

LHA LONDON LTD

London Hostels Association Ltd

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Annual Report 2007/08



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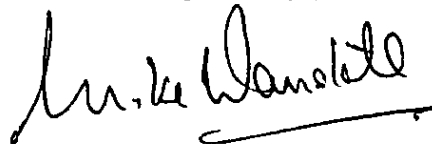
Chairman's Statement

Once again it is my pleasure to introduce a report which reflects another highly successful year for the Association. The beginning of that year saw us complete the purchase of Torquay House, Paddington, and the immediate start of the programme of works necessary to bring it up to something approaching the standard we seek to achieve in our hostels.

This has been achieved and the hostel is now open and doing good business. Looking further ahead we are exploring with our professional advisers a range of options for the future of the site.

Financially, the year has been extremely successful with another significant surplus to boost our reserves and fund future development both at Torquay House and elsewhere. The worsening economic climate did not seriously affect our operations up to the end of our financial year, though our investment portfolio has inevitably suffered. Up to the time of writing bookings are holding up well but we would be unwise to assume that this will necessarily continue. The Trustees are monitoring the situation closely.

On a personal note, this is my last report as your chairman as I have decided to stand down at the Annual General Meeting. I hope, however to continue as a member of the Board of Trustees. My years in office have been both rewarding and enjoyable and I thank my fellow Trustees, the General Manager and all his staff for their hard work and support. I wish my successor an equally interesting and enjoyable term of office.



Mike Wanstall
Chairman

Our Trustees

Mike Wanstall - Chairman

Retired Civil Servant.
Ministry of Housing & Local
Government 1966– 1992.
On retirement Director of
Contracts Property Services.
Member of local Choral
Society

Alex Jameson

Missionary accountant in
Nigeria. Accountant with
Plessey Group. Former
Financial Controller for LHA.
Methodist Local Preacher.

Margaret Deacock

Trained as RSN at Duchess
of York hospital in Manches-
ter. Stewardess for BOAC for
13 years. Returned to nurs-
ing, with handicapped chil-
dren, then a Health Visitor.
Now retired.

Penny Feathers

WRVS Emergency Services
Manager for GOSE Region.
Retired WRVS Thames Area
Manager.
Qualified Trainer. Member of
Emergency Planning Society.
Trustee for Age Concern.

Keith Corrie

Chartered Civil Engineer.
Retired in 1993. Is the
Company Secretary for the
APM Group. Member and
Hon Fellow of the Associa-
tion for Project Manage-
ment.

John Mahoney

Retired international
business advisor, establish-
ing UK companies in
overseas markets. Involved
in fund raising for Royal Star
& Garter Home.

Barry Redfern

Qualified as Chartered
Accountant in 1969. Worked
in Private Sector and in
Central Government.
Member of LHA Council since
1985.

Alan Deboo Deputy Chairman

Member of the CIPD. Senior
personnel management and
industrial relations in
broadcasting, rail transport
and defence sectors. Priest
in CofE. A non-stipendiary
Minister in Salisbury diocese.

Steve Collin

Station Officer with BOAC for
10 years. Fellow, Institute of
Personnel Management.
Personnel Manager in
Costain Group for 16 years.
Redundancy Counsellor until
2003.

Richard Gray

Qualified Surveyor.
Previously with the Spastics
Society as Head of Architect
Department. Assistant Direc-
tor with Cerebral Palsy Over-
seas. General Manager for
LHA before retiring.

Helen Stone

Chartered Civil Engineer,
Chairman of Governors,
major London girl's school.
Chairman Construction
Industry Council Diversity
Panel.

James Young

Ex Chief Executive of The
Hospital Saving Association.
Ex Director of Economic
Development, Nottingham-
shire County Council

Our Committees and Advisors

Registered Charity No. 1069486

Company Registration No. 363816

London Hostels Association Limited is a registered charity and a company limited by guarantee. Its main objects are the relief of poverty by acquiring, establishing, maintaining, managing and conducting hostels to provide low cost living accommodation for young persons and others of limited means studying or working in London.

Sub-committees:

Finance Committee:

Mr A.R. Jameson, FCA (Chairman)
Mrs M.A. Deacock
Mr M.J. Mahoney
Mr M.J. Wanstall, CBE

Investment Advisory Group:

Mr A.R. Jameson, FCA (Chairman)
Mrs M.A. Gair, FCCA
Mr M.J. Wanstall, CBE
Mr. J Young
Mr. B. Redfern, MA, FCA

Strategy Advisory Group:

Mr R.K. Corrie, BA, BAI, MICE, CEng, FIM, Hon FAPM (Chairman)
Mr R.C. Gray, AIAS
Mr. M.J. Mahoney
Mr A.R. Jameson, FCA
Ms. H. Stone, OBE, FEng, BSc, CEng, FICE

Remuneration Committee:

Rev Canon A.J. Deboo, MA, MSc, MIPD (Chairman)
Mr S.P. Collin
Mrs P.A. Feathers
Mr B. Redfern, MA, FCA

