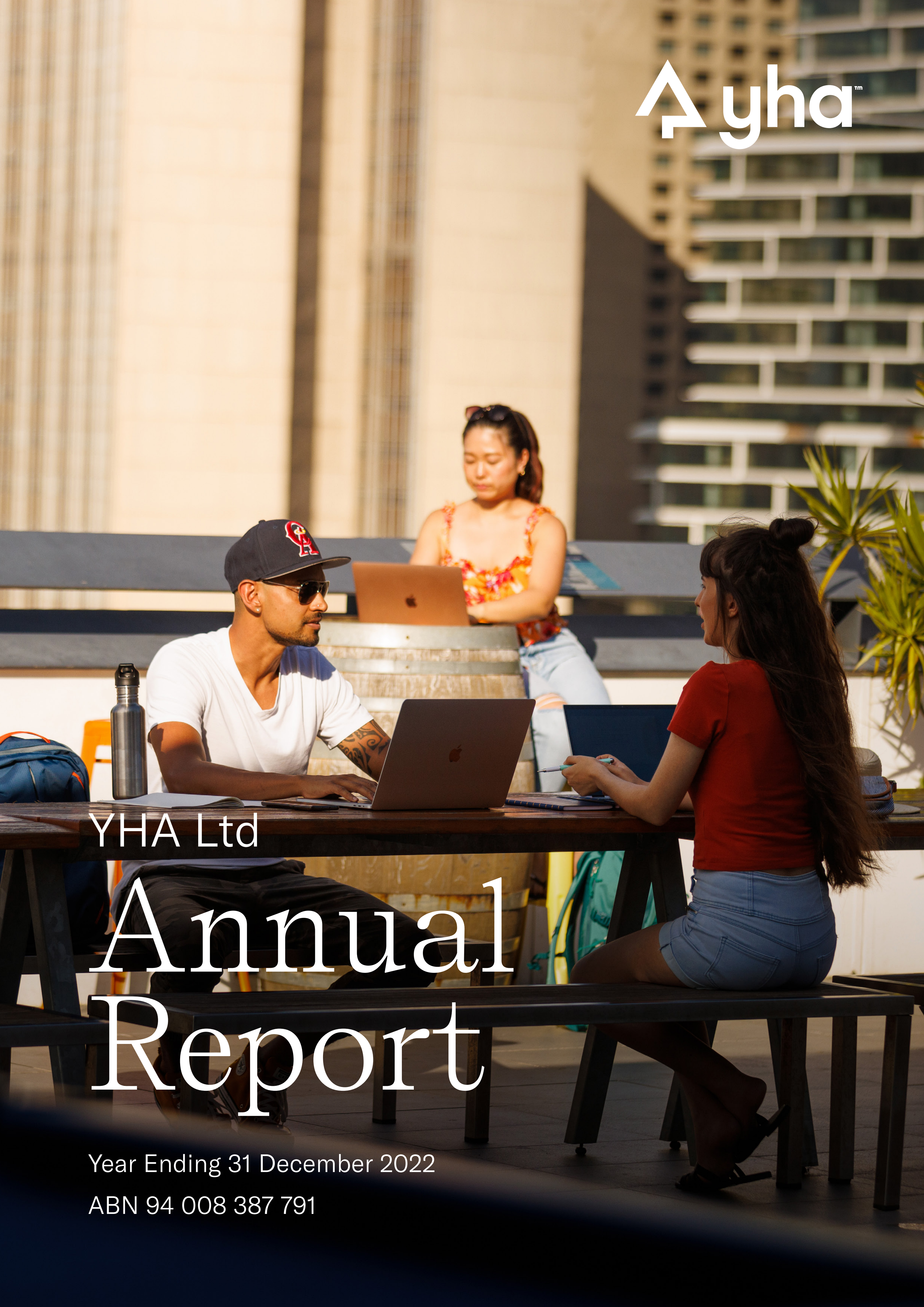

YHA Ltd

Annual Report

Year Ending 31 December 2022

ABN 94 008 387 791

Contents

Directors report

The Directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'consolidated entity' or 'group') consisting of YHA Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 31 December 2022.

1. The names and other information of the Directors of the company in Office

The names, qualifications and experience of the Directors in office at any time during or since the end of the financial year are as follows:

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Name	Qualifications	Experience	Responsibilities	Elected
Brigita Bridget Bezjak	B.App.Sci (Speech Pathology), Dip Bus (Governance). MAICD.	YHA member since 1999. Health professional.		April 2019 to April 2022
Bronwyn Teresse Dallow	M.International Management, Grad Dip Business, MAICD	YHA member since 2011. Business and Management Executive.	Vice Chair from April 2020. Chair of Nominations, Remuneration & HR Committee from April 2019 to April 2021, Chair of Election Committee from April to September 2019 and from April 2020 to March 2022.	18 April 2020 to April 2023
Reid Edward Johnson	BSci, Master in General Management, AICD	IT Executive.		Appointed 22 October 2022 to April 2024
Tammy Lea Marshall	BBus, Graduate Diploma in Business Administration, MBA, GAICD	YHA member since 2019. Managing Director / owner of Management Consulting business.	Chair of Nominations, Remuneration & HR Committee from April 2021, Chair of Election Committee from April 2022.	17 April 2022 to April 2024
Alison Louise McDonagh	BCom (Marketing & Hospitality Management); Graduate Diploma (Urban & Regional Planning)	YHA member since 2018. Regional Development Manager, property developer		18 April 2020 to April 2023
Matthew Craig McNeil	BArch (Hons), GAICD	YHA member since 1988. Architect & educator		April 2019 to April 2022
Tracey Michelle Powell	BBus, GAICD	YHA member since 2000. Former member of YHA South Australia Board, held role of Chair. Principal & Director, marketing consultancy.	Chair from April 2020, former Vice Chair, former Chair of Nominations & Remuneration Committee and former Chair of Election Committee.	17 April 2022 to April 2024
Simon Paul Spicer	BEc, CA, GAICD	YHA member since 2018. Finance and Strategy Executive.	Chair of Audit & Risk Committee from April 2019.	15 April 2022 to April 2025
Jennifer Ching Wai Tang	BCom, LLB	Managing Director, Investment Firm.		Appointed 1 January 2022 to April 2023.
David James Young	BCom, LLM. CA, GAICD	Director, Airline Commercial Executive.		Appointed 1 January 2022 to April 2023.

