

# YHA AUSTRALIA YEAR IN REVIEW

2017



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ABN: 94 008 387 791  
ACN: 008 387 791

Solicitors: Whitehead Cooper Williams  
Auditor: Pitcher Partners  
Bankers: Australia and New Zealand Banking Group Limited  
Insurance Brokers: Allsopp Bunting

COVER: BYRON BAY YHA WAS EXTENDED  
INSIDE COVER: SYDNEY CENTRAL YHA HAD A REFRESH

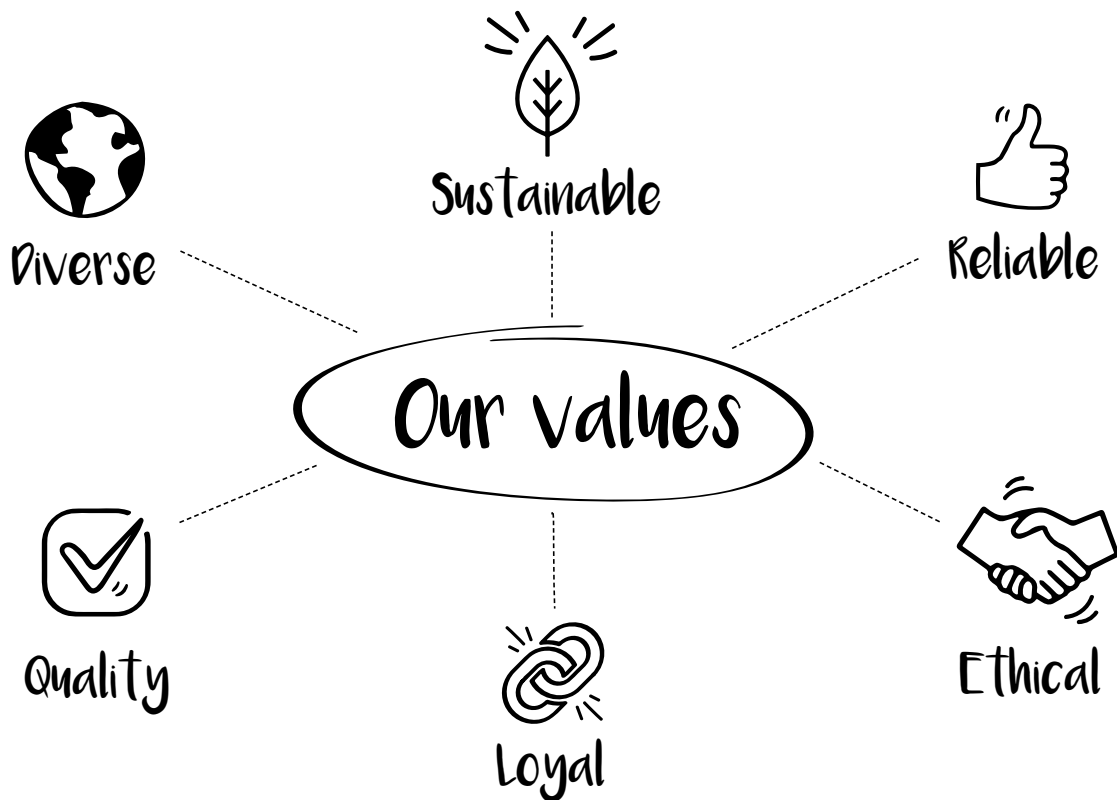
# OUR BRAND



YHA is a not-for-profit, membership based organisation, with the mission to provide opportunity for all, but especially young people, for education by personal development, fostering friendship and bringing about a better understanding of others and the world around them.

## THE HOUSE AND TREE SYMBOL

The house and tree originates from the first Hostelling International signs in Europe in 1934. The three messages used in the green Australian logo are the tree representing the environment, the house representing shelter and the open door representing just that, a welcoming open door.



## YHA IN AUSTRALIA

The first youth hostel was established in Germany in 1909. In 1932 Hostelling International (HI) was formed and now has member associations in 90 countries that are operating more than 4,000 hostels. There are 75 hostels in Australia, in urban and regional areas. YHA Ltd (trading as YHA Australia) owns and operates 32 hostels across the country, and also has 43 associate hostels in the network.

The first YHA hostel in Australia was opened in 1939 in Warrandyte in Victoria. YHA hostels provide low cost short term accommodation for travellers. YHA hostels can be used by people, regardless of age, who are members of any of the Youth Hostels Associations throughout the world.



# OUR CHAIR & CEO'S REPORT

Dear Members & Friends

**2017 was a historic year for YHA in Australia. Originally established in 1939 as a federated structure, the organisation was finally unified into one national organisation, marking the end of a twelve year merger process. In 2017, the remaining state operations of YHA Tasmania and YHA WA merged into YHA Ltd (trading as YHA Australia), enabling us to more efficiently manage our business and provide our services nationally to our members.**

The year also saw the active implementation of the first year of the 2017-2020 Strategic Plan, and YHA working more closely with Hostelling International and its international member organisations, as the representative for Australia.

As a proudly not-for-profit organisation, YHA continuously reinvests in improving our properties and services for our members across Australia. In 2017, we acquired our former associate hostel, Cape Byron YHA in the popular beach destination of Byron Bay in New South Wales. Meanwhile, construction continued on the extension of our other property there, Byron Bay YHA, opening in March 2018.

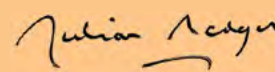
Overall, our network of 75 hostels generated 1,620,799 overnight stays. We brought together guests from over 137 countries (67 of which have Hostelling International organisations), to explore and share accommodation and experiences throughout Australia.

During the year, we also launched a new 'Simple Affordable Membership' model to streamline our systems and access to membership. We currently have 158,258 individual and group members of YHA in Australia. Investment in IT and digital areas increased to ensure that we maintain smart, secure and robust systems, and to take advantage of cloud based technology.

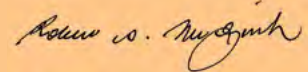
Financially, on a turnover of \$44.2 million, after one-off adjustments, we recorded an operating deficit of \$1.11 million (2016 was a surplus of \$1.6 million). Earnings before interest, tax, depreciation, and amortisation totalled \$7.05 million (2016: \$9.77 million). During the year, however, YHA's balance sheet grew with the consolidation of assets in the final mergers.

Throughout the year we placed a major focus on our mission of providing opportunity for young people for education through travel, to bring about friendships and a better understanding of the world.

We couldn't have done any of this without the support of our staff, volunteers, members and industry partners, so our thanks go to them all for their efforts throughout the year.



Julian Ledger  
CEO



Rob McGuirk  
Chair



# OUR HIGHLIGHTS



Learn to travel. Travel to learn.

