

Company number 02250706

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

**Annual Report and Financial Statements for the  
Year Ended 31 December 2012**

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**Hostelling International | 2nd Floor, Gate House, Fretherne Road | Welwyn Garden City |  
Hertfordshire AL8 6RD | England | Telephone +44 1707 324170 | Facsimile +44 1707 323980  
Email: [info@hihostels.com](mailto:info@hihostels.com) | [www.hihostels.com](http://www.hihostels.com)**

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

## **ABOUT HOSTELLING INTERNATIONAL**

Hostelling International (HI) is a non-governmental, not-for-profit organisation representing 71 Member Associations and six 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 four million members have a choice of more than 3,500 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."*

### **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 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 a conference in Amsterdam, the Netherlands, in 1932.

### **Hostelling International today**

- 71 Member Associations
- 6 Associate Organisations
- Licensed hostels in 20 countries
- About 3,500 hostels
- About 350,000 beds
- About 37 million overnights per year
- Over 4 million members
- Nearly 11 million yearly unique visitor sessions on hihostels.com
- About GBP 500 million estimated annual revenue within the HI network

Despite their name, youth hostels are not only for young people - they are open to people of all ages  
Wherever they are located, our hostels share the same aim of offering a good standard of accommodation in a friendly atmosphere at affordable prices

## **PRESIDENT'S REPORT**

Hostelling International celebrated its 80th Anniversary in 2012, with the first International Conference being held in the YMCA hostel in Amsterdam on 20 October 1932. The National Associations present at this conference reached agreement on the standards for the equipment and supervision of Youth Hostels, as well as a consistent brand identity for membership cards.

The movement's founders had a strong desire that by working together Associations could assist international youth travel and pave the way for new and peaceful migration of people. As an international movement HI has certainly met these expectations.

When the hostelling journey started more than a hundred years ago, it was a visionary escape based on an innovative idea, the hostelling movement was an open door toward new attitudes by sharing with others leisure and holidays at Youth Hostels.

Since 1946 the HI network has recorded more than 1.6 billion overnights and has engaged, encouraged and motivated young people around the world to travel, learn and explore. The Youth Hostel philosophy is still very much alive and has crossed over time from one generation to another, it has crossed borders, cultures and even the languages from one country to another.

The youth hostelling mission provides opportunities for guests to learn by experience and develop social skills, as well as understand different cultures and develop an awareness of environmental conservation.

Non-formal education, integral dialogue, building a culture of peace and improving mutual understanding is part of HI's identity. This mosaic of contents and values forms the essence of HI's credibility as a global Youth Hostel network and facilitates its ability to build partnerships with other like-minded organisations.

HI's rich history provides the perfect base upon which to build the mission and shared values, while providing guests, first and foremost, with a safe and secure place to stay. Travellers around the world look for the HI brand as they trust our values and what we can offer them.

In July 2012 the 49th International Conference was held in Slovenia, where delegates came together to help define the strategic direction for HI, to ensure that it is aligned to meet the changing needs of the youth travel market.

A large part of the conference agenda was dedicated to how technology has changed the market and how HI needs to continue to adapt to keep pace in the dynamic youth travel market. The conference embraced HI's mission and philosophy and received inspiring presentations from our National Associations as to how they implement HI's mission into everyday activities.

Today's travellers are more likely to book their accommodation whilst on their travels via the internet, whether accessed through mobile phones, tablets or notebook. They will consult with friends using a wide range of social media channels and seek recommendations from other travellers.

Recognising the importance of our online presence, we are investing in a new web platform encompassing the website, booking system and a Customer Relationship Management solution. Before embarking on this project, we worked with National Associations in order to ensure that the approach we take meets both their needs and those of our travellers.

The new platform will ensure that we continue to meet the needs of our guests whether this is when they start dreaming and planning their trip, or in person when they stay with us.

As well as meeting the ever-changing needs of the leisure market, our National Associations have continued to face new and emerging challenges in running their businesses, from financial volatility to natural disasters. However, HI continues to be impressed with the way in which our National Associations continue to respond to these challenges and maintain their focus on serving our guests.

Despite the uncertain economic climate, HI remains committed to supporting our network of National Associations across the globe to offer consistently high quality, sustainable products to our travellers.

A handwritten signature in black ink, appearing to read 'Edith Arnoult-Brill', with a stylized flourish at the end.

**Edith Arnoult-Brill**  
President

4<sup>th</sup> April 2013

## **CHIEF EXECUTIVE'S REPORT**

### **Preparing the HI community for the future**

As young people embrace and lead the world in terms of technology, Hostelling International is prioritising our digital developments to ensure that we embrace new communication opportunities and deliver up-to-date technical tools

2012 saw the start of the biggest digital development in the history of HI – the HI-360 project - and was a year for ensuring that we have all the basics in place in preparation for the digital launch in 2013, which will show HI is in a strong position to be able to provide customers with innovative resources that set us apart from the competition

In 2012, we made steps to re-ignite our mission and ensure it remains relevant and accessible in today's digital age

When Richard Schirrmann established the hostelling movement in 1909 with the objective of enabling young people to become more knowledgeable about the world by providing hostels that are open to all regardless of race, nationality, colour, religion, sex, class or political opinion, he could not possibly have imagined how this could have remained so relevant in the 21<sup>st</sup> century

In 1932, when Hostelling International was formed, television was in its infancy, computers and the internet were not yet on the radar and mobile phones were unimaginable. Now smart phones are the norm, internet access is global and customers expect to receive instant information and engage easily with other like-minded people

We are keen to ensure that we harness the opportunities presented by new forms of communication while continuing to embrace the mission that has made Hostelling International such a longstanding and respected brand