Company Secretary

Stephen Lynch was appointed as Company Secretary on 23 September 2009.

2. Meetings of Directors

The following table sets out the Board and Committee meetings held during the year and the number attended by each Director where applicable. The Committees are: Audit and Risk Committee, Nominations Remuneration and Human Resources Committee and Election Committee.

Director	Board of Director Meetings		Committee Meetings	
	Number held / Eligible to attend	Number attended	Number held / Eligible to attend	Number attended
Brigita Bridget Bezjak	4	4	3	3
Bronwyn Teresse Dallow	12	11	6	6
Reid Edward Johnson	2	2	1	1
Tammy Lea Marshall	12	12	13	13
Alison Louise McDonagh	12	12	7	6
Matthew Craig McNeil	4	4	2	2
Tracey Michelle Powell	12	10	6	5
Simon Paul Spicer	12	12	7	7
Jennifer Ching Wai Tang	12	11	6	6
David James Young	12	11	6	6

The above meeting attendance is for YHA Ltd. Youth Hostels Association of Queensland (YHA Queensland), YHA Victoria Limited and YHA WA Pty Ltd held 1 Board of Directors meeting. These were held on the same days at the same time and location as the above meetings reported for YHA Ltd.

3. Short and long term objectives

The objects of the group are:

(a) represent the interests of the company and its Affiliated Entities internationally with Hostelling International and its Affiliated Entities;

(b) promote youth hostelling internationally, including fostering an appreciation of a range of cultural values;

(c) promote youth hostelling throughout Australia and its dependent territories, and to promote interstate and international friendship through the development of youth hostelling;

(d) provide educational opportunities in Australia for all people, but especially young people, to:

- (1) achieve personal development;
- (2) foster friendship; and
- (3) bring about a better understanding of others and the world around them;

(e) facilitate education by providing, operating and assisting others to provide and operate, hostels or similar accommodation in which there are no distinctions of race, nationality, colour, religion, gender, sexual orientation, class or political opinion;

(f) educate, by promoting and encouraging:

- (1) travel;
- (2) healthy recreational activities;
- (3) environmental awareness; and
- (4) interstate and international friendships and understanding, particularly through the development and provision of facilities and services to assist travellers within and outside Australia;

(g) actively promote Australia as a prime holiday destination for the members of overseas organisations affiliated with Hostelling International; and

(h) provide information or advice to any government, company or any other organisation in relation to any of the foregoing.

4. Strategy for achieving objectives

(a) To be the market leader in the provision of low cost, quality accommodation in Australia and at least maintain current market share.

(b) To be the market leader in providing services to free independent travellers (FITs).

(c) To be a dynamic market driven organisation responsive to change.

(d) To develop the business and activities of YHA in accordance with the national and international aims and objectives of the organisation.

(e) To achieve the most effective structure for YHA in Australia.

(f) To provide an annual operating surplus to reinvest in the further growth and development of YHA services and resources.

(g) To continue to exercise the organisation's social, cultural, economic, educational and environmental responsibilities as a major international membership organisation.

(h) To continue to develop YHA's human resources as a means of achieving the above objectives.

(i) To manage risk through selected strategies and regular review.

5. Principal activities

The principal activities of the group during the financial year were to provide secure, high quality, low cost accommodation to members in YHA hostels and, through affiliated organisations, enable access to such accommodation throughout the world. In addition, the company operates travel and tour desk services and food and beverage operations at some hostels. These activities are directed at achieving the specific objectives of the group.

6. Operating results

The consolidated surplus after tax for the financial year ended 31 December 2022 was $33,256,708 (2021 deficit of $10,530,432). The number of member overnights for the year was 846,231 (2021: 479,059).

The 2022 surplus included some large transactions including the total net gain on sale of Canberra Central YHA of $4,161,398 (March 2022) and the net gain on disposal of Railway Square YHA (July 2022) in relation to the YHA property being developed in the Tech Central Precinct, of $34,656,973. (2021: Perth City YHA, Coffs Harbour YHA, Gold Coast Land and Airlie Beach YHA of $807,687). Finance costs increased to $7,098,932 (2021: $879,804 which included a net prior year gain on breaking fixed interest contracts $965,000, a gain on the fair value movement in derivative financial instruments $951,778).

The group uses occupancy percentage or utilisation of the hostel beds as a measure of performance together with quality ratings from guests. The property bed occupancy in 2022 for operated properties was 57.43% (2021 27.0%), ratings were in the desired range and several properties achieved consistently high ratings. Recovery commenced soon after the state and international border restrictions were lifted with increasing occupancy from April to June and a further increase as traveller numbers increased through quarters 3 and 4 with a strong finish with occupancy % in the high 70s in December 2022. Average bed rates also improved through the year with demand increasing and lowering of bed supply in the capital cities. Resourcing constraints were a concern, though this also had the impact of keeping costs low.

7. Review of operations

The annual report is prepared on a consolidated basis and includes the operations of YHA Ltd (property operations, membership, travel and tour sales), YHA Queensland (property owner), YHA Victoria Limited (dormant), YHA WA Pty Ltd (dormant) and YHA Travel to Learn Limited (YHA's charity).

Revenue improved in the first quarter as the State border restrictions eased and were removed, then again after the International border was reopened in February 2022. YHA was free of the disruptions of the previous two years for international arrivals and limitations on Australian travel movement, demand returned progressively to the larger cities of Brisbane, Sydney and Melbourne, whilst the smaller cities and regional areas were stable. Group overnights demand both outside and during school terms and other holiday periods also strengthened. Cash flows grew during the year enabling confidence to invest in the properties and attend to some deferred maintenance not able to be completed during COVID restrictions and constrained cash flows due to low occupancy. The disposal of Railway Square YHA on 21 July 2022, saw the commencement of monthly forgone cashflow payments and a reduction in bed supply in Sydney, both these changes supported cash flows and improved occupancy in the remaining Sydney properties.