*The popular former associate hostel, Cape Byron YHA, was acquired*

## UNIFICATION

Completion of the national merger progress with successful integration of YHA Tasmania and YHA WA into YHA Ltd as a single national organisation (trading as YHA Australia)

## NEW HOSTELS

Acquisition of the former associate hostel, Cape Byron YHA, and construction of extension at Byron Bay YHA

## DEVELOPMENT

Contract for the sale and leaseback of Melbourne Metro YHA, to release capital for future development of a new Melbourne hostel

## MEMBERSHIP

Development and launch of the 'Simple Affordable Membership' model

## ADVOCACY

Representations to State and Federal governments on issues of concern to travellers, including safety, working conditions and visa reform

## INTERNATIONAL

As the Australian member of Hostelling International participation in global events in Europe and Asia, and in an organisational governance review



Canberra City YHA was renovated

## YHA ACCOMMODATION

An average of 4,440 people accommodated across Australia each night

Total number of overnight stays of 1,620,799 (1,611,899 in 2016) across the country

Refresh at Sydney Central YHA including contemporary fit out, furnishings and murals

Addition of new ensuite bathrooms at Canberra City YHA, renovation of Hobart YHA exterior and interior

New Sustainability Action Plan implemented

Well-attended Hostel Managers' Conference held in Hobart



Planning the next trip

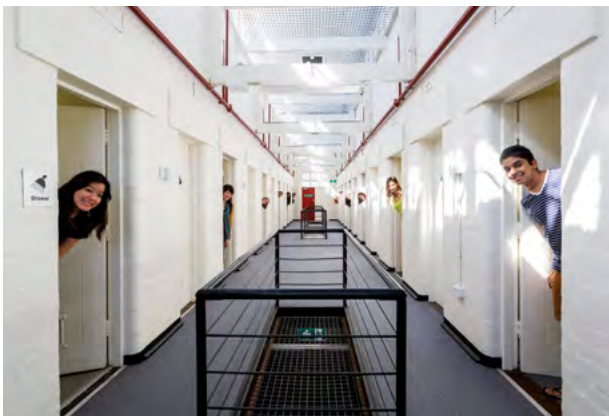
## MARKETING AND DIGITAL

Launch of digital membership card and 'Simple Affordable Membership' pricing

New technology introduced for improved electronic communication with members

Partnerships with organisations, including state and national tourism bodies

Positive coverage in print, online, broadcast and social media



Sleep in a cell at Fremantle Prison YHA!

## FINANCE

Total operating turnover of \$44.2 million (\$44.69 million in 2016)

Earnings before interest, taxation, depreciation and amortisation (EBITDA) of \$7.05 million (\$9.77 million in 2016)

Operating surplus of \$11.22 million (\$2 million in 2016)

Normalised result of deficit of \$1.11 million (\$1.6 million surplus in 2016)

## GOVERNANCE

Members of YHA WA voted to merge with YHA Ltd,  
effective 1 September 2017

YHA Tasmania merged with YHA Ltd,  
effective 1 January 2017

First year of implementation of the new  
Strategic Plan 2017 – 2020

The Board operated with nine volunteer  
Directors (including one appointed following  
the merger with YHA WA) and three  
sub committees, with meetings taking  
place in Brisbane, Hobart, Melbourne  
and Sydney



*Hobart Central YHA had a facelift*



*The management team L to R: Julian Ledger (CEO); Stephen Lynch (CFO); Robert Henke (Operations/Eastern Region Manager); Marie Sahagun (Administration Manager); Rolf Duelks (Digital and Strategy Leader); Janet McGarry (Head of Marketing); Jonathan Kane (Northern Region Manager); Mark Hussien (Southern Region Manager); Domenic Pimpinella (Western Region Manager).*

# OUR HOSTELS

## ACCOMMODATION

### SOURCES OF GUESTS

In 2017 international visitors made up 70% of hostel guests including those on tourist visas, and Working Holiday Makers from over thirty countries. The number of guests from Continental Europe, Ireland, Canada and South America grew, however, there was a decline in those from other regions including the UK and Asia (although China grew).

Domestic travellers make up the remaining third of guests and the number of Australian guests grew over the year, mainly due to the inclusion of large new associate hostels in Darwin and Townsville.

### RESULTS

In 2017, a total of 1,620,779 overnight stays were recorded at all hostels around Australia – on par with the prior year. An increasing proportion of these were booked online via mobile devices.

### HOSTEL NETWORK

In addition to a network of hostels in gateway cities, YHA has regional hostels that play an important role in dispersing travellers throughout the country. Associate hostels in Lennox Head, Cronulla and Narooma (in NSW) and Strahan (in Tasmania) left the network as the owners either changed their business model or sold the land for re-development. In NSW, Bundanoon was sold and subsequently re-modelled by another tourism operator catering for an older market.

### GROUPS

Groups account for 10% of total usage, made up mainly of Australian educational, cultural and sporting groups on excursions but also increasingly international student groups. Smaller regional hostels are also promoted through the Rent-a-YHA scheme offering exclusive usage.



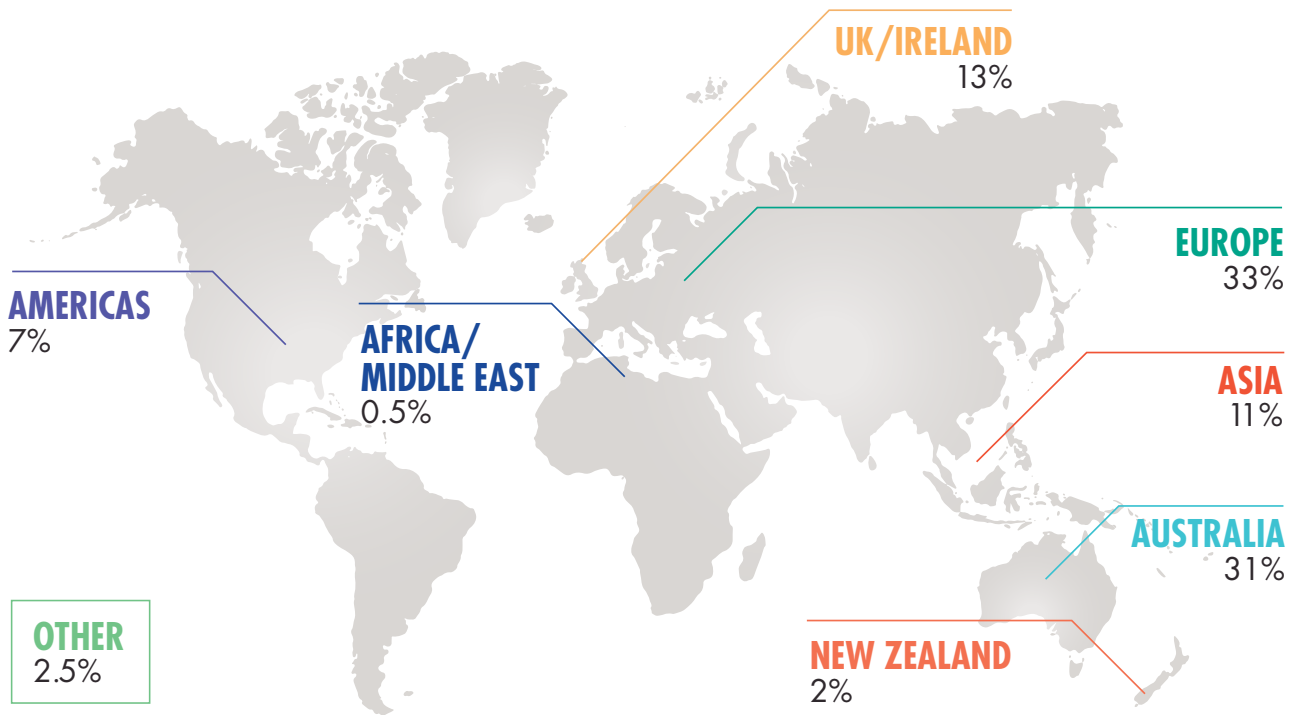
*Railway Square YHA in Sydney installed a 'green wall'*