Pension Committee:

Rev Canon A.J. Deboo, MA, MSc, MIPD (Chairman)
Mr S.P. Collin

Pension Trustee:

Capita Fiduciary plc

LHA SERVICES LIMITED

Mr M.J. Wanstall (Chairman)
Mrs M.A. Deacock
Mr A.R. Jameson, FCA
Mr B. Redfern, MA, FCA
Mr M.J. Mahoney

Mr A.R. Perkins (Secretary and Gen. Manager)
Mrs M.A. Gair, FCCA (Financial Controller)

Auditors:

Keith Vaudrey & Co

Bankers:

Barclays Bank plc

Investment Advisors:

Charles Stanley & Co Ltd

Solicitors:

Batt Broadbent

Registered Office:

54 Eccleston Square
London
SW1V 1PG

Aims

London Hostels Association is a charitable body dedicated to the relief of poverty by the provision of, acquiring, establishing, maintaining, managing and conducting hostels to provide low cost living accommodation for students and working people of limited means studying or working in London and to further any charitable purpose recognised by English Law by the provision of housing.

We aim to;

- Provide secure, well maintained and serviced accommodation
- Promote ideas, policies and actions which meet residents aspirations
- Listen to the needs of residents
- Exercise tight control of cost and expenditure

Moving Forward

2007-2008 was a year which saw further expansion in bed numbers following the acquisition of Torquay House. During the year we placed over 6000 residents for short stay periods at this new site, just 200m from Royal Oak station. This format of accommodation complements our long stay residents at other locations.

We continued with our commitment to residents' security by the front of house upgrade program together with multi-floor CCTV systems. We are now sector leaders in internal security coverage. The building portfolio is the corner stone of our assets. We protect our investment with planned maintenance, refurbishment and redecoration.

During the year we have completed the external redecoration and repairs at Regina House, Gloucester Road. The LHA has benefited greatly in the past from the prime locations of our buildings, and we continue the search for well-located sites to enable expansion. The long-term importance and resilience of London is strategic in meeting our objectives to provide places for young working people and students.

Our website has attracted over 108,000 visits throughout the year, and our teams have worked strenuously to provide the best in value for money accommodation.

Our ongoing goals of 100% residents' satisfaction and 100% employee satisfaction remain at the heart of everything we do. Current average occupancy for the year of 94% proves our service is valued by many young working people and students.

With sound financial and strategic planning we enter 2009 in excellent shape to meet our objectives.



Tony Perkins
General Manager and Company Secretary

Key Points

- During the year we placed over 6000 residents at Torquay House
- With multi-floor CCTV systems we are now sector leaders in internal security coverage
- Our website has attracted over 108,000 visits throughout the year
- Our ongoing goals of 100% residents' satisfaction and 100% employee satisfaction remain at the heart of everything we do

Our People

Our 130 volunteers and 46 staff serve over 1500 customers every month. We pride ourselves in the way the LHA delivers our brand promise.

We do all we can to retain our people. Average years served between site managers and central administration is over 11 years per employee.

Despite being from many different backgrounds, LHA staff are always friendly and ready to help. They come from all over the world, and all age groups. We believe in team work, continuous improvement and caring for residents – but it is the diversity of people who make up the LHA and their ability to meet the needs of our customers that make us successful.

Our Corporate Responsibility

The LHA recognises our environmental responsibility and is committed to improving our performance towards a sustainable future – all while providing a first class resident and staff member experience.

Achieving our goals

To ensure sustainable business practices in the boroughs in which we operate, we will:

- Focus upon our key environmental commitments: Energy efficiency, CO₂ reduction, water efficiency, waste reduction, renewable energy, and sustainable buildings and operations which include building design and construction, hostel operations and purchasing.
- Ensure that environmentally friendly initiatives will positively impact on residents experience.
- Set targets, measure, benchmark and continually improve our performance.
- Support environmental initiatives within the local community

Trustees' Review

1. The Trustees, who are also directors of the Charity for the purposes of the Companies Act, submit their Annual Report with the Balance Sheet of the Company at 30th September 2008 and the Statement of Financial Activities for the year ending on that date, which were approved by the Board of Trustees on 24th February 2008. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005 in preparing the Annual Report and Accounts of the Charity.

The Association is governed by its Memorandum and Articles of Association. The Charity is managed by the trustees who meet formally seven times a year.

Trustees and Members

2. The Trustees who served during the year are listed on page 4. Additional or replacement trustees are appointed by the remaining trustees.
3. Insurance against Trustees' and Officers' liabilities in relation to the Association was maintained during the year 2007/2008, as cited in the Memorandum and Articles of Association, para 60 (1).

Risk Management

4. The Trustees actively review the major risks which the Charity faces on a regular basis and believe that maintaining adequate resources, combined with an annual review of the control over key financial systems, will enable the Charity to cope with any future adverse conditions.