8. Dividends

YHA Ltd is a not for profit company limited by guarantee and does not pay dividends. Every Member undertakes to contribute to the property of the company in the event of it being wound-up for payment of the debts and liabilities of the company, such amount as may be required, not exceeding $1.

9. Significant changes in the state of affairs

The Directors are not aware of any matter or circumstance not otherwise dealt with in this report or the financial report that has significantly or may significantly affect the operations of the group, the result of those operations or the state of affairs of the group for the year ended 31 December 2022.

10. Significant events since the end of financial year

The Directors of the company are not aware of any matter or circumstance that has arisen since the end of the financial year which is likely to significantly affect the operations of the group, the results of those operations or state of affairs of the group in future financial years.

11. Likely developments

Likely developments in the operations of the group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the group.

12. Directors' and officers' liability insurance

The company has arranged a Directors' and Officers' Liability Insurance policy, which covers all the Directors and Officers of the company against certain liabilities they may incur in carrying out their duties for YHA Ltd. The terms of the policy prohibit disclosure of details of the amount of the insurance cover, the nature thereof and the premium paid.

13. Environmental reporting

The group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or State or Territory.

14. Proceedings on behalf of the company

No person has applied for leave of the Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

15. Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 28.

16. Rounding of amounts

The company is of a kind referred to in the ASIC Legislative Instrument 2016/191 relating to 'rounding off' of amounts in the Directors' Report. Amounts have been rounded off in accordance with the instrument to the nearest dollar.

Signed in accordance with a resolution of the Directors.

TPowell

Tracey Powell
Director
18 February 2023

Simon Spicer
Director
18 February 2023

Statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTE	2022 $	2021 $
Revenue			
Revenue from contracts with customers and other revenue	3	37,973,682	18,881,716
Interest revenue		868,767	-
Other income	3	38,678,520	807,687
		77,520,969	19,689,403
Expenses			
Employee benefits expense	4	(16,028,677)	(12,087,653)
Depreciation & amortisation expense	4	(4,949,369)	(5,967,928)
Impairment expense	12	-	(355,000)
Finance costs	4	(7,098,932)	(879,804)
Other expenses	4	(16,187,283)	(10,929,450)
		(44,264,261)	(30,219,835)
Surplus / (deficit) before income tax		33,256,708	(10,530,432)
Income tax (expense)	5	-	-
Surplus / (deficit) after income tax		33,256,708	(10,530,432)
Other comprehensive income		-	-
Total Comprehensive Income		33,256,708	(10,530,432)

The accompanying notes form part of these financial statements.

Statement of financial position

AS AT 31 DECEMBER 2022

	NOTE	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	6	14,062,000	8,543,802
Trade and other receivables	7	220,124	807,775
Financial assets	8	1,221,842	-
Inventories	9	75,592	62,976
Other current assets	10	926,763	806,184
Non-current assets classified as held for sale	11	-	6,457,932
Total current assets		16,506,321	16,678,669
Non-current assets			
Financial assets	8	33,483,978	-
Property, plant and equipment	12	106,251,780	106,577,083
Lease assets	13	2,345,800	3,123,798
Intangible assets	14	1,801,482	1,867,486
Total Non-current Assets		143,883,040	111,568,367
Total assets		160,389,361	128,247,036
Liabilities			
Current liabilities			
Trade and other payables	15	3,954,499	2,626,635
Lease liabilities	13	234,641	761,388
Borrowings	16	512,471	473,713
Trade and other payables	17	1,485,543	1,366,728
Contract liabilities	18	2,513,459	2,632,927
Total current liabilities		8,700,613	7,861,391
Non-current liabilities			
Trade and other payables	15	20,349	20,349
Lease liabilities	13	2,351,722	2,586,363
Borrowings	16	90,457,663	92,139,069
Provisions	17	66,301	103,859
Total non-current liabilities		92,896,035	94,849,640
Total liabilities		101,596,648	102,711,031
Net assets		58,792,713	25,536,005
Equity			
Accumulated surplus		55,035,004	21,778,296
Revaluation reserve		3,757,709	3,757,709
Total equity		58,792,713	25,536,005

The accompanying notes form part of these financial statements.

Statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2022

	Revaluation total $	Accumulated surplus $	Total equity $
Balance at 1 January 2021	3,757,709	32,308,728	36,066,437
Deficit after income tax	-	(10,530,432)	(10,530,432)
Other comprehensive income	-	-	-
Balance at 31 December 2021	3,757,709	21,778,296	25,536,005
Surplus after income tax	-	33,256,708	33,256,708
Other comprehensive income	-	-	-
Balance at 31 December 2022	3,757,709	55,035,004	58,792,713

The accompanying notes form part of these financial statements.

Statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTE	2022 $	2021 $
Cash flows from operating activities			
Receipts from members and customers		41,627,152	18,906,498
Receipts from government subsidies		599,000	1,914,514
Payments to employees		(15,947,420)	(12,562,197)
Payments to suppliers		(19,106,858)	(11,983,126)
Interest received		111,920	-
Finance costs paid		(6,716,164)	(1,831,582)
Net cash provided by / (used in) operating activities		567,630	(5,555,893)
Cash flows from investing activities			
Purchase of plant, equipment & software		(3,392,057)	(566,365)
Receipt of financial asset		591,178	-
Development of property		(528,571)	(397,252)
Receipt of interest from financial assets		116,822	-
Proceeds from sale of property, plant & equipment		10,950,000	13,498,492
Net cash provided by investing activities		7,737,372	12,534,875
Cash flows from financing activities			
Proceeds from borrowings		3,000,000	92,139,069
(Repayment) of borrowings		(5,025,416)	(91,404,097)
Payments for the principal portion of lease liabilities		(761,388)	(1,017,144)
Net cash (used in) financing activities		(2,786,804)	(282,172)
Net increase in cash and cash equivalents		5,518,198	6,696,810
Cash and cash equivalents at the beginning of the year		8,543,802	1,846,992
Cash and cash equivalents at the end of the year	6	14,062,000	8,543,802
Non-cash financing and investing activities	27		

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

Note 1 - Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards – Simplified Disclosures. This includes compliance with the recognition and measurement requirements of all Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the disclosure requirements of AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities, as appropriate for Not-for-Profit entities and the Corporations Act 2001. The consolidated financial report of the group as at and for the year ended 31 December 2022 comprises YHA Ltd (the company) and its controlled entities which include Youth Hostels Association of Queensland, YHA Victoria Limited, YHA WA Pty Ltd (formerly YHA WA Inc) and YHA Travel to Learn Limited. YHA Ltd is a company limited by guarantee, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 18 February 2023.