*Darwin YHA – Melaluca on Mitchell joined the network*



## 2017 OVERNIGHT STAYS BY COUNTRY OF ORIGIN



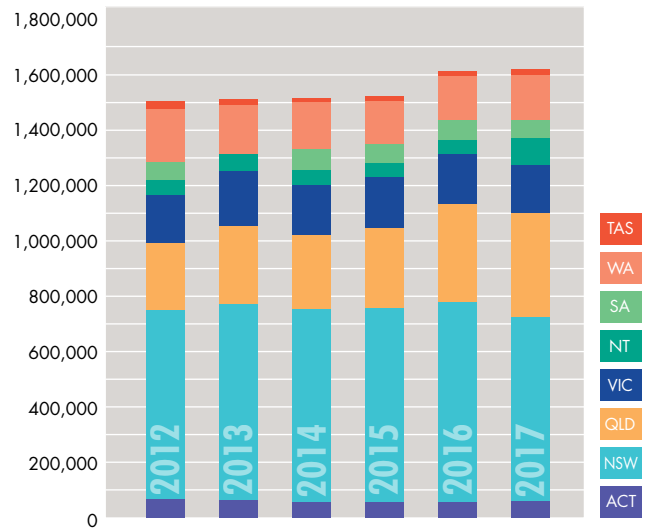
## HOSTEL IMPROVEMENTS

During the year, many initiatives took place to improve facilities for guests. At Sydney Central YHA – the organisation’s flagship hostel – the communal dining and kitchen areas were completely refreshed and refurbished. In Tasmania, Hobart Central YHA had a facelift to the exterior and interior to improve the guests’ experience. Other significant improvements included the addition of eight new ensuite bathrooms at Canberra City YHA; fire sprinklers being installed at Thredbo YHA; bathroom upgrades taking place at Glebe Point YHA in Sydney, and new flooring being laid at Brisbane City YHA along with a new door locking system to enhance usability and security.

## ENVIRONMENTALLY FRIENDLY

One of YHA’s core values is to be environmentally friendly, and the fourth iteration of the organisation’s Sustainability Action Plan was adopted by the Board in August. During the year, gas-boosted solar hot water was installed at Railway Square YHA in Sydney, along with a self-watering ‘green wall’ on the deck (with some of the plants shelved on old train luggage racks). LED lighting upgrades also continued at a number of properties to increase energy efficiency, and further projects are in the pipeline.

## TOTAL OVERNIGHTS BY STATE/TERRITORY



1.62m  
Overnight  
Stays



*A unique artwork welcomes guests to Byron Bay YHA (aka 'Paradise YHA')*

## ARTWORKS

Vibrant murals were painted at Sydney Central, Melbourne Metro, Coolangatta, Cairns, Cape Byron, Pittwater and Alice Springs YHAs, and wall skins were installed at Brisbane City YHA, revitalising communal areas inside these buildings. At the new Byron Bay YHA, under construction during the year, a vivid site-specific artwork was created for the new reception area by renowned Australian artist Robert Moore, welcoming guests to "Paradise YHA."

## QUALITY

YHA has rigorous systems in place to assure quality, ranging from customer ratings on [yha.com.au](http://yha.com.au) to internal and external assessments. The minimum standards for YHA hostels in Australia provide ongoing quality assurance for guests. YHA also runs a mystery shopper program, generating valuable feedback from visits throughout the network. Additionally, Hostelling International (HI) which is based in the UK coordinates a program known as HI Quality (HI-Q) and all major hostels in Australia are certified under this scheme.



*Murals of flora and fauna were painted to celebrate the 50th anniversary of Pittwater YHA. L-R: Hostel Manager – Michael Doherty; NSW Minister for Education – The Hon. Rob Stokes, MP; Julian Ledger – CEO*

## SOCIAL RESPONSIBILITY

YHA places emphasis on being socially, as well as environmentally, responsible. Projects throughout the year included staff collecting rubbish for 'Clean-Up Australia Day' and participating in Earth Hour by turning the lights out and organising special activities for guests. Under the YHA Enterprise Agreement, staff are paid for participating in hostel-run community and environmental activities.

## HOSTEL MANAGERS' MEETINGS

A successful Hostel Managers' Conference was held in Hobart in May, with 85 delegates from forty-two hostels and regional offices. The Conference was an excellent opportunity to showcase Tasmania which has rapidly developed as a travel destination.

Regional meetings took place to strengthen relations between hostel managers in various parts of the network. Meetings were held in Wollongong (Sydney Surrounds); Port Stephens (NSW mid-north coast); Yamba (northern NSW & southern Queensland); Grampians (Victoria and South Australia), Mission Beach (northern Queensland) and Fremantle (Western Australia).

A 'gateway' hostel managers' meeting was also held in Fremantle. These meetings covered topics such as membership, marketing, and sustainability.