The trustees have also examined other operational and business risks faced by the Charity and confirm that they have established systems to mitigate the significant risks.

Trustees' Review

Statement of the Trustees' Responsibilities

5. The Trustees are responsible for preparing the report and accounts in accordance with applicable law and regulations.

Company Law requires the Trustees to prepare accounts for each financial year. Under that law the trustees have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to give a true and fair view of the state of affairs of the charitable company and of the profit or loss of the charitable company for that period. In preparing these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and irregularities.

Financial Review

Financial Review

6. The Association achieved a surplus of £2,334,743 approximately £540,000 better than budget, helped by high levels of occupancy and tight control of expenditure. This surplus was achieved despite keeping the increase in fees charged to residents below inflation. The Association's assets are available and adequate to fulfil the obligations of the charity on fund by fund basis.
7. Expenditure on Repairs and Maintenance totalled £ 1,167,948. Works included external and internal redecoration works at Belvedere, Mew Mansion and Regina. Also some £114,000 was spent on refurbishment works to enable the opening of Torquay House in January 2008.

Investment

8. Messrs Charles Stanley and Co. Ltd managers of the Association's investment portfolio, reported that at the year end the Association held in the General Fund, shares, cash and Government stocks at a valuation of £719,479 (2007 -£969,448); and in the dilapidation fund, Government stocks and cash at a valuation of £456,698 (2007 -£425,869).
9. After allowing for a net withdrawal of £180,000 the value of the Fund had fallen by 8.2% over the year compared to a retreat of 21.3% in the value of the FTSE 100 Share Index. Just after the year-end during the first full week of October 2008, stock markets went into an unprecedented slide and all major equity markets around the globe lost more than 20% of their value in a mere five days. As at Monday the 24th of November the Main Fund was valued at a fraction over £600,000 which was a further drop of 16.6% since the end of the financial year. Whilst the FTSE Index over the same eight week period was down by approximately 18.5%.

The Association's policy governing the selection of investments is to select low risk investments as guided by our professional advisors to maximise both income and capital growth. The Association has set a limit on single stock exposure, this being that no one stock may be more than 10% of the total value of the fund.

Fixed Assets

10. Acquisitions by the group during the year amounted to £7,026,415 including £6,686,067 on the purchase of Torquay House. Also the refurbishment of the reception areas at Belsize, Belvedere, Bowden Court, Holland, Regina and Sandeman Allen.

Financial Review

Payment Policy

11. It is the policy of the Association to pay creditors in accordance with contracted terms, normally within thirty days.

Results

12. The increase in net funds during the year was £2,221,458 compared with the previous years increase of £3,503,733. This was after allowing for realised and unrealised losses on investments and actuarial deficit on the Association's pension scheme.

Auditors

13. A resolution proposing the reappointment of Keith, Vaudrey & Co as the Company's auditors for the period from the conclusion of the Annual General Meeting on 6th March 2007 to the next such meeting of the Association will be put to the Annual General Meeting.

Reserves

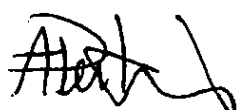
14. The present level of funding is adequate to support the continuation of the Association's current activity and capital expenditure programme and the trustees consider the financial position of the charity to be satisfactory.

At 30th September 2008 Charitable Funds stood at £23,212,840 and Designated Funds at £4,510,604. Within Designated Funds there is a Dilapidations fund of £456,698 which has been established to set aside funds which may be required on expiry of a short term lease. Apart from this, all other Reserves are available to maintain and develop the future work of the Association and are considered adequate by the Trustees for these purposes.

LHA SERVICES LIMITED FOR 2007/2008

15. LHA Services Ltd (LHAS), a wholly owned subsidiary of the Association, acting under a licence and agreement signed in 1997, fills casual vacancies particularly in holiday times and between long term bookings.

After payment of the licence and agreement fee in the sum of £60,000 LHAS had a taxable trading surplus of £419,992 which in accordance with the covenant signed on 23rd September 1997 is to be transferred to the Association. During the year £475,000 was transferred, leaving a balance of £43,198 to be repaid in the current year.



Company Secretary

Performance Indicators

Age Range

16-25	46%
26-35	34%
36-55	16%
56+	4%

Location of LHA Beds

Kensington & Chelsea	41%
Westminster	37%
Southwark	12%
Camden	10%

Occupation

Working	54%
F/T Student	31%
P/T Student	15%

Length of Stay— Catered

6 months+	33%
1-6 months	43%
14 nights—1 month	11%
1-14 nights	13%

Nationality

European	57%
UK	11%
Americas	6%
Others	26%

Length of Stay— Self Catered

6 months+	72%
1-6 months	24%
14 nights-1 month	3%
1-14 nights	1%

Performance Indicators

Location of LHA Beds

Kensington & Chelsea	41%
Westminster	37%
Southwark	12%
Camden	10%

Length of Stay— Catered

6 months+	33%
1-6 months	43%
14 nights—1 month	11%
1-14 nights	13%

Length of Stay— Self Catered

6 months+	72%
1-6 months	24%
14 nights-1 month	3%
1-14 nights	1%

London Hostels Association Limited
Independent auditors' report
to the members of London Hostels Association Limited

We have audited the accounts of London Hostels Association Limited for the year ended 30 September 2008 which comprise the Statement of Financial Activities, Balance Sheet, Cash Flow Statement and related notes. These accounts have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The responsibilities of the trustees (who are also directors of London Hostels Association Limited for the purposes of company law) for preparing the Annual Report and accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Auditing Standards (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the the information given in the Trustees' Annual Report is consistent with the accounts.