Basis of preparation

Reporting basis and conventions

This financial report is the first financial report of the group prepared in accordance with Australian Accounting Standards - Simplified Disclosures. The prior year financial report was prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements. The transition from the previous financial reporting framework to Australian Accounting Standards - Simplified Disclosures has not affected the group's reported financial position, financial performance and cash flows.

The following is a summary of the material accounting policies adopted by YHA Ltd in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated. The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Accounting policies

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 14-30 days.

The group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Property plant & equipment

Property, plant and equipment are brought to account at cost, less, where applicable, any accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of its recoverable amount. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

Notes to the Financial Statements

Note 1: Statement of significant accounting policies (continued)

Depreciation

Buildings, plant and equipment are depreciated on a straight line basis over the estimated useful life of the asset to the Company.

The estimated useful lives are:

Freehold Buildings	17 - 50 years
Leasehold Buildings	lesser of the term of the lease agreement and 40 years (except Thredbo where the carrying value is written down over 50 years.)
Plant and Equipment	3 - 8 years
Intangible assets	term of the lease if applicable

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Profit or Loss and Other Comprehensive Income.

Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost.

Other financial assets

Recognition / derecognition

Financial assets are recognised on the date it becomes party to the contractual agreement (trade date).

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or the Group has transferred substantially all risks and rewards of ownership.

Classification of financial assets

Financial assets recognised by the group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9. Financial assets not irrevocably designated on initial recognition at FVtOCI are measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

(a) the group's business model for managing the financial assets; and

(b) the contractual cash flow characteristics of the financial asset.

Financial assets at amortised cost

Financial assets are classified (and measured) at amortised cost on the basis that:

(a) they are held within a business model whose objective is achieved by the group holding the financial asset to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Financial Statements

Note 1: Statement of significant accounting policies (continued)

Impairment of non-financial assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Impairment of financial assets

The group recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with maturity dates of six months or less and which are used in the cash management function on a day to day basis. The bank overdraft is excluded from cash because it is part of a term facility.

Lease assets

A lease asset is recognised at the commencement date of a lease. The lease asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Lease assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The group has elected not to recognise a lease asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Notes to the Financial Statements

Note 1: Statement of significant accounting policies (continued)

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Inventories

Inventories are measured at the lower of cost and net realisable value, using the first in first out basis.

Intangibles

Liquor licence

Liquor licence is tested annually for impairment and is carried at cost less accumulated impairment losses, if any.

Software

Software is recorded at cost. Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of between 3 and 5 years. It is assessed annually for impairment.

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business exceeds the fair value attributed to its net assets at date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Revenue recognition

The group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Hostel revenue

The group's performance obligation is to provide accommodation and other goods and services to guests. Hostel revenue includes rooms or beds revenue and other sales such as food and beverage, which is recognised when the rooms or beds are occupied, and food and beverages are sold.

Membership revenue

Membership Fees are payable on a guest's first stay with YHA in Australia and are either perpetual or expire after a term of 2 years or resignation. Membership fees are recognised as revenue in the year that the memberships are sold and are not refundable. Membership fees are also payable for Australians travelling overseas who have not yet stayed at a YHA hostel in Australia.

Travel and tours commission

Travel and tours commission is the net commission earned by YHA as agent for selling a travel or tour product to customers and is recognised at the time of each product sale.

Notes to the Financial Statements

Note 1: Statement of significant accounting policies (continued)

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rent

Rent revenue is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned. Any rent received in advance is recognised as deferred income.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants

Government grants are recognised when there is reasonable certainty that the grant will be received and all grant conditions are met. Government grants include amounts received or receivable under the Federal Government's JobKeeper Payment Scheme and the NSW Governments JobSaver Scheme, which provide temporary subsidies to eligible businesses significantly affected by coronavirus (Covid 19).

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of GST, except where GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Cash flows are presented in the Statement of Cash Flows on a gross basis and GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the Taxation Authority, are classified as operating cash flow.

Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Notes to the Financial Statements

Note 1: Statement of significant accounting policies (continued)

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred. For each business combination, the non-controlling interest in the acquiree is measured at fair value. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred is recognised as goodwill.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in profit or loss.

Due to the principle of mutual income, a significant portion of the receipts recognised as income represents amounts received from members and does not represent income of the group for income tax purposes.

Notes to the Financial Statements

Note 1: Statement of significant accounting policies (continued)

Employee benefits

(i) Short - term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Employee benefits

(i i) Other long- term employee benefit obligations

The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the group does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Rounding of amounts

The company is of a kind referred to in the ASIC legislative Instrument 2016/191 relating to 'rounding off' of amounts in the financial report. Amounts have been rounded off in accordance with the instrument to the nearest dollar.

Contract liabilities

Contract liabilities represent the group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the group has transferred the goods or services to the customer.

Note 2 - Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of useful lives of assets

The group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of property prices, technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives of assets are less than previously estimated or technically obsolete. Non-strategic assets that have been abandoned or sold will be written off or written down.

Notes to the Financial Statements

Note 2: Critical accounting judgements, estimates and assumptions (continued)

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions including:

- Bed occupancy % increasing over the year with state, territory and international economic activity continuing to recover, in the range as from 60% up to 75% or higher by the end of the year.
- Average bed rates increasing as demand from Australians and International travellers strengthens and in the range of $40 in competitive locations with less demand and up to $65 in higher demand locations and times of peak demand.
- A progressive increase in international travel through increasing arrivals as airline capacity returns to pre COVID levels and prices stabilise.
- Discount rate in the range of 9% to 12% and capitalisation rates in the range from 6% to 12%.