YHA sponsored a group of disabled cyclists, riding from Australia's lowest to highest point – pictured at Thredbo YHA

## HOSTEL STATISTICS

	2015	2016	2017
<b>Number of hostels on 31 December</b>			
Operated and/or owned	32	33	32
Associates	48	45	43
<b>Total (includes all of YHA Australia)</b>	<b>80</b>	<b>78</b>	<b>75</b>
<b>Number of beds on 31 December</b>			
Operated and/or owned	5,047	5,148	5,080
Associates	2,939	2,874	3,217
<b>Total (includes all of YHA Australia)</b>	<b>7,986</b>	<b>8,022</b>	<b>8,297</b>
<b>Number of overnights on 31 December</b>			
Operated and/or owned	1,035,013	1,097,010	1,070,344
Associates	486,970	514,889	550,435
<b>Total (includes all of YHA Australia)</b>	<b>1,521,983</b>	<b>1,611,899</b>	<b>1,620,779</b>
<b>Overnights</b>			
Australian	496,589	481,945	498,254
International			
From HI countries	1,001,837	1,102,634	1,091,248
From non HI countries	23,557	27,320	31,277
<b>Total (includes all of YHA Australia)</b>	<b>1,521,983</b>	<b>1,611,899</b>	<b>1,620,779</b>
<b>Ratios</b>			
Beds per hostel	100	103	111
Average overnights per hostel	19,025	20,665	21,610
Average overnights per bed	191	201	195



10 YHA has acquired a prime spot, just a hop, skip and a jump from Surfers Paradise Beach (pictured)

**\$45,408**  
raised from guests  
for Sustainable Hostels Fund

## DEVELOPMENT

### DEVELOPMENT PLAN

YHA's Hostel Development Plan provides strategic direction for future hostel development up to 2020 and is reviewed annually. During the year a number of priority projects were progressed, with an increase in capital investment.

### BYRON BAY

Byron Bay is a perennially popular tourism destination with YHA's guests, and during the year, focus was placed on ensuring long-term capacity to provide accommodation in this location. The former very well located associate hostel, Cape Byron YHA (a 134 bed property), was acquired by YHA in August. This property primarily caters for 'Free Independent Travellers' travelling solo or with companions.

Nearby, at Byron Bay YHA, construction continued on land acquired adjacent to the existing hostel, with an extension opening in March 2018. The new wing doubles capacity at the property, increasing the number of beds to 199, with all new rooms having ensuite bathrooms and air conditioning (and half being private rooms, to cater for growing demand for this type of accommodation). The hostel reception and communal areas were also renovated, with a high focus on design, and site-specific artworks and landscaping were commissioned to further enhance guest amenity and atmosphere.

### MELBOURNE

As Australia's second largest city, and with a well-developed tourism infrastructure, Melbourne is a high priority for YHA to expand capacity. YHA has two properties in the city – Melbourne Central YHA in the CBD, and Melbourne Metro YHA in North Melbourne. As location is critical for YHA guests in urban areas, and as Melbourne Metro YHA is in a city fringe rather than CBD location, a decision was taken to seek a replacement property in a more central location to replace this hostel. Contracts were exchanged in December 2017 to sell the property, with the aim of reinvesting the proceeds towards a larger, better located Melbourne CBD property within the next five to ten years. Accordingly, a lease-back arrangement is in place, to give YHA time to secure a prime replacement hostel.

### SURFERS PARADISE

YHA has land-banked a well-located block of land in Surfers Paradise, that has been secured for a future hostel development. Surfers Paradise is a popular destination with young travellers, and particularly appeals to Asian visitors, which is a growth segment. Development options are being considered. In the interim, YHA has two hostels in the area, at Coolangatta and Main Beach, as well as good coverage in the NSW Northern Rivers region, an hour from the Gold Coast.

### SYDNEY

YHA is actively considering options to develop additional capacity in Sydney, in line with projections for future tourism growth in Australia's key gateway city. Substantial effort has been invested in exploring projects for additional accommodation to be created in the CBD.

Under the terms of its lease YHA contributes to a Sinking Fund at Sydney Harbour YHA, with accumulated funds having reached \$589,000, to be used for conservation of the on-site early colonial era archaeology, as well as for further development of education and interpretation resources regarding the site.

### SUSTAINABLE HOSTELS

YHA operates a Sustainable Hostels Fund, to which guests can voluntarily donate \$1 per booking as part of the yha.com.au booking process. Forty four percent of guests booking on YHA's website contributed to the fund in 2017, raising \$45,408 in 2017 to be utilised for a variety of sustainability projects at hostels, matched dollar-for-dollar by YHA.

### SMALL HOSTELS DEVELOPMENT FUND

YHA has a Small Hostels Development Fund to contribute to the development of smaller, regional hostels. The fund currently has \$80,000 accumulated, to be used for improvements at hostels of less than 100 beds throughout regional Australia.

# OUR MEMBERS

## MEMBERSHIP

During the year, a new membership model was introduced – ‘Simple Affordable Membership’ (SAM) providing membership to all guests upon check-in at YHAs in Australia. This was designed to make staying at Australian hostels even more accessible and attractive to guests, particularly those new to the YHA mode of travel. As a result, at year end, there were 158,258 YHA Australia members; an 87% increase on the previous year, and the first major growth in membership for over a decade.

The new simple approach is for all guests to contribute to YHA’s mutual fund on their first stay – or if travelling overseas to contribute \$5 plus postage and handling for membership card fulfilment. This affordable membership pricing resulted in membership income of \$0.92 million during the year (2016: \$0.81 million).

As part of the project, YHA Australia was also the first National Association of Hostelling International to launch a digital membership card. The membership can be downloaded into Smartphone ‘wallets’.

The impact of the changes has been to include all, and especially young, members from both Australia and overseas. Existing annual and Life members of YHA also continue to enjoy the benefits of membership, including access to 4,500 YHA and Hostelling International hostels around the world. The changes ensure that YHA is a not-for-profit, membership-based organisation that is sustainable and relevant to future generations.

158,258

*Members from all over Australia and the World*



*YHA Australia was first in the Hostelling International network to launch a digital membership card*

<b>MEMBERSHIP STATISTICS</b>				
AS AT 31 DECEMBER 2017				
	2015*	2016*	2017	%
Youth	2,294	2,323	1,858	(20%)
Adult**	23,236	21,832	22,818	480.7%
Life	10,106	10,101	10,940	8.3%
Group	1,028	1,006	916	(8.9%)
International	21,035	19,909	17,763	(10.8%)
<b>Total Membership</b>	<b>57,699</b>	<b>55,171</b>	<b>158,258</b>	<b>186.8%</b>

\* excludes TAS & WA  
 \*\* including 103,963 members that joined under the new ‘Simple Affordable Membership’ structure since 1 January 2017

*YHA members get discounts at a range of tourism attractions, including Cleland Wildlife Park in South Australia (pictured)*



# OUR INNOVATION

## DIGITAL

### TECHNOLOGY

The global accommodation industry is constantly innovating to remain competitive and to reduce reliance on third party Online Travel Agents. YHA also continually invests in its digital capabilities, including the provision of efficient systems, such as property management and reservation systems; a range of tools to optimise yield management at hostels; a smartphone and desktop friendly website in four languages (including three Asian ones), and sophisticated customer communication systems. During the year a major IT project rolled out focusing on data collection, data integrity, customer engagement and cyber-security.