In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charitable company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. The other information comprises only the Chairman's Statement, Aims , Moving Forward, Trustees' Review, Financial Review and Performance Indicators. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the accounts, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

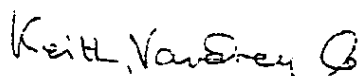
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

In accordance with the exemption provided by APB Ethical Standard – Provisions Available for Smaller Entities, we have assisted with the preparation of the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 30 September 2008 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees' Annual Report is consistent with the accounts.



Keith, Vaudrey & Co
Chartered Accountants & Registered Auditors
15 Young Street, London W8 5EH

24 February 2009

London Hostels Association Limited
Consolidated Statement of Financial Activities
for the year ended 30 September 2008

	Notes	General Funds	Designated Funds	Total 2008	Total 2007
		£	£	£	£
Incoming resources					
<i>Incoming resources from generated funds:</i>					
<i>Activities for generating funds:</i>					
Commercial trading operations	3	638,208	-	638,208	444,658
Income from investments		33,906	12,539	46,445	34,757
Interest receivable		308,739	-	308,739	448,594
		980,853	12,539	993,392	928,009
<i>Incoming resources from charitable activities:</i>					
Operation of hostels		6,619,516	-	6,619,516	6,200,303
Total incoming resources		7,600,369	12,539	7,612,908	7,128,312
Resources expended					
<i>Costs of generating funds:</i>					
Commercial trading operations	3	108,216	-	108,216	100,762
Investment management fees		1,189	760	1,949	2,166
		109,405	760	110,165	102,928
<i>Charitable activities:</i>					
Operation of hostels	4	5,096,484	-	5,096,484	4,449,683
<i>Governance costs</i>	5	71,516	-	71,516	62,085
Total resources expended		5,277,405	760	5,278,165	4,614,696
Net incoming resources before transfers		2,322,964	11,779	2,334,743	2,513,616
Gross transfers between funds		23,364	(23,364)	-	-
		2,346,328	(11,585)	2,334,743	2,513,616
Net pension return	14	33,000	-	33,000	(15,000)
Gains/(losses) on investment assets		(117,509)	9,224	(108,285)	83,117
Net movement in funds		2,261,819	(2,361)	2,259,458	2,581,733
Actuarial gain/(loss) on pension scheme	14	(38,000)	-	(38,000)	922,000
Total recognised gains and losses		2,223,819	(2,361)	2,221,458	3,503,733
Fund balances brought forward at 1 October 2007		20,997,496	4,512,965	25,510,461	22,006,728
Fund balances carried forward at 30 September 2008		23,221,315	4,510,604	27,731,919	25,510,461

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years.

Statement of total recognised gains and losses

The company has no recognised gains or losses for the above two financial years other than those shown.

London Hostels Association Limited

Balance Sheets

as at 30 September 2008

	Notes	Group		Company	
		2008	2007	2008	2007
		£	£	£	£
Fixed assets					
Tangible assets	7	20,010,542	13,604,082	19,998,589	13,576,023
Investments	8	1,176,177	1,415,263	1,326,177	1,565,263
		<u>21,186,719</u>	<u>15,019,345</u>	<u>21,324,766</u>	<u>15,141,286</u>
Current assets					
Stocks	9	24,190	13,265	23,106	12,188
Debtors	10	519,523	1,337,222	498,670	1,373,113
Cash at bank and in hand		6,289,161	10,054,623	6,273,125	9,837,765
		<u>6,832,874</u>	<u>11,405,110</u>	<u>6,794,901</u>	<u>11,223,066</u>
Creditors: amounts falling due within one year	11	(934,546)	(836,866)	(1,043,095)	(797,692)
Net current assets		<u>5,898,328</u>	<u>10,568,244</u>	<u>5,751,806</u>	<u>10,425,374</u>
Total assets less current liabilities		<u>27,085,047</u>	<u>25,587,589</u>	<u>27,076,572</u>	<u>25,566,660</u>
Creditors: amounts falling due after more than one year	12	(354,128)	(374,128)	(354,128)	(374,128)
Pension asset/(liability)	14	1,001,000	297,000	1,001,000	297,000
Net assets		<u>27,731,919</u>	<u>25,510,461</u>	<u>27,723,444</u>	<u>25,489,532</u>
The funds of the charity					
Unrestricted income funds:					
General		23,212,840	20,976,567	23,212,840	20,976,567
Designated	15	4,510,604	4,512,965	4,510,604	4,512,965
		<u>27,723,444</u>	<u>25,489,532</u>	<u>27,723,444</u>	<u>25,489,532</u>
Non-charitable trading funds		8,475	20,929	-	-
		<u>27,731,919</u>	<u>25,510,461</u>	<u>27,723,444</u>	<u>25,489,532</u>