The world of youth travel remains an exciting, inspiring and dynamic industry. Good quality budget accommodation remains at the core of the HI proposition whilst our unique qualities and community values are what set us apart from the competition

### **The year in review**

Despite economic and social problems continuing throughout many of our key destinations, hihostels.com has remained a popular booking engine and source of information for young travellers around the globe

We recognise that the current financial climate around the world represents a real challenge for our National Associations, many of whom are struggling to respond and adapt at a time of unparalleled competition

Changes in customer behaviour have forced many National Associations to review their web propositions, leading some to the bitter conclusion that they do not have the financial stability or resources to make the necessary investment

This is where HI can offer practical support to our network of National Associations. Our internet programme, HI-360, represents a huge opportunity for our network, as we are developing a menu of online tools for our stakeholders to use without the need for major investment

In addition, we aim to coordinate technical developments in which we use our combined purchasing power to enable National Associations to achieve operational savings

### **Developing the online community**

HI is seeing a high level of marketing activity from competitors who are employing aggressive and commercial offline and online strategies year-on-year. The online environment is constantly changing and customers' needs and expectations are growing

Our new digital development, HI-360, is therefore essential to ensure that HI continues to evolve and develop in order to compete with other accommodation sites and booking engines

We need to differentiate ourselves from others and offer a faster, more flexible and less vulnerable online platform, giving consideration to our mission, size of network and unique selling points to ensure people know that HI is much more than just a bed or a booking engine

Search engines are changing the way information is presented to the customer, therefore it is becoming more important to ensure that HI optimises its online digital assets e.g. photos, videos and reviews, to ensure that they appear in search results to capture potential customers. This will be a key focus in 2013

Social media and mobile communications are playing increasingly important roles in changing people's buying behaviours and are therefore providing new opportunities for HI to engage with and market to our customers

The *real* hostel experience is unique and different for all our customers and social media is the perfect channel for ensuring this message is communicated effectively and consistently. Social media allows our visitors to easily share their hostel experience with everyone in our community and HI will continue to actively encourage this engagement across all digital channels

To better understand the needs and expectations of our customers whilst ensuring regular engagement, it is essential that customers can interact quickly and easily with our new website and we will use online surveys to gather information and opinions on key topics and strategic questions

### **Enabling global interaction**

HI hostels offer unique experiences for their guests, be it staying in a converted lighthouse or jail, a large modern hostel located in the heart of the city, or a remote small hostel reachable only by foot. Every HI



hostel offers visitors the chance to meet new people, to learn, and to break down barriers. HI embraces these differences and the unique opportunities that each hostel offers.

In February 2012 HI launched 'eMembership', allowing customers to purchase a 12-month membership online at the time of booking. A total of 23,780 eMemberships were sold in 2012, opening the door for many more people to join the HI Network and be part of our unique community. We also continued to promote the Membership Savings Programme which offers members a minimum 10% discount on the cost of their overnight stay and other travel related savings.

In 2012 HI also developed The Big Blog Exchange project, which will be a fantastic opportunity for HI to engage with bloggers from all over the world, helping to share our message and reinforce global interaction. This innovative project, which aims to 'change the world using the power of blogs', will be officially launched in the first quarter of 2013.

### **Together we can make a difference**

Events remained an important part of 2012's calendar, with representatives from the network joining together to discuss interesting topics, share best practice and socialise with peers.

The **49th International Conference and General Meeting** was held in Maribor, Slovenia, in July 2012. The conference received reports on the work of the Board and HI during 2010 and 2011, with financial and operational reviews, considered and adopted a number of motions relating to the structure of the Board, membership, values of Youth Hostelling and licensing policy; and the Estonian YHA was approved as a full Member Association.

The **2012 CEO Meeting** was held at Cologne Youth Hostel, Germany. The agenda focused on HI's digital plans for the future, how National Associations can be involved and how it will benefit both our Associations and customers. HI's digital development partners on the HI-360 project were present at the meeting and participated in the sessions relating to the project. The meeting also considered a number of presentations from Associations, sustainable development, HI Quality and communications.

The **Hostel Managers Meeting** was also held in Cologne Youth Hostel and the meeting ended with the prestigious HI-5ives<sup>1</sup> award ceremony. The top hostels in the HI network were announced as:

- **Best Hostel - Lerwick Hostel, Scotland**
- **Friendliest Hostel - WIKI Hostel, Italy and Florence Tavarnelle, Italy**
- **Most Comfortable Hostel - Utano Youth Hostel, Kyoto, Japan**
- **Green Hostel - HI Boston, USA**
- **Best Hostel Country - Bosnia & Herzegovina.**

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

## **Going social - Social Media and the HI Blog**

HI has continued to connect, share and engage with our visitors and the online travel community. Our Facebook fans have trebled to nearly 15,000 and with such an engaged audience, there is a constant 'global community' on our page at all hours of the day, with fans commenting on our updates, recommending new places to visit (whilst staying at a HI hostel) and sharing helpful tips and advice with fellow hostellers.

Over 5,000 people also follow us on Twitter. We stand as the global voice for many of our National Associations and hostels worldwide, which is why we enable our followers to communicate with us 24 hours a day. We pride ourselves in offering great customer service, so in addition to using Twitter as an interactive way to engage with followers, we can also answer queries, questions and positive feedback instantly.

But why stop at Facebook and Twitter? You can also find us on Google+, Foursquare, YouTube, Flickr, Pinterest and LinkedIn. We have more than 10,000 visitors from our social communities to [hihostels.com](http://hihostels.com) every month and we are committed to offering the best experience for everyone.

Why not find us today on your favourite social network and become part of a hostelling community that has been around for over 80 years?