### YHA ONLINE

YHA's website, [yha.com.au](http://yha.com.au), is a critical sales and customer service tool. During 2017, the website attracted 2.1 million visitors and generated \$16 million in hostel and travel bookings, and \$240,000 in membership sales.

During the year, in conjunction with moving to the 'Simple Affordable Membership' structure, YHA implemented a new, state of the art website content management system, marketing communication platform, and a new MyYHA member self-service section. The move to a new 'Cloud' hosting environment resulted in significant efficiency gains and cost savings. The content management system allows YHA an agile delivery method for the website, meaning more frequent updates and iterative improvements to functionality and to support customer experience. The marketing communication platform, Salesforce Marketing Cloud, allows the delivery of customised content and provides YHA members with up-to-date and relevant information about YHA's news and services.

A trial of two third-party mobile Apps continued throughout the year. The YHA Australia App, a Travel App, provides users with visual search functions for YHA hostels and travel-related services, and a new version is being built with additional loyalty features and direct booking capabilities. YHA also has a group on the Travello Social App that enables hostel staff to connect with guests that are staying at hostels, or are travelling close by.



*YHA Australia trialled two Apps and is developing a new one*



Within the Hostelling International (HI) family, YHA Australia is at the forefront of digital innovation.

In September 2017, the CEOs of more than 50 National YHA/HI Associations voted for YHA Australia as the

**“Most Innovative National Association”**



# MARKETING

## MARKETING PLAN

In 2017, the Board adopted a new 2018-2020 Marketing Plan with a comprehensive tactical plan and strategies. YHA undertakes a range of marketing campaigns and activities aimed at consolidating brand presence, targeting growth segments and maximising digital presence.

## BOOK DIRECT & SAVE

YHA encourages guests to make their accommodation bookings via direct channels such as yha.com.au to offer maximum choice and flexibility, and to guarantee the best available price, with no booking fees. A range of strategies were implemented during the year to promote the benefits of booking direct.

## COLLABORATION

During the year, a Pacific Rim (PacRim) Marketing Group, comprising of HI USA, HI Canada, YHA New Zealand and YHA Australia, was formed to pool resources and expertise. With similar hostel networks and guest profiles, the group offers the opportunity to undertake joint marketing activity as well as sharing knowledge. The first co-operative project undertaken was joint research into the motivations of European hostel guests. Whilst the results confirmed that the biggest motivations for choosing hostels

are location, price, and value for money, it also gave insights into young European travellers and their planning for major, extended overseas travel. This work being used in future co-operative marketing activity.

## PARTNERS

In order to increase awareness of the Australian hostel network, YHA works with a large range of domestic and overseas partners including tourism bodies, travel agents and tour operators. YHA's accommodation product is sold by specialised agents overseas, and also included in Working Holiday Maker arrival packages. Tourism Australia launched a major youth campaign in 2017 with an event on the rooftop of Sydney Harbour YHA, and YHA is a key accommodation partner in their social media campaign, *Aussie News Today*.

## MEDIA

YHA continues to be active on social media, including YouTube, Instagram and Facebook. Media liaison also took place throughout the year, resulting in coverage of YHA in a range of Australian and international print, broadcast and social media, including exposure on MTV UK and on television in Korea.



Tourism Australia launched a major social media campaign on the rooftop of Sydney Harbour YHA



An interactive screen was installed at Sydney Central YHA



YHA took part in Orientation Weeks at universities across Australia

## EVENTS

YHA was promoted throughout the year at a range of events, including 'O' week (orientation) on university campuses throughout the country, particularly to welcome increasing numbers of international students to Australia and encourage them to see more of the country and use their leisure time for travel.

## GUEST ENGAGEMENT

During the year, digital screens were installed at key properties to present a variety of information to help guests make the most of their stay, including hostel activities, local attractions and discounts. They include a live social media feed that showcases guests' interaction with YHA online via the hashtag #YHAOZ.

With the increasing digitisation of YHA's communications with members, printed materials such as the Accommodation Guide are to be replaced with expanded map brochures and greater online information.

## MARKET RESEARCH

Research undertaken by an independent company, Phocuswright, into the global hostel marketplace, shows that international hostel travellers have three major motivators for choosing hostels (referenced by over 40% of respondents):

- Convenient location
- Lowest price
- Value for money

This is followed by:

- Opportunity to meet other travellers
- Guest reviews/ratings
- Fun/social environment

(source: *The Global Hostel Marketplace 2014-2018* by Phocuswright, published 2016)

## AWARDS

During the year, a number of awards were bestowed, including YHA winning a Global Youth Travel Award for Sustainability from WYSE Travel Confederation.

The CEO was also honoured with a Hall of Fame Award from Associations Forum, for his commitment and contribution to the associations sector.

L-R: Business Development Manager, Steve Blowers and David Chapman, Director General, WYSE Travel Confederation