The financial statements were approved by the Council of Management
on 24 February 2009 and signed on its behalf by:


M J Wanstall

)
)
) Members of the
) Council of Management


A R Jamieson

)

London Hostels Association Limited
Consolidated Cash Flow Statement
for the year ended 30 September 2008

	Notes	2008 £	2007 £
Reconciliation of net incoming resources to net cash inflow from operating activities			
Changes in resources before revaluations		2,334,743	2,513,616
Depreciation charges		619,955	607,955
Loss on disposal of fixed assets		-	-
Pension scheme - current service cost	14	145,000	256,000
Pension scheme contributions	14	(869,735)	(207,000)
(Increase)/decrease in stocks		(10,925)	32,240
Decrease/(increase) in debtors		817,699	(821,610)
Increase/(decrease) in creditors		97,680	(85,289)
Net cash inflow from operating activities		3,134,417	2,295,912

CASH FLOW STATEMENT

Net cash inflow from operating activities		3,134,417	2,295,912
Investing activities			
Purchase of tangible fixed assets		(7,026,415)	(199,460)
Purchase of investments		(150,775)	(47,267)
Proceeds from sale of investments		297,311	110,438
Net cash outflow from investing activities		(6,879,879)	(136,289)
Repayment of government loan		(20,000)	(20,000)
(Decrease)/increase in cash		(3,765,462)	2,139,623

Reconciliation of net cash flow to movement in net debt

(Decrease)/increase in cash in the period		(3,765,462)	2,139,623
Decrease in debt financing		20,000	20,000
Change in net debt	17	(3,745,462)	2,159,623
Net funds at 1 October 2007		9,660,495	7,500,872
Net funds at 30 September 2008		5,915,033	9,660,495

London Hostels Association Limited**Notes to the Accounts****for the year ended 30 September 2008****1 Accounting Policies****Basis of Preparation**

The accounts have been prepared under the historical cost convention with the exception of investments which have been included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2005) issued in March 2005, applicable UK Accounting Standards and the Companies Act 1985. The principal accounting policies adopted in the preparation of the accounts are set out below.

Accounting Period

The results for the year comprise income from residents and hostel operating costs for the 52 weeks to 27 September 2008. All other activities are for the year to 30 September 2008.

Group accounts

These accounts consolidate the results of the Association and its wholly owned subsidiary, LHA Services Limited on a line by line basis. A separate statement of financial activities and income and expenditure account are not presented for the Association itself following exemptions afforded by section 230 of the Companies Act 1985 and paragraph 397 of the SORP.

Fund Accounting

General funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the Association and which have not been designated for other purposes. Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the accounts. Investment income and gains or losses are allocated to the appropriate fund.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold and long leasehold buildings	over 50 years, starting from 1 October 1985
Short leasehold land and buildings	over the lease term remaining
Furniture, fixtures and equipment	over 10 years
Motor vehicles	over 10 years
Computer equipment	over 3 years

Moveable furniture and equipment is written out of the accounts after ten years as the Council of Management considers that it has a negligible residual value.

The purchase cost of Torquay House acquired during the year has been ascribed entirely to freehold land as it is intended to demolish the existing building and replace it with a new building.

Investments

Fixed asset investments are stated at mid-market value at the balance sheet date. Gains and losses on revaluation of investments held as fixed assets are included in the statement of financial activities as unrealised. Where investments have been sold during the year, a transfer is made from the investment revaluation reserve to the accumulated reserve of the difference between cost and market value at the beginning of the period for those investments sold.

Stocks

Stocks, which consist of consumables are valued at the lower of cost and net realisable value.

Pensions

The Association operates a pension scheme providing benefits based on final pensionable pay. The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the Statement of Financial Activities, so as to spread the costs of pensions over the expected remaining service lives of current employees on the basis of a constant percentage of current and estimated future earnings. The pension scheme assets are valued at market rate. The pension scheme asset is recognised in full on the balance sheet.

London Hostels Association Limited**Notes to the Accounts****for the year ended 30 September 2008****2 Financial Activities of the Charity**

The financial activities shown in the consolidated statement includes those of the charity's wholly owned subsidiary, LHA Services Limited.