**Facebook:** <http://www.facebook.com/HostellingInternational1>

**Twitter:** <https://twitter.com/#!/Hostelling>

**Foursquare:** <https://foursquare.com/hostelling>

**Google+:** <https://plus.google.com/+hihostels>

**YouTube:** <http://www.youtube.com/hostelling>

**Flickr:** <http://www.flickr.com/photos/hihostels/>

**LinkedIn:** <http://www.linkedin.com/groups?gid=2109934>

The HI Travel Blog can be found at <http://www.hihostels.com/hostel/> and has been more successful than ever, receiving over 8,000 unique visitors every month and offering a wealth of useful travel information with articles such as our 'Top Five Ski Hostels', 'How to do Rio on a Budget' and 'Top 100 Things to do in Europe'.

With more than 200 articles about budget travel tips, Inspire Me hostels and the hottest destinations around, travellers of all ages are bound to find the information they are looking for presented in a fun, easy to read and informative way.

### **Embracing the challenges ahead**

The developments and opportunities surrounding the HI-360 platform mean that in 2013 the main focus will be on the transition from the current web offering and booking engine to the new platform

2013 is also about getting the basics right and showing just how unique we are. We aim to consolidate the network, contribute to local communities, manage our brand reputation and continue differentiating ourselves in a very competitive market

It is important that we continue to keep the momentum and stay focused on the objectives we have committed to. Only those who are fast, flexible and sustainable will survive in this ever-changing market and we need to ensure that we balance the task of having our eyes on the ball with being open minded to change and new opportunities moving forward

The solid support from our stakeholders remains a crucial corner stone in taking HI into the future

We are prepared for another year of exciting, but challenging times but there is a confident attitude that we can and will do more for the hostelling movement and the HI community.



**Mikael Hansson**  
Chief Executive

4<sup>th</sup> April 2013

## **HI SUSTAINABILITY**

Sustainable tourism is about re-thinking, adapting and changing to ensure that tourism affects the environment as little as possible. Our HI mission, defined in 1932, is one of the earliest examples of sustainable tourism and encourages a greater knowledge, love and care of the countryside and an appreciation of the social and cultural values in all parts of the world.

HI encourages members and National Associations to employ sustainable tourism practices and we are committed to achieving a worldwide network of sustainable organisations and hostels. HI has implemented a number of very demanding initiatives across the network in 2012, and is continuing to develop in terms of sustainability.

### **Our objectives**

Our HI Sustainability Charter contains the basis for our minimum standards in all three dimensions of sustainability:

**Social Aims** – to encourage hostels to use local resources, participate in community projects and mission-based initiatives

**Economic Aims** – to ensure financially sustainable hostels with assured quality and standards worldwide

**Ecological Aims** – to reduce the carbon footprint of HI hostels and work towards achieving carbon neutrality

### **Developing a sustainable network**

In 2012, HI carried out the first ever sustainability survey in order to monitor specifically how the network was changing and adapting to become more environmentally-friendly. The research, which included data from hostels in 18 different countries that receive over 3.3 million overnights annually, was one of the largest of its kind and will continue to help us develop the sustainable network.

Local interaction with hostels was shown to be high with 52% of hostels providing quality budget accommodation to travellers as well as having interactive initiatives with the local community. These projects often enable travellers to interact and grasp a better understanding of the area they are visiting.

The tourism industry represents around 5% of total global emissions. Hostels are working to counteract this and 74% of our hostels provide comprehensive information and actively promote the use of public transport to guests, or give discounts to those arriving at the hostel by bicycle or on foot. Another scheme to reduce emissions is growing vegetables on site, which 16% of all hostels surveyed are now doing.

## **Green Ratings**

Following the launch of the 'Green Ratings' in 2011, our hostels achieved an average rating of 80.6%, meaning that our customers perceive that our network is environmentally-friendly and is committed to improving the environment. With these ratings we were also able to introduce a new category into the 'HI-5ives!' awards, giving the hostel with the highest green rating an award – this was awarded to **HI Boston, USA**

## **Sustainability donations on hihostels.com**

In April 2012 we launched a voluntary donation scheme to allow customers to make a donation to support our work with sustainability. The donation contributes towards

- The HI Sustainability Fund, which has been set up as a restricted fund. £0.10 per overnight of each donation goes to this fund, which will be used exclusively to make grants to National Associations to invest in sustainable projects, up to a maximum of £25,000 per project. Applications for grants will be judged against strict qualifying criteria but the final decisions as to which projects receive a grant will be open for customers to vote on and voting will open later in 2013. In 2012 the donations amounted to £43,578.
- Investment in sustainable projects via our expert partner in climate protection, myclimate. We established our partnership with myclimate in order to allow customers to offset the CO2 emissions from their hostel overnight stay. The first step was to measure the CO2 per overnight from each country at a standard cost of 23 euros per tonne to form the basis for the donation, and this ranges from £0.05 to £0.22 per overnight. So far 14 of our National Associations (Argentina, Australia, Brazil, Canada, Switzerland, Spain, France, Scotland, England & Wales, Iceland, Italy, Netherlands, New Zealand and Portugal) are involved in the scheme and so customers can offset the CO2 from their overnights in these countries when making their booking through hihostels.com. We plan to involve more countries in 2013. In 2012 the donations amounted to £37,486 which has offset 1,784 tonnes of CO2. The donations received are paid over to myclimate quarterly to invest in a range of sustainable projects.

## **Hostels achievements**

Overall, 298 hostels have been awarded environmental or sustainability certification during 2012, which means that 7.9% of the HI network is certified.

Stayokay, our National Association in the Netherlands, is the first National Association to be 100% certified by the EU Ecolabel, which is the premier European award for products and services which meet the highest environmental standards, backed by all EU Governments.