Goodwill and other indefinite life intangible assets

The group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy earlier stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Deferred tax assets

Recovery of tax losses

The group does not regard it as appropriate to recognise in its financial statements any possible future income tax benefit arising from tax losses and other timing differences as there is no probability of recovery of these benefits.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Financial asset discount rate

The discount rate used to estimate present value of the financial asset was the corporate bond rate of 4.38%, the measurement was made from the date of settlement of the disposal of YHA Railway Square to November 2026.

Notes to the Financial Statements

Note 3 - Revenue and other income

	2022 $	2021 $
Revenue from contracts with customers		
Hostel	34,354,773	14,715,622
Catering	1,261,774	311,165
Travel & tours commission	37,904	10,400
Other hostel revenue	475,957	432,182
Sundry revenue	612,253	514,698
Total revenue from contracts with customers	36,742,661	15,984,067

All revenue from contracts with customers is recognised at a point in time.

Other revenue		
Membership	561,403	224,035
Government subsidies	-	1,951,550
Rent	669,618	722,064
Total other revenue	1,231,021	2,897,649
Total revenue	37,973,682	18,881,716

Other income		
Gain on disposal of property, plant & equipment	38,678,520	807,687
Total other income	38,678,520	807,687

The Canberra Central YHA property was sold during the year for a net gain. (2021: Perth City, Coffs Harbour, Hawkesbury Heights, land at 3 Beach Road Surfers Paradise for a total net gain). This sale was made to further mitigate liquidity risk caused by the affect of the COVID Omicron variant that delayed the recovery of interstate and international travel in the last quarter of 2021 and first quarter of 2022.

The gain also includes a gain for the sale of Railway Square YHA leasehold, refer to note 28 for detail of this significant transaction.

Notes to the Financial Statements

Note 4 - Expenses

	NOTE	2022 $	2021 $
Salaries and wages		13,998,279	10,624,145
Superannuation		1,438,062	1,085,596
Other benefits		592,336	377,912
Employee benefits		16,028,677	12,087,653
Depreciation of property plant & equipment		4,135,374	4,693,759
Amortisation of software		35,997	215,377
Amortisation of lease assets		777,998	1,058,792
Depreciation and amortisation		4,949,369	5,967,928
Borrowing costs		988,716	199,246
Bank interest		5,982,355	2,440,593
Bank interest - fixed contract break (income)		-	(965,000)
Affiliated interest		22,455	17,916
Lease liability interest		105,406	138,827
Fair value (gain) on interest rate swaps		-	(951,778)
Finance costs		7,098,932	879,804
Cost of goods sold		725,309	185,337
Operating expenses		7,742,556	3,793,325
Administration, marketing and insurance		5,127,849	5,056,872
Property expenses		2,488,569	1,808,219
Audit		103,000	85,697
Other expenses		16,187,283	10,929,450

Note 5 - Income tax

	2022 $	2021 $
A) Reconciliation of effective tax rate		
Income tax expense using the domestic corporation tax rate of 25% (2021: 25%)	8,314,177	(2,737,912)
Add / (subtract) tax effect of:		
Income and expenses exempt under principle of mutuality	(1,425,709)	1,839,897
Utilisation of previously unrecognised income tax and capital losses	(7,483,529)	-
Income tax losses not recognised as deferred tax asset	595,061	898,015
Income tax expense	-	-

B) Principle of mutuality

The estimated amount of income subject to the mutuality principle is 95% (2021: 95%).

C) unrecognised tax losses

The following tax losses from non-mutual income have not been brought to account as a deferred tax asset:		
YHA Ltd	12,457,827	18,777,608
YHA Queensland	4,617,179	3,805,254
Tax losses	17,075,006	22,582,862

The group does not regard it as appropriate to recognise in its financial statements any possible future income tax benefit arising from the aforementioned tax losses and other timing differences as there is no probability of recovery of this benefit.

Notes to the Financial Statements

Note 6 - Cash and cash equivalents

	2022 $	2021 $
Cash on hand	23,072	26,300
Cash at bank	10,572,134	2,634,939
Cash at bank - reserved for capital commitments	1,138,921	-
Cash on deposit	2,327,873	5,882,563
	14,062,000	8,543,802

Cash at bank - reserved for capital commitments is the remaining funding of the drawn capital facility to be used for 2022 works in progress. Cash on deposit includes cash for interest payments $2,155,409 (2021: $4,992,139) in relation to the Syndicated Facility, and $172,424 (2021: $890,424) for commercial card and bank guarantees. The use of these funds are restricted by agreements with external parties.

a) Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	14,062,000	8,543,802
Balance as per statement of cash flows	14,062,000	8,543,802

Note 7 - Trade & other receivables

Current		
Trade receivables	250,036	250,818
Provision for expected credit losses	(29,912)	(42,043)
	220,124	208,775
Government subsidies	-	599,000
	220,124	807,775

The group has recognised a loss of $29,912 (2021: $42,043) in profit or loss in respect of the expected credit losses for the year ended 31 December 2022.

Note 8 - Financial assets

Financial assets measured at amortised cost:		
YHA Railway Square - forgone cash flow payments	5,106,431	-
YHA Railway Square - sale proceeds	29,599,389	-
	34,705,820	-

Financial assets are classified in the statement of financial position as:		
Current	1,221,842	-
Non-current	33,483,978	-
	34,705,820	-

Notes to the Financial Statements

Note 9 - Inventories

	2022 $	2021 $
Finished goods	75,592	62,976
	75,592	62,976

Note 10 - Other assets

Current		
Prepayments	926,763	806,184
	926,763	806,184

Note 11 - Non-current assets classified as held for sale

Leasehold land and building		
At cost	-	10,599,603
Less: Accumulated depreciation	-	(4,141,671)
Total non-current assets classified as held for sale	-	6,457,932

In 2022 liquidity needs recovered sufficiently to no longer require any assets to be held for sale. In 2021 in response to the liquidity needs of the company as a result of the COVID pandemic one asset was classified as held for sale, Canberra City YHA.