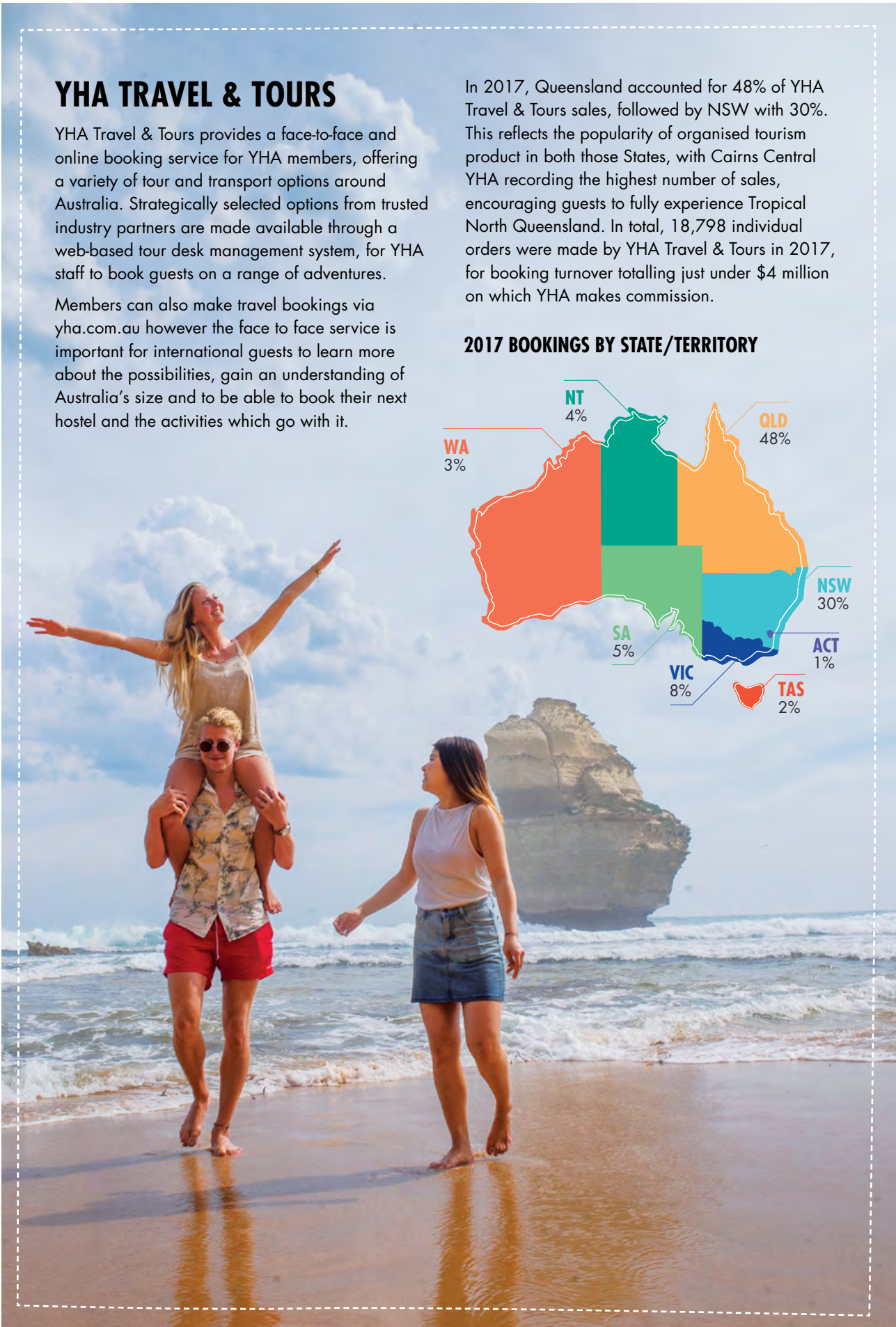
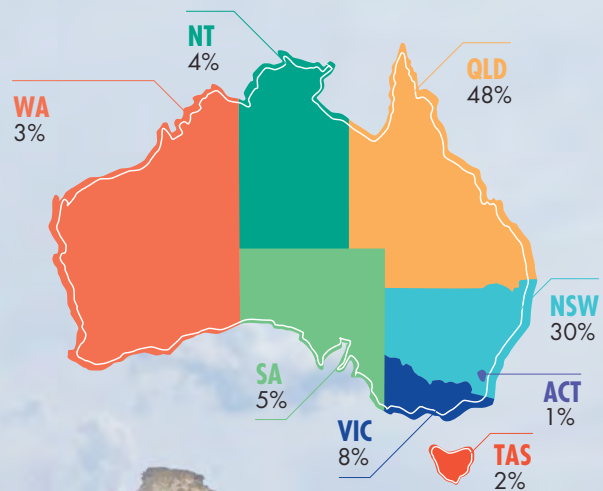
## YHA TRAVEL & TOURS

YHA Travel & Tours provides a face-to-face and online booking service for YHA members, offering a variety of tour and transport options around Australia. Strategically selected options from trusted industry partners are made available through a web-based tour desk management system, for YHA staff to book guests on a range of adventures.

Members can also make travel bookings via [yha.com.au](http://yha.com.au) however the face to face service is important for international guests to learn more about the possibilities, gain an understanding of Australia's size and to be able to book their next hostel and the activities which go with it.

In 2017, Queensland accounted for 48% of YHA Travel & Tours sales, followed by NSW with 30%. This reflects the popularity of organised tourism product in both those States, with Cairns Central YHA recording the highest number of sales, encouraging guests to fully experience Tropical North Queensland. In total, 18,798 individual orders were made by YHA Travel & Tours in 2017, for booking turnover totalling just under \$4 million on which YHA makes commission.

### 2017 BOOKINGS BY STATE/TERRITORY



# OUR ORGANISATION

## CORPORATE AFFAIRS

### MERGERS

In 2017, YHA took the historic step of becoming a single national organisation in Australia, for the first time in the organisation's 78 year existence. On 1 January 2017, following a vote the previous year by its members, YHA Tasmania merged with YHA Ltd. Then on 1 September 2017, following 99% of members who voted being in favour, YHA WA also merged with YHA Ltd. This created a unified organisation, trading as YHA Australia. The integration of the final two organisations into YHA Ltd proceeded smoothly. Thanks are extended to the outgoing Boards of all the State Associations.



*The outgoing YHA WA Board of Directors, who had a combined service to the organisation of 103 years in total*

### HOSTELLING INTERNATIONAL

YHA is proud to be a leader in the global Hostelling International (HI) network, particularly in terms of the development of quality new hostels, and technological innovation.

During the year, YHA participated in collaborative marketing and sustainability workshops held in Germany, and had representation at a youth rally and meeting of YHA/Hi organisations held in Korea. YHA was also represented at a HI CEO's Conference held in Switzerland, and the CEO was appointed to a HI Governance Review Committee, to assist with developing best practice good governance for the international organisation.

Following the merger with YHA WA, Alex Zikens (a former Chair of the WA organisation and former long-standing Chair of the prior national body – HI Australia) who is a Board member of Hostelling International to October 2018, was appointed as a Vice-President of YHA Ltd.

### OUR GLOBAL IMPACT

## YHA Australia hostels: No. 1 for international guests

YHA Australia is a member of Hostelling International, the federation of national youth hostel associations from around the world. Hostelling International arranges the reciprocal recognition of membership cards and is responsible for the website [hihostels.com](http://hihostels.com) on which all hostels can be booked.

In total the HI hostels network records 35 million overnight stays each year, or nearly 100,000 people every night. Of these 70% are domestic guests and 30% international visitors.

YHA Australia records the biggest number of international overnight stays and is the only country with more than 1 million stays per year. This reflects the popularity of Australia as an international destination, and the scale and business of YHA hostels, particularly in the major gateway cities. The biggest users of the whole international network are Germans followed by British and French. Australians rank 12th.

For domestic overnight stays, being usage of hostels by people in their own country, Australia also ranks 12th globally. For total overnight stays, being domestic plus international, Australia is 5th globally after Germany, Spain, China and UK.