## **REPORT OF THE BOARD OF TRUSTEES**

### **About Hostelling International**

Hostelling International was originally known as International Youth Hostel Federation (IYHF), an unincorporated registered charity (number 306038) From the start of 2007, IYHF's operational activities were undertaken by Hostelling International, a company limited by guarantee (number 02250706) and registered charity (number 1117014) controlled by IYHF and governed by its Memorandum and Articles of Association. Consistent with this all the assets and liabilities of IYHF were transferred to Hostelling International on 1 January 2007, and the memberships of the National Associations were transferred by 16 February 2011

On 15<sup>th</sup> April 2010 Hostelling International changed its name to International Youth Hostel Federation however it continues to operate as Hostelling International and is referred to throughout this report as Hostelling International

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

### **Board of Trustees**

The following served as trustees (and therefore also directors) of Hostelling International during the year and subsequent to the year end

President	Edith Arnoult-Brill (France)
1 <sup>st</sup> Vice President	Ken Kilkenny (Republic of Ireland)
2 <sup>nd</sup> Vice President	Robert McGuirk (Australia -retired July 2012)
2 <sup>nd</sup> Vice President	Igor Jurišič (Slovenia – elected July 2012)
Treasurer	John S Dickson (Scotland – retired July 2012)
Treasurer	Clive Croy (New Zealand – elected July 2012)
Members	Angela Braasch-Eggert (Germany – elected July 2012)
	Clive Croy (New Zealand – until July 2012)
	Fernando Cruz (Chile – elected July 2012)
	Brent Czarnecki (Canada – elected July 2012)

Members (continued)      Pablo Fisch (Argentina –retired July 2012)  
Gail Hesse (USA – retired July 2012)  
Igor Junšič (Slovenia – until July 2012)  
Dr Mamdouh Mandour (Egypt)

Board members are elected by Member Association delegates at the International Conference, which is held every two years

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, Mikael Hansson, who is accountable to the Board. The office is located in Welwyn Garden City, Hertfordshire, UK

#### **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 works closely in partnership with the Senior Management Team to ensure that its goals are achievable 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 of implementation shall be brought to the Board's attention on a regular basis

The Board shall give direction for the overall operations of HI, but at the same time maintain a distance from the day-to-day running processes which is the task of the Chief Executive. It is however the ultimate responsibility of the Board for the good management and financial security of HI

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

## **Review of 2012 – Overview**

The principal activity of Hostelling International continues to be as set out in the Objects, reproduced on page 3. The main activities of the International Office (which support the objects) are Governance, Network Development (including Quality) and Website Operation and these are explained in more detail below.

### **Public Benefit**

Since its creation in 1932 Hostelling International has been working together with our 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 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 National 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 we now know as sustainable tourism.

### **Governance**

In line with its overall governance policy, the Board of Trustees determines the policy and strategy of Hostelling International. In communicating with HI Member Associations, international partner organisations and other stakeholders, the Board works to safeguard the ideals of the hostelling movement. The Board takes 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. In 2012, this took place in Maribor, Slovenia.

During the year, the trustees of HI met five times: in Spain, twice at the International Office, in Dubai, and at the International Conference in Slovenia.

### **Network Development, including Quality**

During the year, HI undertook a restructure to prepare for the launch of the new web platform, and this resulted in the redundancy of the HI-Q Lead Auditor and the Regional Development Co-ordinators. This, however, has not stopped the progress of the HI-Q programme, which is a quality system designed especially for hostel operations and which is subcontracted to our German Youth Hostel Association.



DJH 473 hostels and 11 head offices are committed to the HI-Q programme in 52 National Associations  
HI-Q audits are now being coordinated by the Project Leader

HI-Q Light was launched during the year. This is a version of HI-Q which has been tailored to the needs of hostels with less than 10,000 overnights per year. It has been very well received - nearly 100 Hostels plan to join this new HI-Q product in 2013

The sustainability and quality team have been working together during 2012 in order to add the sustainability criteria to the current quality ones. The first draft of the new HI-Q & Sustainability plan has been finalised and expectations are for it to be launched in the last quarter 2013

The global network of HI hostels continued to grow, and during 2012 HI welcomed three new country destinations: Namibia, Paraguay and Tonga

Following the restructure the support to our National Associations is now taking place centrally at the International Office rather than through our Regional Development Co-ordinators. In addition, we aim to work on initiatives and tasks agreed collectively by the National Associations making up our four regional groups (Europe, the Americas, Asia Pacific and Africa/Middle East)

We will, to a much greater extent, engage with the regional groups in order to encourage them to decide on their short and medium-term objectives and to formulate their ambitions in a formal document where objectives, targets, actions and responsibilities are clearly defined. A suitable budget will be agreed with the respective region and work can commence based on a mutual understanding, commitment and goal

We will continue to deliver support from the International Office and it will, as previously, be focused on getting all hostels bookable on hihostels.com, improving standards, encouraging focus on sustainable development, and raising brand awareness

### **Website Operating Costs**

During the year we continued to operate the current hihostels.com website using our internal team and external partner. However we also approved plans for, and started work on, developing our new website – HI-360. The development costs for the website have been capitalised and the costs are shown in note 12. The new website will be launched later in 2013

### **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 help and assistance, the development of this global organisation could not take place

## **Risk Management**

During the year the Board, at each Board meeting, 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 for wrongful acts in relation to the charity

## **Finance**

Total Incoming Resources at £2,294,187 (2011 £2,629,865) represents a decrease of £335,678 from 2011 as follows

- The HI Sustainability Fund was established in 2012 and donations of £43,578 were received (2011 £Nil)
- Investment income decreased by 20% to £83,830
- Incoming resources from charitable activities decreased by 14% to £2,144,307. This was mainly due to a decrease in gross booking revenue of 20% from 2011, to £1,557,179 (2011 £1,946,841). Overnights decreased by 13% from 2011.