A summary of the financial activities undertaken by the charity is set out below:

	2008 £	2007 £
Gross incoming resources	7,517,146	7,087,100
Total expenditure on charitable activities	(5,096,484)	(4,449,683)
Fundraising costs	(1,949)	(2,166)
Governance costs	(71,516)	(62,085)
Investment losses	(108,285)	83,117
Reduction in pension scheme deficit	(5,000)	858,000
Net incoming resources	2,233,912	3,514,283
Total funds brought forward	25,489,532	21,975,249
Total funds carried forward	27,723,444	25,489,532
Represented by:		
Restricted income funds	4,510,604	4,512,965
Unrestricted income funds	23,212,840	20,976,567
	27,723,444	25,489,532

3 Incoming resources from activities for generating funds

The Association's one wholly owned trading subsidiary, LHA Services Limited, which is incorporated in the UK, pays all of its taxable profits to the Association by way of gift aid. The activities of this subsidiary are the provision of short term accommodation and catering services together with the provision of amenities to the residents of London Hostels Association Limited. The Association owns the entire issued share capital of 150,000 ordinary shares of £1 each. A summary of the trading results is shown below.

Profit and Loss Account	2008 £	2007 £
Turnover	628,095	444,658
Cost of sales and administrative expenses	(218,216)	(210,762)
Gross profit	409,879	233,896
Interest receivable	10,113	5,475
Net profit	419,992	239,371
Amount gift aided to London Hostels Association Limited	(432,446)	(249,921)
Retained in subsidiary	(12,454)	(10,550)

The assets and liabilities of the subsidiary were:

Tangible fixed assets	11,953	28,059
Current assets	155,612	248,025
Creditors: amounts falling due within one year	(9,090)	(105,155)
Total net assets	158,475	170,929

Aggregate share capital and reserves	158,475	170,929
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Included in administrative expenses are rent of £50,000 (2007 - £50,000) and management charges of £60,000 (2007 - £60,000) payable to London Hostels Association Limited and these charges have been eliminated on consolidation.

London Hostels Association Limited

Notes to the Accounts

for the year ended 30 September 2008

4 Analysis of Charitable Expenditure

	Staff costs (note 6) £	Other £	Depreciation (note 7) £	Total £
Charitable expenditure				
House operating costs	934,940	2,855,684	509,975	4,300,599
Support costs	611,060	146,432	38,393	795,885
Total	1,546,000	3,002,116	548,368	5,096,484

5 Governance costs

Governance costs include:

	2008 £	2007 £
Audit fees	10,750	10,500
Insurance against Trustees' and Officers' liabilities	5,056	5,040

6 Staff Costs

	2008 £	2007 £
Wages and salaries	1,275,344	1,174,027
Social security costs	109,905	109,529
Other pension costs	160,751	231,706
	1,546,000	1,515,262

Average number of employees during the year

Head office staff	10	13
Direct maintenance staff	5	5
Hostel staff	47	44
	62	62

Number of employees with emoluments in excess of £50,000:

£50,000 - £60,000	1	1
£60,000 - £70,000	1	1
£70,000 - £80,000	1	-

Number of employees with emoluments in excess of £50,000 to whom retirement benefits are accruing under defined benefit schemes

3	2
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The Board of Trustees receive no remuneration.

London Hostels Association Limited

Notes to the Accounts

for the year ended 30 September 2008

7 Tangible fixed assets - Group

	Freehold land and buildings	Leasehold land and buildings	Plant and machinery	Total
	£	£	£	£
Cost				
At 1 October 2007	14,170,107	528,136	5,759,016	20,457,259
Additions	6,686,067	-	340,348	7,026,415
Disposals	-	-	(36,583)	(36,583)
At 30 September 2008	20,856,174	528,136	6,062,781	27,447,091
Depreciation				
At 1 October 2007	2,404,477	343,106	4,105,594	6,853,177
Charge for the year	248,852	15,972	355,131	619,955
On disposals	-	-	(36,583)	(36,583)
At 30 September 2008	2,653,329	359,078	4,424,142	7,436,549
Net book value				
At 30 September 2008	18,202,845	169,058	1,638,639	20,010,542
At 30 September 2007	11,765,630	185,030	1,653,422	13,604,082

Tangible fixed assets - Company

	Freehold land and buildings	Leasehold land and buildings	Plant and machinery	Total
	£	£	£	£
Cost				
At 1 October 2007	14,170,107	528,136	5,677,628	20,375,871
Additions	6,686,067	-	340,348	7,026,415
Disposals	-	-	(36,583)	(36,583)
At 30 September 2008	20,856,174	528,136	5,981,393	27,365,703
Depreciation				
At 1 October 2007	2,404,477	343,106	4,052,265	6,799,848
Charge for the year	248,852	15,972	339,025	603,849
On disposals	-	-	(36,583)	(36,583)
At 30 September 2008	2,653,329	359,078	4,354,707	7,367,114
Net book value				
At 30 September 2008	18,202,845	169,058	1,626,686	19,998,589
At 30 September 2007	11,765,630	185,030	1,625,363	13,576,023

