> April 2014 and is currently dormant.

### 21. LEGAL STATUS

The charity is limited by guarantee and has no share capital. Each member's liability is limited to £1.

### 22. INCOME AND EXPENDITURE ACCOUNT

	<u>2014</u>	<u>2013</u>
	£	£
Total incoming resources	2,142,805	2,890,984
Realised gains on investment assets	309,968	166,365
Realised losses on foreign exchange	(12,798)	(19,079)
Total income	2,439,975	3,038,180
Total expenditure	(3,124,707)	(2,529,509)
Net (expenditure)/ income	(684,732)	508,671

This excludes unrealised gains and losses shown on the SOFA.

## **PROFESSIONAL ADVISORS**

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**Solicitors:**

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England

## HI MEMBER ASSOCIATIONS (69)

COUNTRY	ASSOCIATION
ALGERIA	Fédération Algérienne des Auberges de Jeunesse
ARGENTINA	Hostelling International Argentina
AUSTRALIA	YHA Australia
AUSTRIA	Österreichischer Jugendherbergsverband Hauptverband (ÖJHV)
AUSTRIA	Österreichisches Jugendherbergswerk (ÖJHW)
BAHRAIN	Bahrain Youth Hostels Society
BELGIUM	Les Auberges de Jeunesse (LAJ)
BELGIUM	Vlaamse Jeugdherbergen vzw (VJH)
BOLIVIA	Hostelling International Bolivia
BOSNIA AND HERZEGOVINA	Youth Hostel Association of Bosnia and Herzegovina
BRAZIL	Federação Brasileira dos Albergues da Juventude
CANADA	Hostelling International – Canada
CHILE	Asociación Chilena de Albergues Turísticos Juveniles
CHINA	YHA China
CHINESE TAIPEI	Chinese Taipei Youth Hostel Association
CROATIA	Hrvatski Ferijalni i Hostelski Savez (Croatian YHA)
CZECH REPUBLIC	Czech Youth Hostel Association (CZYHA)
DENMARK	DANHOSTEL
EGYPT	Egyptian Youth Hostels Association
ENGLAND & WALES	YHA England & Wales
ESTONIA	Estonian Youth Hostels Association
FINLAND	Suomen Hostellijärjestö - HI Finland
FRANCE	Fédération Unie des Auberges de Jeunesse (FUAJ)
GERMANY	DJH Hauptverband
HONG KONG	Hong Kong Youth Hostels Association
HUNGARY	Magyarországi Ifjúsági Szállások Szövetsége (Hungarian YHA)
ICELAND	HI Iceland
INDIA	Youth Hostels Association of India
IRELAND (Northern)	Hostelling International-Northern Ireland
IRELAND (Rep of)	An Óige (Irish Youth Hostel Association)
ISRAEL	Israel Youth Hostels Association
ITALY	Associazione Italiana Alberghi per la Gioventù (AIG)
JAPAN	Japan Youth Hostels Inc
JORDAN	Jordan Youth Hostels Commission
KOREA (South)	Hostelling International Korea
KUWAIT	Kuwait Youth Hostel Committee
LEBANON	Lebanese Youth Hostels Federation
LIBYA	Libyan Youth Hostel Association
LITHUANIA	Lithuanian Hostels Association
LUXEMBOURG	Centrale des Auberges de Jeunesse Luxembourgeoises
MACEDONIA	Macedonian Youth Hostel Association
MALAYSIA	Malaysian Youth Hostels Association
MALTA	NSTS Hostelling International
MEXICO	Hostelling International Mexico
MOROCCO	Fédération Royale Marocaine des Auberges de Jeunes
NETHERLANDS	Stayokay

## HI Member Associations (continued)

COUNTRY	ASSOCIATION
NEW ZEALAND	YHA New Zealand
NORWAY	Norske Vandrerhjem – HI Norway
PAKISTAN	Pakistan Youth Hostels Association
PERU	Administradora Peruana de Albergues
PHILIPPINES	Youth and Student Hostel Foundation of the Philippines
POLAND	Polskie Towarzystwo Schronisk Młodzieżowych (Polish Youth Hostel Association)
PORTUGAL	MOVIJOVEM
QATAR	Qatar Youth Hostels Association
RUSSIA	Youth Hostels Association of Russia
SAUDI ARABIA	Saudi Arabian Youth Hostels Association
SCOTLAND	SYHA Hostelling Scotland
SERBIA	Ferijalni i Hostelski savez Srbije (Youth Hostels Association of Serbia)
SINGAPORE	Hostelling International Singapore
SLOVENIA	PZS – Hostelling International Slovenia
SPAIN	Red Española de Albergues Juveniles (REAJ)
SUDAN	Sudanese Youth Hostels Association
SWEDEN	Svenska Turistföreningen
SWITZERLAND	Schweizer Jugendherbergen
THAILAND	Thai Youth Hostels Association
TUNISIA	Association Tunisienne des Auberges de Tourisme de Jeunes
UNITED ARAB EMIRATES	United Arab Emirates Youth Hostel Association
URUGUAY	Asociación de Alberguistas del Uruguay
USA	Hostelling International USA

## HI Associate Organisations (3)

COUNTRY	ASSOCIATION
BULGARIA	Bulgarian Youth Hostel Association
NEPAL	Nepal Youth Hostel Council
SYRIA	The Youth Tourism Organization (Syrian Youth Hostels Association)