Note 12 - Property, plant and equipment

	2022 $	2021 $
Property, plant and equipment		
At cost	102,430,038	102,184,328
Less: Accumulated depreciation	(33,835,955)	(31,589,914)
	68,594,083	70,594,414
Leasehold land and buildings		
At cost	29,610,741	41,113,657
Less: Accumulated depreciation	(10,085,790)	(10,608,835)
	19,524,951	30,504,822
Plant and equipment		
At cost	17,199,792	18,086,113
Less: Accumulated depreciation	(12,254,437)	(13,517,767)
	4,945,355	4,568,346
Work in progress - at cost	13,187,391	909,501
Total property, plant and equipment	106,251,780	106,577,083

Notes to the Financial Statements

Note 12 - Property, plant and equipment (continued)

The following are movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	NOTE	2022 $	2021 $
Freehold land & buildings			
Balance at the beginning of the year		70,594,414	75,138,111
Additions		269,591	78,442
Disposals		-	(1,968,105)
Transfers		1,500	-
Impairment expense		-	(355,000)
Depreciation expense		(2,271,422)	(2,299,034)
Carrying amount at the end of the year		68,594,083	70,594,414
Leasehold land & buildings			
Balance at the beginning of the year		30,504,822	37,272,329
Additions		142,943	100,131
Disposals		(10,307,717)	(145,229)
Transfer to non-current assets held for sale		-	(5,625,435)
Depreciation expense		(815,097)	(1,096,974)
Carrying amount at the end of the year		19,524,951	30,504,822
Plant & equipment			
Balance at the beginning of the year		4,568,346	6,503,452
Additions		1,775,260	292,111
Disposals		(362,787)	(101,064)
Transfers		13,391	4,096
Transfer to non-current assets held for sale		-	(832,497)
Depreciation expense		(1,048,855)	(1,297,752)
Carrying amount at the end of the year		4,945,355	4,568,346
Work in progress			
Balance at the beginning of the year		909,501	449,147
Additions		1,204,263	473,998
Additions development work in progress		11,148,730	-
Disposals		(60,212)	-
Transfers		(14,891)	(13,644)
Carrying amount at the end of the year		13,187,391	909,501
Total			
Balance at the beginning of the year		106,577,083	119,363,039
Additions		3,392,057	944,682
Additions development work in progress		11,148,730	-
Disposals		(10,730,716)	(2,214,399)
Transfers (to) / from intangibles	14	-	(9,548)
Transfer to non-current assets held for sale		-	(6,457,932)
Impairment expense		-	(355,000)
Depreciation expense		(4,135,374)	(4,693,759)
Carrying amount at the end of the year		106,251,780	106,577,083

Notes to the Financial Statements

Note 13 - Lease assets and lease liabilities

The group leased office and hostel premises as well as specialised information technology equipment for periods not exceeding 5 years. The group is required to return the underlying assets in a specified condition at the end of the lease term. This note provides information for leases where the group is a lessee.

At the commencement date of a lease (other than leases of 12-months or less and leases of low-value assets), the group recognises a lease asset representing its right of use to the underlying asset and a lease liability representing its obligation to make lease payments.

Operating leases pertain to properties leased for the provision of accommodation to members, the administration of the entity and IT infrastructure services. The leases typically run for periods up to 5 years with varying terms and renewal options except for Thredbo YHA (to 2057), Sydney Harbour YHA variable lease payments (to 2108) and Fremantle Prison YHA (to 2024).

(i) Amounts recognised in the statement of financial position:

	2022 $	2021 $
Carrying value of lease assets, by class of underlying asset:		
Land and buildings	2,345,800	3,123,798
Carrying amount at the end of the year	2,345,800	3,123,798
Reconciliation of the carrying amount of lease assets at the beginning and end of the year:		
Carrying amount at the beginning of the year	3,123,798	4,182,590
Amortisation	(777,998)	(1,058,792)
Carrying amount at the end of the year	2,345,800	3,123,798
Lease liabilities		
Current	234,641	761,388
Non-current	2,351,722	2,586,363
	2,586,363	3,347,751

(ii) Amounts recognised in the statement of comprehensive income:

Interest expense (included in finance costs)	(105,406)	(138,827)
Expense relating to variable lease payments not included in lease liabilities (included in property expenses)	(531,044)	(167,365)
The total cash outflow for leases was:	(1,397,837)	(1,370,340)
Operating leases		
Payable not later than 1 year	322,007	764,670
Later than 1 year but not later than 5 years	702,251	847,228
Later than 5 years	2,950,617	3,127,648
	3,974,875	4,739,546

Other commitments

The group has a Lease Agreement with Property NSW (formerly Sydney Harbour Foreshore Authority) to operate a Youth Hostel and Education Centre in The Rocks, Sydney. The lease requires a contribution to a sinking fund to be used for the maintenance of The Rocks Big Dig archaeology site which the hostel sits over. This sinking fund is capped at $605,000 and increases annually by CPI adjustment as does the contribution per overnight since 2009.

Notes to the Financial Statements

Note 14 - Intangible assets

	2022 $	2021 $
Licences - at cost	116,681	116,681
Licences	116,681	116,681

The recoverable amount of the Liquor Licence is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 10-year period with the period extending beyond five years extrapolated using an estimated growth rate.

Goodwill - at cost	2,064,101	2,064,101
Goodwill - accumulated amortisation	(400,000)	(400,000)
	1,664,101	1,664,101

The recoverable amount of the Goodwill is determined together with the cash-generating unit which includes property, plant and equipment and is based on value-in-use calculation.

Computer software - at cost	681,939	1,114,105
Less: accumulated amortisation	(661,239)	(1,027,401)
	20,700	86,704
Total intangible assets	1,801,482	1,867,486

The following are movements in the carrying amounts for each class of liquor licence, goodwill and computer software between the beginning and the end of the current financial year.