Total Resources Expended (before gains and losses on investments) at £3,031,579 (2011 £3,361,779) represents a decrease of £330,200 from 2011 as follows

- Network Development costs have decreased due to the redundancy of the HI-Q Lead Auditor and Regional Development Co-ordinators during the year
- Website Running costs have increased as a result of the planning costs associated with the development of the new website

- Governance costs have increased as 2012 includes the costs of the biennial Conference

Other Recognised Gains and Losses show overall gains of £249,515 (2011 overall losses of £223,547) and were £473,062 above prior year as follows

- Realised and unrealised gains on investment assets The overall gains of £285,833 (2011 overall losses of £219,763) occurred due to the recovery from the extremely turbulent global stock market conditions in the second half of 2011

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 alternative investments, is managed by Credit Suisse in Switzerland An overall return (excluding unrealised gains) of 5.7% was achieved in 2012

Total accumulated general funds at £4,173,004 (2011 £4,660,881) 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 2012

- Richard Schirrmann 100<sup>th</sup> Anniversary Fund The balance at 31 December 2012 was £86,366 being the remainder of the Friendship Centres Limited donation received in 2010 This fund will be used to launch mission-based activities

The remaining small balance on the HI-Q Fund was transferred to the General fund during the year. The remaining balance on the E-Membership development fund was transferred to the General fund during the year as the e-membership product was launched in February

The restricted fund was established in 2012 as part of HI's work with sustainability and is described on page 13

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 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 Credit Suisse which can be converted to cash with one week's written notice

## The future

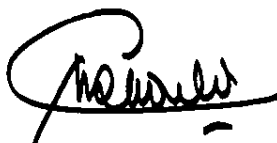
With Hostelling International remaining financially stable, the long-term strategy is to continue focusing on 'One Brand, One Quality and One Network' The core objectives for 2013 and onwards are.

- **hihostels.com development** – 2013 will see the launch of the new HI-360 web platform
- **The Big Blog Exchange** – 2013 will see the launch of this exciting mission-based project
- **Quality assurance** – the implementation of HI-Q remains a high priority HI has launched a 'light' version of the programme so that further implementation can continue at smaller, more remote hostels
- **Membership Savings Programme (MSP)** – following its launch two years ago, HI will continue to monitor MSP to ensure that it continues to serve the network and its members
- **Sustainable Development** – the implementation of the HI Sustainability Charter will continue and include information gathering, training programmes, partnerships, promotions and supporting sustainable projects through the Sustainability Fund
- **Network Development** – HI will focus on strengthening current National Associations' positions and commitment

## 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 companies exemption

Signed on behalf of the Board by



**Edith Arnoult-Brill**  
President



**Clive Crox**  
Treasurer

4<sup>th</sup> April 2013

## **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 2012 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. 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 2012 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 in preparing the Trustees' Annual Report



**Mary Reilly FCA** (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London

4<sup>th</sup> April 2013

## **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,
- state whether applicable UK Accounting Standards have been followed, 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

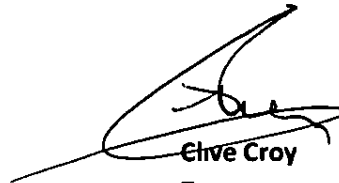
The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board by

A handwritten signature in black ink, appearing to read 'Edith Arnoult-Brill', with a large loop at the top and a horizontal line at the bottom.

**Edith Arnoult-Brill**  
President

4<sup>th</sup> April 2013

A handwritten signature in black ink, appearing to read 'Elve Croy', with a large loop at the top and a horizontal line at the bottom.

**Elve Croy**  
Treasurer



## STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2012

		Unrestricted Funds 2012 £	Restricted Funds 2012 £	Total Funds 2012 £	Total Unrestricted Funds 2011 £
	Notes				
<b>INCOMING RESOURCES</b>					
Incoming resources from generated funds					
Voluntary income – donations	18	-	43,578	43,578	-
Investment income	2	83,830	-	83,830	104,635
Activities for generating funds		22,472	-	22,472	30,712
Incoming resources from charitable activities	3	2,144,307	-	2,144,307	2,494,518
<b>Total Incoming Resources</b>		<u>2,250,609</u>	<u>43,578</u>	<u>2,294,187</u>	<u>2,629,865</u>
<b>RESOURCES EXPENDED</b>					
Costs of generating funds					
Fundraising trading cost of goods sold	4	7,607	-	7,607	23,724
Investment management costs		49,007	-	49,007	65,092
Charitable activities					
Network development costs	5	1,087,835	-	1,087,835	1,633,020
Website running costs	5	1,477,821	-	1,477,821	1,398,756
Governance costs	5	409,309	-	409,309	241,187
<b>Total Resources Expended</b>		<u>3,031,579</u>	<u>-</u>	<u>3,031,579</u>	<u>3,361,779</u>
Net outgoing resources	17, 18	(780,970)	43,578	(737,392)	(731,914)
<b>OTHER RECOGNISED GAINS / (LOSSES)</b>					
Realised gains on investment assets	10	140,726	-	140,726	53,245
Unrealised gains / (losses) on investment assets	10	145,107	-	145,107	(273,008)
Realised (losses) on foreign exchange		(22,687)	-	(22,687)	(4,329)
Unrealised (losses) / gains on loan accounts	12	(13,631)	-	(13,631)	545
<b>NET MOVEMENT IN FUNDS</b>		<u>(531,455)</u>	<u>43,578</u>	<u>(487,877)</u>	<u>(955,461)</u>
Total funds brought forward	17, 18	4,660,881	-	4,660,881	5,616,342
Total funds carried forward	17, 18	<u>4,129,426</u>	<u>43,578</u>	<u>4,173,004</u>	<u>4,660,881</u>