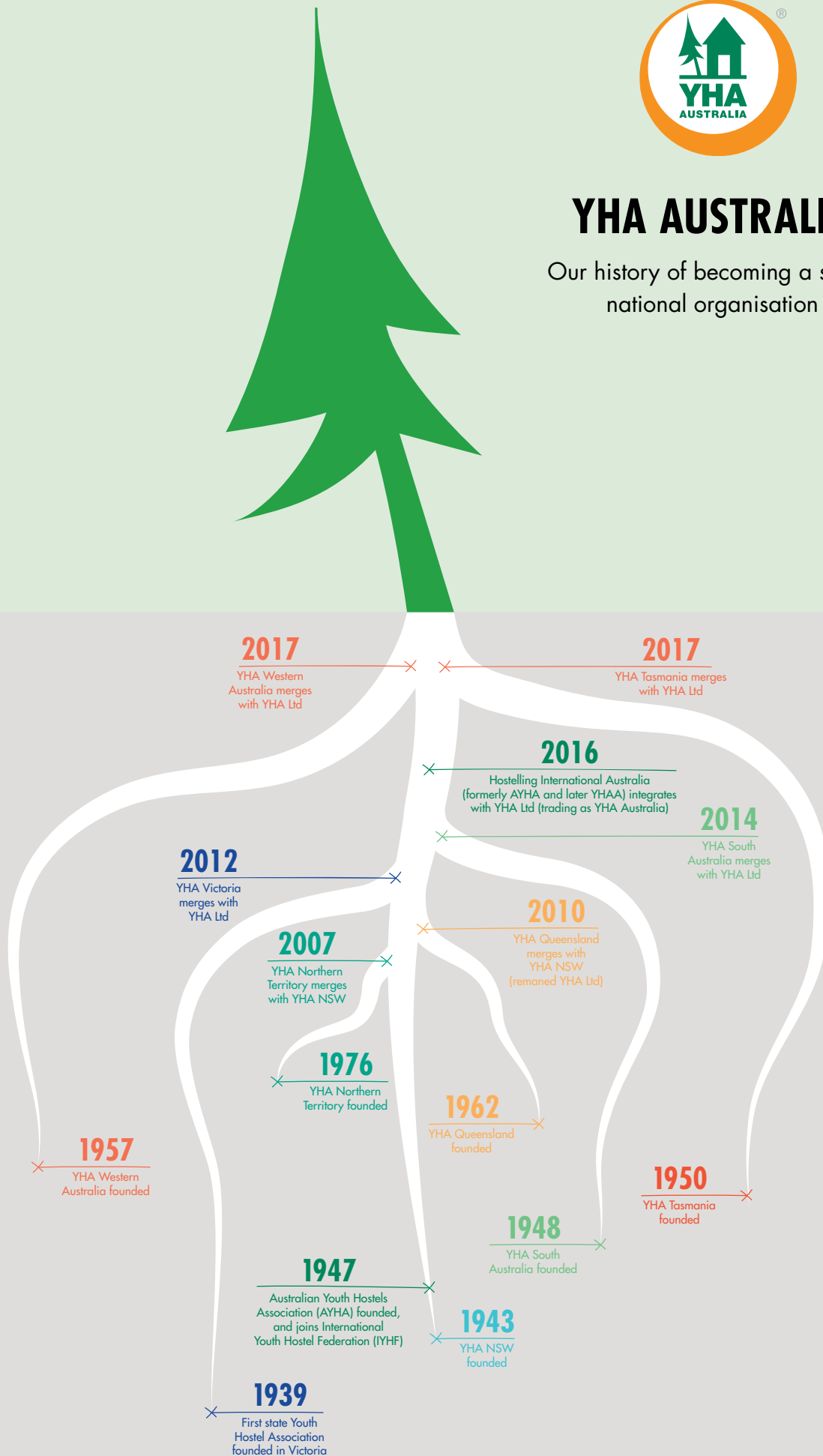
### IN MEMORIAM

YHA regrets to advise of the passing of several long-standing members, including pioneering YHA volunteer of the 1940s and '50s Betty Grant OAM (née Albury), regular AGM attendee John Hind from NSW, and Victorian life member (and centenarian) Thomas Alexander Webb. YHA extends condolences to their families and friends.