	Licences $	Goodwill $	Computer $	Total $
Carrying amount at the beginning of the year	116,681	1,664,101	86,704	1,867,486
Disposals	-	-	(30,007)	(30,007)
Amortisation charge	-	-	(35,997)	(35,997)
Carrying amount at the end of the year	116,681	1,664,101	20,700	1,801,482

Note 15 - Trade and other variables

Current		
Trade creditors	173,325	830,358
Accrued expenses	3,108,135	1,360,643
BAS payable	314,045	123,389
Other payables	358,994	312,245
	3,954,499	2,626,635
Non-current		
Rental bonds	20,349	20,349
	20,349	20,349

Notes to the Financial Statements

Note 16 - Borrowings

		2022 $	2021 $
Current	Insurance premium funding	512,471	473,713
Non-current	Syndicated facilty	90,457,663	92,139,069
	Total Borrowings	90,970,134	92,612,782

1. The Syndicated Facility Agreement commened in December 2021, and has a facility limit of $105,000,000 (2021: $110,000,000) and consists of a drawn Facility of $92,000,000 (2021: $94,000,000), a facility for Capital Expenditure of $3,000,000, which was utilised in 2022. A facility for the Railway Square YHA development $8,000,000 and an additional liquidity facility if required $5,000,000. The term of the facility is for 5 years to December 2026 and is a fixed interest fee on drawn facilities. The facility allows mandatory and voluntary prepayment and with any prepayment a permanent reduction in the facility. Prepayments are required if there is a surplus of cash over a certain level. There are annual fees for a Security Trustee and Agent, Facility Manager and a line fee for undrawn portions of the facility.

2. The syndicated facility is secured by a first ranking fixed and floating charge over all the assets of the group and first ranking mortgages over 18 hostel properties. The covenants within the facility require the group to maintain the loan to value ratio at less than or equal to 55% and an interest cover ratio of earnings before interest, tax, depreciation and amortisation (EBITDA) less provision for capital expenditure of 4% of hostel revenue over interest expense greater than or equal to 1.0 times by the end of 2024.

3. The group complied with the financial covenants of its facility during the 2022 year. The sndicated facility has no ICR covenants for the first two years of the facility. The facility has a number of review events relating to liquidity and if these are triggered a review event is called rather than a default event and certain time frames are required to correct the review event. A liquidity review event in the first quarter caused by the slower trade from the Omicron COVID variant delay in lifting restrictions was corrected by the end of the first quarter 2022.

4. The ANZ bank now holds cash security ($172,434), in relation to a facility for electronic payments ($500,000) and in relation to bank guarantees for a leasehold property.

The syndicated facilities as at the balance date are:

	2022 $	2021 $
Credit facilities	105,000,000	110,200,000
Amount utilised	92,000,000	94,000,000
Amount unutilised	13,000,000	16,200,000

The unused credit facilities consist of facilities totalling $13,000,000 for the Railway Square YHA development ($8,000,000), and further support for interest payments ($5,000,000), and a corporate card facility $Nil (2021: $200,000).

Assets pledged as security

The carrying amounts of assets pledged as security are:
-First mortgage and floating charges

-First mortgage and floating charges		
Total assets	108,053,262	114,902,501

Independent valuations of interest in Land & Buildings:

-2022	26,350,000	-
-2021	145,670,000	181,970,000
-2018	8,805,000	8,805,000
-2017	-	15,000,000
-2015	825,000	825,000
Total	181,650,000	206,600,000

The total independent valuation reports value of $181,650,000 representing 20 freehold and leasehold properties. A value for the hostel at Fremantle Prison YHA has been included. The written down value of these properties in the financial report is $93,048,404 and they are recorded at cost or deemed cost as at transfer date. Independent valuations required by the Sydicated Facility Agreeemnt for 2021 have been completed and are able to be requested annually. The Facility Agreement recognises for financial covenant purposes a nominal amount for the value of asset under development, this ensures the loan to value ratio is not affected by this development, but is not included in the above total of independent valuations.

Notes to the Financial Statements

Note 17 - Provisions

	2022 $	2021 $
Current		
Employee benefits	1,185,543	1,366,728
Make good on leased property	300,000	-
	1,485,543	1,366,728
Non-current		
Employee benefits	66,301	103,859
	66,301	103,859

Aggregate liability for employee benefits provision including on-costs:

Employee benefits	1,251,844	1,470,587

Movements in provisions	Make good on leased property	Employee entitlements	Total $
Balance at the beginning of the year	-	1,470,587	1,470,587
Additions	300,000	897,381	1,197,381
Amounts utilised	-	(1,116,124)	(1,116,124)
Balance at the end of the year	300,000	1,251,844	1,551,844

Note 18 - Contract liabilities

Current	2022 $	2021 $
Bookings in advance	2,509,311	2,615,268
Deferred revenue	4,148	17,659
	2,513,459	2,632,927

Note 19 - Contingent liabilities

The group has a contingent liability as at 31 December 2022. YHA may be required to contribute to the development of the YHA Railway Square development $35 million. However, the YHA contribution payment is contingent on certain conditions being met including practical completion of the YHA Railway Square development.

Note 20 - Commitments

Capital commitments	2022 $	2021 $
Capital expenditure commitments contracted for:		
-Capital expenditure projects	1,001,465	251,720

Commitments for capital expenditure projects will be payable not later than 1 year.

Note 21 - Reated party disclosures

All transactions between the company and its controlled entities are eliminated on consolidation. There were no other related party transactions occurring during the year (2021: Nil). The directors of the company are all directors of the controlled entities. Directors are reimbursed for expenses incurred in attending meetings in accordance with directors' expense policy and from the April 2018 Annual General Meeting have been remunerated, in accordance with the constitution. Disclosures relating to key management personnel are set out in Note 22.