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

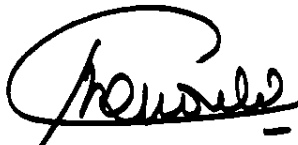
## BALANCE SHEET AS AT 31 DECEMBER 2012

	<u>Notes</u>	<u>2012</u> £	<u>2011</u> £
<b>FIXED ASSETS</b>			
Tangible fixed assets	12	601,714	92,862
Investments	10	3,471,434	4,258,982
Programme related investments	13	41,359	103,138
Total Fixed Assets		4,114,507	4,454,982
<b>CURRENT ASSETS</b>			
Stock		16,566	11,777
Debtors	14	194,215	132,982
Cash at bank and in hand	15	599,371	408,449
Total Current Assets		810,152	553,208
<b>LIABILITIES</b>			
Creditors Amounts falling due within one year	16	751,655	347,309
<b>NET CURRENT ASSETS</b>		58,497	205,899
<b>TOTAL ASSETS LESS LIABILITIES</b>		4,173,004	4,660,881
<b>THE FUNDS OF THE CHARITY</b>			
Unrestricted funds			
General fund	17	4,043,060	4,525,480
Designated funds	17	86,366	135,401
Restricted funds	18	43,578	-
		4,173,004	4,660,881

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 by

  
Edith Arnoult-Brill, President

  
Clive Croy, Treasurer

Approved by the Board of Trustees on 4<sup>th</sup> April 2013

Company number 02250706

## 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 historical cost convention, modified to include the revaluation of investments.

The principal accounting policies are set out below and remain unchanged from the previous year, apart from the addition of policies relating to restricted funds and myclimate funding.

During the year HI reviewed the categories of charitable income and expenditure used to describe its work, and the activity elements within these categories. This led to changes to the categories of charitable expenditure, additionally income relating to welcome stamp sales and merchandising is now shown separately as activities for generating funds, and the costs relating to booking revenue are disclosed within charitable expenditure. 2011 comparative figures have been re-presented accordingly in the SOFA and notes 3-5. There has been no impact on total incoming resources or total resources expended.

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 the website will be depreciated over its expected life once it is launched.
- 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 until the end of the lease.
- 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. Certain expenditure is apportioned to cost categories on the estimated amount attributable to that activity in the year, based on 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)

**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 2012

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. INVESTMENT INCOME

	2012		2011	
	<u>In UK</u>	<u>Outside UK</u>	<u>In UK</u>	<u>Outside UK</u>
	£	£	£	£
Dividends on listed equities	37,895	11,221	27,234	15,555
Interest on listed securities	29,604	-	43,174	-
Interest on other interest bearing accounts	37	-	270	-
Interest on loans	-	5,073	-	18,402
	<u>67,536</u>	<u>16,294</u>	<u>70,678</u>	<u>33,957</u>
	83,830		104,635	

### 3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	<u>2012</u>	<u>2011</u>
	£	£
Membership Fees	461,870	467,903
Booking Revenue	1,557,179	1,946,841
Conference Fees	125,258	79,774
	<u>2,144,307</u>	<u>2,494,518</u>
Attributable to geographical markets outside the UK	1,990,074	2,326,727

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

	<u>2012</u>	<u>2011</u>
	£	£
Fundraising trading cost of goods sold		
Welcome Stamp sales	3,235	10,403
Merchandising Income	4,372	13,321
	<u>7,607</u>	<u>23,724</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Direct Costs £	Support Costs £	2012 Total £	2011 Total £
<b>Governance</b>				
Staff costs	35,748	22,931	58,679	40,695
Facilities and equipment	310	9,714	10,024	6,870
Professional services	32,422	4,627	37,049	20,226
Travel and subsistence	105,552	1,995	107,547	147,765
Biennial conference	169,154	-	169,154	-
Other	24,727	2,129	26,856	25,631
<b>Total Governance</b>	<b>367,913</b>	<b>41,396</b>	<b>409,309</b>	<b>241,187</b>
<b>Network Development</b>				
Staff costs	424,014	209,247	633,261	758,860
Facilities and equipment	17,558	88,641	106,199	145,370
Professional services	93,771	42,219	135,990	200,236
Travel and subsistence	109,083	18,201	127,284	281,321
Richard Schirrmann Fund	30,767	-	30,767	-
Other	34,840	19,494	54,334	247,233
<b>Total Network Development</b>	<b>710,033</b>	<b>377,802</b>	<b>1,087,835</b>	<b>1,633,020</b>
<b>Website running costs</b>				
Staff costs	232,204	194,915	427,119	269,895
Facilities and equipment	1,133	82,570	83,703	53,233
Professional services	828,361	39,327	867,688	1,043,809
Travel and subsistence	43,622	16,954	60,576	18,067
Other	20,578	18,157	38,735	13,752
<b>Total Website Running Costs</b>	<b>1,125,898</b>	<b>351,923</b>	<b>1,477,821</b>	<b>1,398,756</b>
	<b>2,203,843</b>	<b>771,121</b>	<b>2,974,964</b>	<b>3,272,963</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 from the Richard Schirrmann 100<sup>th</sup> Anniversary Designated Fund (note 17)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6. STAFF COSTS

	<u>2012</u>	<u>2011</u>
	£	£
Gross Salaries	876,675	923,325
Redundancy costs	79,308	-
Social security costs	81,445	77,937
Pension costs	35,179	46,862
	<u>1,072,607</u>	<u>1,048,124</u>
Temporary labour	21,114	2,601
Health costs	4,370	3,273
Other costs associated with employees	20,967	15,452
	<u>1,119,058</u>	<u>1,069,450</u>