	2008	2007
	£	£
Analysis of leasehold land and buildings (company and group)		
Long leasehold	91,770	94,861
Short leasehold	77,288	90,169
	169,058	185,030

London Hostels Association Limited

Notes to the Accounts

for the year ended 30 September 2008

8 Investments

	Investments in subsidiary undertakings £	Other investments £	Total £
Market value			
At 1 October 2007	150,000	1,412,075	1,562,075
Additions at cost	-	150,775	150,775
Sale proceeds	-	(297,311)	(297,311)
Losses for the year	-	(89,362)	(89,362)
At 30 September 2008	150,000	1,176,177	1,326,177
 Historic cost at 30 September 2008	 150,000	 900,873	 1,050,873
 Other investments comprise:			
Fixed interest stocks		470,625	
Equities		672,304	
Cash for re-investment		33,248	
		<u>1,176,177</u>	

9 Stocks

	-----Group-----		-----Company-----	
	2008	2007	2008	2007
	£	£	£	£
Household equipment and food	24,190	13,265	23,106	12,188

Debtors

	-----Group-----		-----Company-----	
	2008	2007	2008	2007
	£	£	£	£
Trade debtors	134,721	97,056	117,735	75,394
Amounts owed by subsidiary	-	-	-	65,981
Other debtors	45,463	699,794	45,463	696,359
Prepayments and accrued income	339,339	540,372	335,472	535,379
	<u>519,523</u>	<u>1,337,222</u>	<u>498,670</u>	<u>1,373,113</u>

London Hostels Association Limited**Notes to the Accounts****for the year ended 30 September 2008****11 Creditors: amounts falling due within one year**

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Trade creditors	334,680	196,373	333,475	195,499
Other taxes and social security costs	79,309	131,683	79,309	110,854
Amounts due to subsidiary company	-	-	117,639	-
Fees and deposits in advance	320,390	304,741	320,390	304,741
Government loan	20,000	20,000	20,000	20,000
Accruals	180,167	184,069	172,282	166,598
	934,546	836,866	1,043,095	797,692

12 Creditors: amounts falling due after one year

	2008	2007
	£	£
(Company and Group)		
Government loan	354,128	374,128

13 Borrowings

	2008	2007
	£	£
(Company and Group)		
Loans not wholly repayable within five years:		
Government loan	374,128	394,128
Analysis of maturity of debt:		
Within one year	20,000	20,000
Between one and two years	20,000	20,000
Between two and five years	60,000	60,000
After five years	274,128	294,128
	374,128	394,128
Amounts repayable by instalments any of which fall for payment after five years	374,128	394,128

The loan due to the Government is secured by a debenture dated 23 July 1986 and is interest free. It is repayable by instalments at the rate of £20,000 per annum in accordance with the agreement. Where any property is sold, the Government may at its discretion, require as an accelerated repayment of the loan, by a maximum of 25% of the net proceeds.

14 Pension Commitments

The Association sponsors the London Hostels Association Limited Pension and Life Assurance Scheme which is a defined benefit arrangement. The last full actuarial valuation of this Scheme was carried out by a qualified independent actuary as at 1 April 2006 and has been updated on an approximate basis to 30 September 2008.

The contributions, including members' contributions, made over the period have been £905,000 equivalent to approximately 48.9% of pensionable pay per annum plus contributions of £226,000 per annum for 2006/2007 and 2007/2008. The level of contribution is to continue until reviewed following the triennial valuation of the scheme at 1 April 2009. Death in service premiums, PPF levies and the expenses associated with running the scheme were payable in addition by the Association.

London Hostels Association Limited**Notes to the Accounts****for the year ended 30 September 2008****Present values of scheme liabilities, fair value of assets and surplus**

	At 30/9/08	At 30/9/07	At 30/9/06
	£	£	£
Fair value of scheme assets	4,141,000	3,386,000	2,656,000
Present value of scheme liabilities	3,140,000	3,089,000	3,217,000
Surplus (deficit) recognised in the accounts	1,001,000	297,000	(561,000)

Reconciliation of opening and closing balances of the present value of the scheme liabilities

	2008	2007
	£	£
Scheme liabilities at start of period	3,089,000	3,217,000
Current service cost	145,000	256,000
Interest cost	187,000	175,000
Contributions by scheme participants	51,000	35,000
Actuarial losses	(211,000)	(592,000)
Benefits paid	(121,000)	(2,000)
Scheme liabilities at end of period	<u>3,140,000</u>	<u>3,089,000</u>

Reconciliation of opening and closing balances of the fair value of the scheme assets

	2008	2007
	£	£
Fair value of scheme assets at start of period	3,386,000	2,656,000
Expected return on scheme assets	220,000	160,000
Actuarial (losses)/gains	(249,000)	330,000
Contributions by employer	870,000	207,000
Contributions by scheme participants	35,000	35,000
Benefits paid	(121,000)	(2,000)
Fair value of scheme assets at end of period	<u>4,141,000</u>	<u>3,386,000</u>

The actual return on the scheme assets over the year ending 30 September 2008 was a loss of £29,000.