Notes to the Financial Statements

Note 22: Key management personnel compensation

Key management personnel include the directors listed in the Directors' Report, the Chief Executive Officer, Head of Commercial, Head of People and Culture, Head of Sustainability & Procurement, Chief Financial Officer, Head of Operations, Head of Property & F&B Manager, Financial Controller/Innovation & Transformation Manager and Chief Information Officer. Total compensation is shown as follows:

Key management personnel - excluding Directors	Salary $	Superannuation $	Total $
Key management personnel - excluding Directors			
2022	1,973,058	182,105	2,155,163
2021	1,839,405	166,565	2,005,970
Directors			
2022	89,328	9,149	98,477
2021	71,492	7,469	78,961

All directors are members of the company and receive remuneration for their services as approved by the Members at the 2018 Annual General Meeting. They are also entitled to receive, upon application, discounts no more favourable than those available to all members and expense reimbursements for travel costs for attending meetings and training approved by the company.

The directors remuneration is $10,000 per annum plus superannuation per director and is paid pro-rata for Directors who join after the AGM. Additional remuneration of $2,500 plus superannuation is also paid to Directors who hold the office of Vice Chair and Committee Chairs. Additional remuneration of $5,000 plus superannuation for the Chair.

	Salary $	Superannuation $	Total $
Key management personnel - including directors			
2022	2,062,386	191,254	2,253,640
2021	1,910,897	174,034	2,084,931

Note 23: Parent entity information

Set out below is the supplementary information about the parent entity.

	2022 $	2021 $
Statement of comprehensive income		
Surplus (deficit) after income tax	33,982,844	(10,368,017)
Total current assets	17,728,163	16,678,669
Total assets	155,657,528	122,566,023
Total current liabilities	8,685,296	7,641,744
Total liabilities	101,590,862	102,482,201
Equity		
Total equity	54,066,666	20,083,822

Contingent liabilities
The parent entity has a contingent liability as at 31 December 2022. YHA may be required to contribute to the development of the YHA Railway Square development $35 million. However, the YHA contribution payment is contingent on certain conditions being met including practical completion of the YHA Railway Square development.

Capital commitments
The parent entity had capital commitments for property, plant & equipment as at 31 December 2022 of $1,001,465 and 31 December 2021 of $251,720.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the group, as disclosed at note 1.

Subsequent events
No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the parent entity's operations, the results of those operations, or the parent entity's state of affairs in future financial years.

Notes to the Financial Statements

Note 24 - Information to be furnished under charitable fundraising acts

The company is authorised to fundraise under the Charitable Fundraising Act 1991 (NSW). No charitable fundraising appeals were conducted during the year and as such the company did not utilise this authority in order to meet its charitable fundraising purposes

Note 25 - Events after reporting period

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 26 - Remuneration of auditor

Auditor of the group:	2022 $	2021 $
Audit of the annual report	103,000	85,697

Note 27 - Cash flow information

Cash flow information		2022 $	2021 $
Non-cash financing and investing activities:			
Proceeds from sale of property, plant & equipment	8		
- deferred settlement of proceeds on the sale of Railway Square YHA		34,656,973	-

Note 28 - Significant transaction - Railway Square YHA Development

On 21 July 2022, the Railway Square YHA leasehold property was disposed of in exchange for deferred cash consideration and obligations to deliver back to YHA a yet to be developed property ("YHA Railway Square development") within a new office tower constructed over the Railway Square parcel shed. A net gain on disposal of property plant & equipment of $34,656,973 has been recognised (refer to note 3). The gain consists of deferred sale proceeds of $35 million due on practical completion as well as monthly payments made to YHA during the period of the development until its practical completion, to compensate for the loss of business to YHA during the development. These proceeds have been initially recognised as a financial asset discounted to the net present value of the cash flows to be received (refer to notes 8 and note 27). The discount rate used to estimate the net present value the financial asset was the corporate bond rate of 4.38% and the discounting period was from the settlement date (21 July 2022) to November 2026, being the estimated date of practical completion.

The initial cost of the YHA Railway Square development asset been recognised as development work in progress in accordance with paragraph 24 and 25 of AASB 116 Property Plant and Equipment, at the carrying value of the disposed property along with costs associated with the design and project management of the development (refer to Note 12 work in progress additions).

YHA will receive the deferred sale proceeds of $35 million when the development of the YHA Railway Square has been completed. A payment of $35 million will then be made to the developer of the office tower, being YHA's contribution to the development. At this point, legal title to the leasehold property will be transferred to YHA.

YHA currently has no obligation to contribute to the development costs until certain conditions are met and therefore the group has disclosed this contribution as a contingent liability as at 31 December 2022 (refer to note 19).

Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

Auditor's Independence Declaration
To the Directors of YHA Ltd
ABN 94 008 387 791

In relation to the independent audit for the year ended 31 December 2022, to the best of my knowledge and belief there have been:

i. no contraventions of the auditor's independence requirements of the *Corporations Act 2001*; and
ii. no contraventions of any applicable code of professional conduct.

This declaration is in respect of YHA Ltd and the entities it controlled during the year.

Melina Alexander

M A Alexander
Partner

Pitcher Partners
Sydney

18 February 2023

Director's declaration

The Directors of YHA Ltd declare that:

1. The financial statements and notes, as set out on pages 6 to 28, are in accordance with the Corporations Act 2001, and:

   a. Comply with Australian Accounting Standards – Simplified Disclosures and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   b. Give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors.

T Powell

Tracey Powell
Director
18 February 2023

Simon Spicer
Director
18 February 2023

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Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

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Independent Auditor's Report
To the Members of YHA Ltd
ABN 94 008 387 791

Report on the Financial Report

Opinion

We have audited the financial report of YHA Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors declaration.

In our opinion, the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the year ended on that date; and

b) complying with Australian Accounting Standards – Simplified Disclosures and the *Corporations Regulations 2001.*

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Directors Report for the year ended 31 December 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Simplified Disclosures and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Melissa Alexander

Melissa Alexander
Partner

Pitcher Partners

Pitcher Partners
Sydney

18 February 2023

always exploring

Level 9, 11 Rawson Place, Haymarket NSW
GPO Box 5276, Sydney NSW 2001

(02) 9261 1111 (02) 9261 1969

/YHAhostels @yhaaustralia

yha.com.au