	<u>No. in 2012</u>	<u>No. in 2011</u>
<b>Employees whose remuneration was between:</b>		
£120,000 - £130,000	-	1
£130,000 - £140,000	1	-

Contributions paid by Hostelling International into employees' individual pension schemes for the employee whose remuneration was above £60,000 amounted to £12,925 (2011 £12,724)

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

	<u>No. in 2012</u>		<u>No. in 2011</u>	
	Average No	Full Time Equivalent	Average No	Full Time Equivalent
Management	2	2	4	4
Sales & Marketing	10	8	7	6
Quality and Field Services	6	4	7	7
Other	8	6	8	5
	<u>26</u>	<u>20</u>	<u>26</u>	<u>22</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7. TOTAL EXPENDITURE included:

	<u>2012</u> £	<u>2011</u> £
Depreciation	20,481	17,247
Fees payable to the company's auditors for the audit of the company's annual accounts		
Current year	18,300	18,300
Prior year under / (over) accrual	-	750
Other advisory services	21,745	-
Premises - Rent (leases)	87,701	87,691

### 8. TRUSTEES' EXPENSES

All 9 trustees elected at the 48<sup>th</sup> International Conference in 2010 served their full term on the Board until the 49<sup>th</sup> International Conference in July 2012, at which 8 trustees were elected. No trustee received remuneration during 2012. Travel and other expenses incurred by the trustees amounted to £80,742 (2011 £98,396). The trustees are based in France, Republic of Ireland, Slovenia, New Zealand, Germany, Chile, Canada and Egypt.

### 9. LEASING COMMITMENTS

Operating lease payments amounting to £40,716 (2011 £81,683) are due within one year. £40,000 (2011 £80,000) relates to a property lease and £716 (2011 £1,683) relates to equipment leases. All leases expire within one year.

### 10. INVESTMENTS

The value of securities shown in the Balance Sheet is the market value at 31 December 2012.

	<u>2012</u> £	<u>2011</u> £
Market value at 1 January	4,258,982	4,449,573
Acquisitions at cost	1,101,772	2,250,605
Sale proceeds from disposals	(2,175,153)	(2,221,433)
Realised gain in the year	140,726	53,245
Unrealised gain / (loss) in the year	145,107	(273,008)
Market value at 31 December	<u>3,471,434</u>	<u>4,258,982</u>
Historical cost at 31 December	<u>3,261,922</u>	<u>4,194,546</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10. INVESTMENTS (CONTINUED)

Market value at 31 December

	Listed in <u>UK 2012</u> £	Listed Outside <u>UK 2012</u> £	Total <u>2012</u> £	Total <u>2011</u> £
Bonds	112,554	1,263,148	1,375,702	1,776,671
Equities	790,984	1,086,369	1,877,353	2,241,073
Alternative Investments	-	218,379	218,379	241,238
	<u>903,538</u>	<u>2,567,896</u>	<u>3,471,434</u>	<u>4,258,982</u>

At 31 December 2012 the following investments represented more than 5% of the portfolio by market value

	%	<u>Value</u> £
SHS iShares plc – FTSE 100 Fund	8.5%	305,370
SHS iShares plc – iShares FTSE UK Dividend Plus	6.3%	226,350
Credit Suisse Solutions (Lux) Prima Multi-Strategy GBP	6.1%	218,379
SHS – B – Julius Baer Multibond SICAV – Local Emerging Bond Fund Capitalisation	5.7%	204,251
Accum PTG SHS CS ETF (IE) on MSCI EMU Exchange Traded Funds EUR	5.3%	189,858

### 11. CAPITAL COMMITMENTS

At 31 December 2012 there were capital commitments of £237,495 in respect of website development costs (2011 £nil)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12. TANGIBLE FIXED ASSETS

	Website Development <u>Costs</u> £	Freehold Land and Buildings £	Leasehold Improvements £	Office Equipment £	Total £
<b><u>Cost or valuation</u></b>					
At 1 January 2012	-	130,215	2,801	74,830	207,846
Additions	517,158	-	-	14,324	531,482
Disposals	-	-	-	(6,559)	(6,559)
At 31 December 2012	517,158	130,215	2,801	82,595	732,769
<b><u>Depreciation</u></b>					
At 1 January 2012	-	81,382	1,401	32,201	114,984
Provided for in year	-	3,255	933	16,293	20,481
Disposals	-	-	-	(4,410)	(4,410)
At 31 December 2012	-	84,637	2,334	44,083	131,055
<b><u>Net Book Value</u></b>					
At 31 December 2012	517,158	45,578	467	38,511	601,714
At 31 December 2011	-	48,833	1,400	42,629	92,862

	<u>Cost or Revalued</u>		<u>Accumulated Depreciation</u>		<u>Written Down Value</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	£	£	£	£	£	£
<b>FIXED ASSETS</b>						
Lima Hostel, PERU (revaluation)	130,215	130,215	84,637	81,382	45,578	48,833

The historical cost of the Lima Hostel was US \$200,582 (£104,475). The difference between the historical cost and market value is US \$49,418 (£25,740). Accumulated Depreciation would have been £67,909 if based on the historical cost (2011 £65,297). The revaluation took place in 1987.