London Hostels Association Limited**Notes to the Accounts****for the year ended 30 September 2008****Total expense recognised in the statement of financial activities**

	2008	2007
	£	£
Current service cost	145,000	256,000
Interest cost	187,000	175,000
Expected return on scheme assets	(220,000)	(160,000)
Total expense recognised in the statement of financial activities	<u>112,000</u>	<u>271,000</u>

Statement of total recognised gains and losses

	2008	2007
	£	£
Difference between expected and actual return on scheme assets:		
Amount: (loss)/gain	(249,000)	330,000
Experience gains and losses arising on the scheme liabilities:		
Amount: (loss)/gain	(244,000)	194,000
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:		
Amount: gain	<u>455,000</u>	<u>398,000</u>
Total amount recognised in the statement of total recognised gains and losses:	<u>(38,000)</u>	<u>922,000</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since 30 September 2003 is £1,066,000.

Assets	2008	2007	2006
	£	£	£
Insurance contract	3,829,000	3,386,000	2,656,000
Cash in transit	312,000	-	-
	<u>4,141,000</u>	<u>3,386,000</u>	<u>2,656,000</u>

None of the fair values of the assets shown above include any of the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

London Hostels Association Limited
Notes to the Accounts
for the year ended 30 September 2008

Assumptions

	2008	2007	2006
	% per annum	% per annum	% per annum
Inflation	3.60	3.50	3.25
Salary increases	5.00	5.00	5.00
Rate of discount	6.70	6.00	5.00
Pension increases	5.00	5.00	5.00
Revaluation rate for deferred pensioners	5.00	5.00	5.00
Commutation	nil	nil	nil

The mortality assumptions adopted at 30 September 2008 imply the following life expectancies at age 65

Male currently aged 40	25 years
Female currently aged 40	27 years
Male currently aged 65	23 years
Female currently aged 65	25 years

Expected long term rate of return	2008	2007
Insurance policy	6.00%	5.75%

Amounts for the current and previous three periods

	2008	2007	2006	2005
	£	£	£	£
Fair value of assets	4,141,000	3,386,000	2,656,000	2,191,000
Present value of scheme liabilities	3,140,000	3,089,000	3,217,000	3,972,000
Surplus (deficit) in scheme	1,001,000	297,000	(561,000)	(781,000)
Experience adjustment on scheme liabilities	(244,000)	194,000	13,000	(12,000)
Experience adjustment on scheme assets	(249,000)	330,000	92,000	49,000
Effects of changes in the demographic and financial assumptions underlying the present value of scheme liabilities	455,000	398,000	173,000	(444,000)

The best estimate of contributions to be paid by the employer to the scheme for the period beginning after 30 September 2008 is £538,000.

London Hostels Association Limited
Notes to the Accounts
for the year ended 30 September 2008

15 Designated Funds

	Balance at 1.10.2007 £	Income £	Transfers & Expenditure £	Balance at 30.9.2008 £
Other reserves	3,666,496	-	-	3,666,496
Dilapidations fund	435,695	21,763	(760)	456,698
Government grants	232,361	-	(17,380)	214,981
Local Authority grants	178,413	-	(5,984)	172,429
	<u>4,512,965</u>	<u>21,763</u>	<u>(24,124)</u>	<u>4,510,604</u>

Other reserves represent surpluses from the sale of property.

The dilapidations fund has been established to set aside funds which may be required for dilapidations on the expiry of the lease of Regina House.

The Local Authority and Government grants, which were previously treated as deferred income are written off in line with depreciation on the relevant buildings. A transfer equal to this depreciation is made from designated funds to general funds.

16 Analysis of group net assets between funds

	General Funds £	Designated Funds £	Total Funds £
Tangible fixed assets	16,344,046	3,666,496	20,010,542
Investments	719,479	456,698	1,176,177
Cash at bank and in hand	5,901,751	387,410	6,289,161
Other net current liabilities	(390,833)	-	(390,833)
Net long term liabilities	(77,128)	-	646,872
	<u>22,497,315</u>	<u>4,510,604</u>	<u>27,731,919</u>

17 Analysis of changes in net debt

	At 1 Oct 2007 £	Cash flows £	Non-cash changes £	At 30 Sep 2008 £
Cash at bank and in hand	10,054,623	(3,765,462)		6,289,161
Debt due within 1 year	(20,000)	20,000	(20,000)	(20,000)
Debt due after 1 year	(374,128)	-	20,000	(354,128)
		20,000		
Total	<u>9,660,495</u>	<u>(3,745,462)</u>	<u>-</u>	<u>5,915,033</u>

18 Limited Liability

The charitable company is limited by guarantee and does not have a share capital. Every member of the company undertakes to contribute to the assets of the company in the event of the same being wound up during the time he or she is a member, or within a year after he or she ceases to be a member, such amounts as may be required, not exceeding £10.