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

	<u>2012</u>	<u>2011</u>
	£	£
<b>Loans to National Associations</b>		
Chile	-	45,882
Iceland	23,660	37,121
Kenya	245,276	256,544
Hungary	17,699	20,135
	<u>286,635</u>	<u>359,682</u>
Provision for bad debts	(245,276)	(256,544)
	<u>41,359</u>	<u>103,138</u>
	<u>2012</u>	<u>2011</u>
	£	£
<b>Movement on loans in the year</b>		
Balance 1 January	103,138	153,785
Repayments	(36,880)	(71,135)
Translation (loss) / gain on year end balances in US Dollars	(13,631)	545
	<u>52,627</u>	<u>83,195</u>
Adjustment to provision for bad debts	11,268	19,943
Balance 31 December	<u>41,359</u>	<u>103,138</u>

In addition to repayments, exchange rate fluctuations impact the loan balances. All loan balances are US dollar denominated, apart from the loan to the Hungarian Youth Hostel Association which is denominated in £ sterling.

The Kenya loan is secured by mortgages over the Nairobi hostel which is owned by the Kenya Youth Hostels Association.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14. DEBTORS

	<u>2012</u>	<u>2011</u>
	£	£
National Associations	25,766	8,600
Other debtors	61,937	36,693
Prepayments and accrued income	106,512	87,689
	<u>194,215</u>	<u>132,982</u>

### 15. CASH AT BANK AND IN HAND

	<u>2012</u>	<u>2011</u>
	£	£
Deposit accounts	512,909	237,476
Current accounts	85,122	169,017
Petty cash	1,340	1,956
	<u>599,371</u>	<u>408,449</u>

### 16. CREDITORS

	<u>2012</u>	<u>2011</u>
	£	£
National Associations	253,230	99,351
Other taxes and social security	24,119	20,604
Other creditors and accruals	474,306	227,354
	<u>751,655</u>	<u>347,309</u>

Included in other creditors and accruals is a balance of £6,655 relating to CO2 offset donations received, which will be paid to myclimate. Of the £37,486 received during the year, £30,831 has already been paid to myclimate.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 17. UNRESTRICTED FUNDS

	<u>Balance at</u> <u>31 December</u> <u>2011</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>2012</u> £
General fund	4,525,480	(750,203)	249,515	18,268	4,043,060
HI Quality fund	827	-	-	(827)	-
Richard Schirrmann 100 <sup>th</sup> Anniversary fund	117,133	(30,767)	-	-	86,366
eMembership fund	17,441	-	-	(17,441)	-
<b>Total unrestricted funds</b>	<b>4,660,881</b>	<b>(780,970)</b>	<b>249,515</b>	<b>-</b>	<b>4,129,426</b>

During the year the Designated Funds were utilised as follows

- HI Quality fund – the small residual balance left in this fund was transferred back to the General fund in the year
- 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 is dedicated to supporting mission-based activities and The Big Blog Exchange will be launched in 2013
- eMembership fund – the development of the eMembership product took place during 2011 but at a significantly reduced cost than originally planned. The remaining £17,441 has been transferred back to the General fund. The eMembership product was launched on hihostels.com in February 2012

### 18. RESTRICTED FUNDS

	<u>Balance at</u> <u>31 December</u> <u>2011</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>2012</u> £
HI Sustainability Fund	-	43,578	-	-	43,578
<b>Total restricted funds</b>	<b>-</b>	<b>43,578</b>	<b>-</b>	<b>-</b>	<b>43,578</b>

During the year, Hostelling International launched the Sustainability Fund on 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. 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 awarded in 2012.

## 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	601,714	-	-	601,714
Investments (including programme related investments)	3,512,793	-	-	3,512,793
Current assets and liabilities	(71,447)	86,366	43,578	58,497
Total net assets	4,043,060	86,366	43,578	4,173,004

### 20. PARENT UNDERTAKING

The directors consider that the company is a subsidiary of the International Youth Hostel Federation, an unincorporated charity registered with the Charity Commission for England and Wales, by virtue of the fact that they can control the financial policies and management of this company. Group accounts have been prepared and are available from the registered office: 2nd Floor Gate House, Fretherne Road, Welwyn Garden City, Hertfordshire, AL8 6RD, England.

### 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>2012</u>	<u>2011</u>
	£	£
Total incoming resources	2,294,187	2,629,865
Realised gains on investment assets	140,726	53,245
Realised losses on foreign exchange	(22,687)	(4,329)
Total income	2,412,226	2,678,781
Total expenditure	3,031,579	3,361,779
Net expenditure	(619,353)	(682,998)

## **PROFESSIONAL ADVISORS**

### **Bankers:**

HSBC  
Howardsgate  
Welwyn Garden City  
Herts  
AL8 6BH  
England

### **Auditor:**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
2 New Street Square  
London  
EC4A 3BZ  
England

### **Investment Bankers:**

Credit Suisse  
Postfach 637  
CH-8401  
Winterthur  
Switzerland

### **Solicitors:**

Russell-Cooke LLP  
2 Putney Hill  
London  
SW15 6AB  
England



## HI Member Associations

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
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 Retkeilymajajärjestö-SRM
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
KENYA	Kenya Youth Hostels Association
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	Federation Royale Marocaine des Auberges de Jeunes
NETHERLANDS	Stayokay

## HI Member Associations (continued)

COUNTRY	ASSOCIATION
NEW ZEALAND	YHA New Zealand
NORWAY	Norske Vandrerrhjem – 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
ROMANIA	Asociația Youth Hostel Romania
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 Turistforeningen
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
VIETNAM	Vietnam Hostelling International

## HI Associate Organisations

COUNTRY	ASSOCIATION
BOSNIA AND HERZEGOVINA	Youth Hostel Association of Bosnia and Herzegovina
BULGARIA	Bulgarian Youth Hostel Association
LATVIA	Latvian Youth Hostel Association
NEPAL	Nepal Youth Hostel Council
SLOVAKIA	Slovenska Asociácia Hotelov pre Mladez – Slovak National Youth Hostel Association
SYRIA	The Youth Tourism Organization (Syrian Youth Hostels Association)