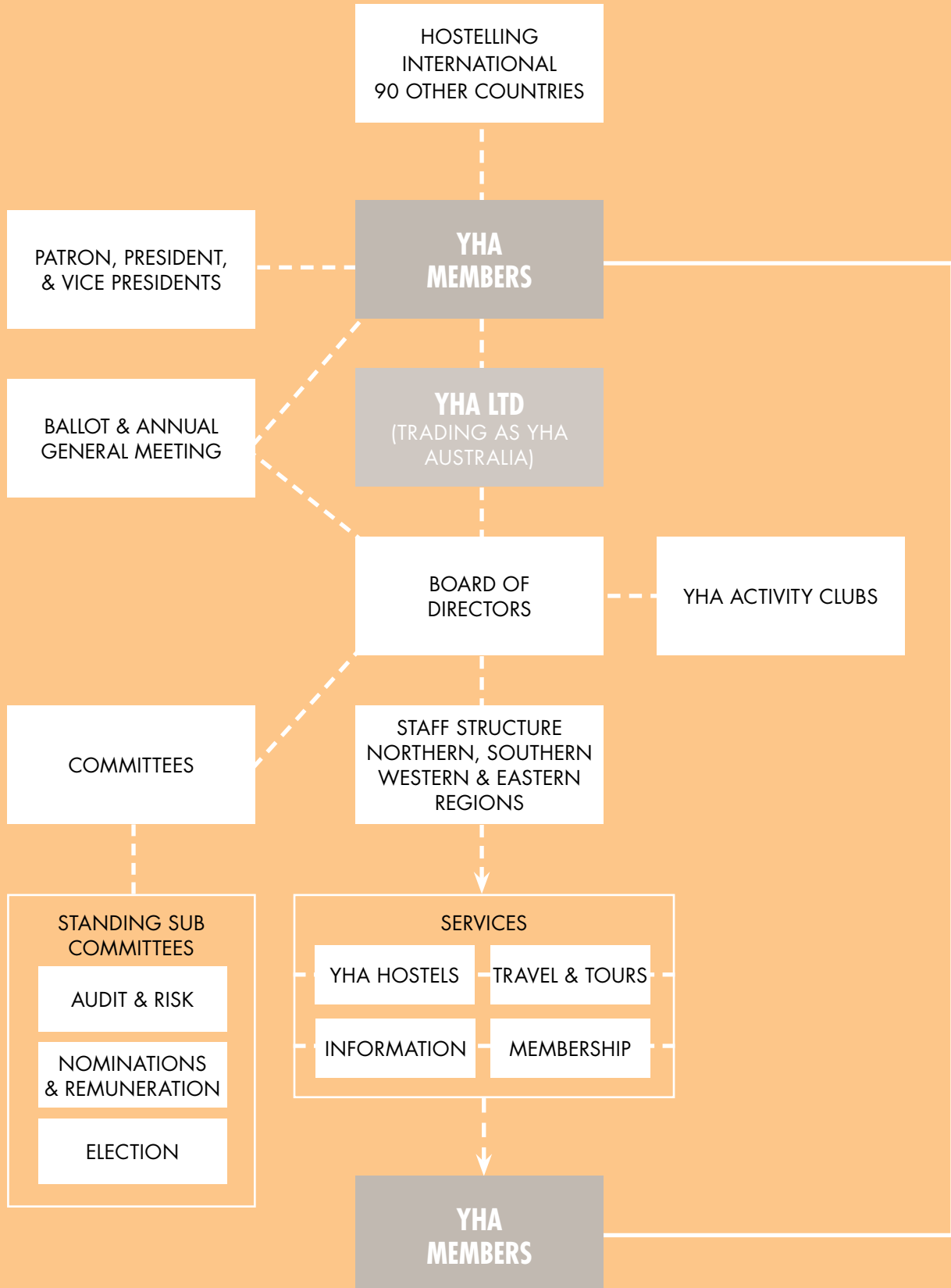
# YHA AUSTRALIA

Our history of becoming a single national organisation



# ORGANISATIONAL STRUCTURE

AT 31 DECEMBER 2017



# OUR FUTURE

## STRATEGY

YHA's Strategic Plan, adopted in 2016, is now in its second year of a four cycle. The plan, built on the major themes of Culture of Sustainability, Brand, Network Development, Growth and Governance is YHA's template for organisational development towards 2020. The Plan summary is featured below.

Progress against the Strategic Plan is reported quarterly through a wide range of measurable key performance indicators (KPIs). The KPIs are reviewed annually and optimised in line with macro- and micro-economic developments, and market conditions impacting YHA's environment.

Developed by the Board and Senior Management, the plan cascades down to all areas of the organisation via a range of subsidiary plans. These include annual Tactical, Hostel Development, Marketing, Workforce Development, Sustainability, and Channel & Yield Management Plans.

Some of the priorities for 2018 are the achievement of Occupancy and Financial Performance KPIs in order to support network development, and further optimising YHA's 'Simple, Affordable Membership' model.

## STRATEGIC PLAN AT A GLANCE

VISION					
To be leaders in low-cost accommodation offerings that enrich people's travelling					
MISSION					
To provide opportunity for all, but especially young people, for education by personal development, fostering friendship and bringing about a better understanding of others and the world around them (YHA's Object #1).					
KEY AREAS					
CULTURE OF SUSTAINABILITY	BRAND	NETWORK DEVELOPMENT	GROWTH	GOVERNANCE	
The purpose of YHA is driven through environmentally, socially and financially sustainable activities	YHA encourages travel, healthy recreational activities, environmental awareness, friendship and understanding. (Objects #3 & #4)	YHA operates, and assists others to operate, hostels or similar accommodation. (Object #2)	Culture of Sustainability, Network Development and Brand is supported through growth strategies	Optimal Organisational Structure and effective Governance	
STRATEGIC OBJECTIVES					
<ul style="list-style-type: none"> <li>Improve environmental sustainability in all aspects of YHA's buildings</li> <li>Cultural sustainability and social responsibility</li> <li>Integration of core values across all areas of the business</li> <li>Profitability and cash generation to support growth</li> </ul>	<ul style="list-style-type: none"> <li>Consistently high quality and standards</li> <li>Promotion of a contemporary and purposeful brand</li> <li>Customers understand and support the YHA Purpose and Ethos</li> <li>Leadership role in high quality and safe accommodation</li> <li>Industry leadership and advocacy</li> </ul>	<ul style="list-style-type: none"> <li>Efficient and consistent network in existing and new locations</li> <li>YHA presence in locations our core market wants to visit</li> <li>Hostel interiors that centre on customers, reflect YHA's brand image and support social interaction</li> </ul>	<ul style="list-style-type: none"> <li>Alternative funding models</li> <li>Flexible, motivated work force representing YHA's values</li> <li>Grow YHA Travel and Tours</li> <li>Partnerships that drive occupancy</li> <li>Direct business ensuring independence from OTAs</li> <li>Digital capabilities to increase productivity and customer satisfaction</li> <li>Expanding into Discovery Seeker customer segment</li> <li>Alliance and relations with Pacific Rim and Asian Associations</li> <li>Simple, affordable membership</li> </ul>	<ul style="list-style-type: none"> <li>Single National Organisation</li> <li>Effective, responsive and efficient structure</li> <li>Balance of Board skills and experience</li> <li>A culture that balances risk and opportunities</li> </ul>	
PURPOSE DRIVEN BY YHA'S VALUES					
ENVIRONMENTALLY FRIENDLY	SAFE AND RELIABLE	HONEST AND TRUSTWORTHY	LOYALTY	VALUE FOR MONEY	EXPERIENCE

# OUTLOOK

## TOURISM TRENDS

Australian inbound tourism numbers, together with demand from international students, is forecast to keep growing in 2018 with China continuing to underpin the increase. Travellers have the benefit of the substantial airline capacity into Australia with additional flights from Europe via China providing competitive fares and alternatives to the Middle Eastern airlines. New international routes are opening up to Australia's secondary cities providing additional points of entry. Qantas has launched a new direct flight from London to Perth and for the first time passengers are able to fly from Europe non-stop. The outlook is that within the life of YHA's next Strategic Plan there will be direct flights from the East Coast of Australia to both Europe and New York. Australia remains a long haul destination, however these developments will contribute to the shifting of mindset about accessibility.

## YOUTH TOURISM

The International Visitor Survey records 646,000 backpackers having visited Australia in 2017, staying for an average of 71 nights, and each spending around \$5,190. In the absence of significant developments by competitors, the number of nights spent in backpacker accommodation is expected to remain steady. Stays in short term letting apartments will continue to grow, although may be slowed as government responds to resident conflict with uncontrolled tourism use.

The Working Holiday Maker scheme remains very important and accounts for nearly 200,000 first time arrivals to Australia each year. The visas allow stays of up to 12 months with the potential of a second year. After a period of uncertainty regarding taxation arrangements, the conditions governing working holiday visas have been stable and YHA hopes will remain so. Tourism Australia's 2016-2019 youth campaign has another year to run and aims to convert aspiration into action.

## INTERNATIONAL STUDENTS

International student numbers have continued to grow, with substantial higher education and government resources allocated to increase visitation. Whilst students are in Australia primarily to study, they also enjoy staying at YHA hostels on short breaks. Many come from Asia and almost half are women. YHA's hostels are suitable because they are safe, clean and calm, provide good

self-catering facilities and are not heavily focused on bar sales and alcohol.

YHA will continue to be active through events in partnership with educational institutions, to raise awareness amongst this cohort of the opportunities to see Australia on a student budget. A challenge is that most students have urban backgrounds, as indeed do 80% of Australians. There is a sense of adventure to be unlocked but road trips and regional travel may be unfamiliar, and distances are large. YHA will continue to promote both the popular destinations but also some of the lesser known ones. Partners include the coach companies which offer pass products, and the low cost carriers.

## ECONOMIC STABILITY ENABLES TRAVEL

With the Global Financial Crisis (GFC) now ten years past, and subject to the global economy continuing to steadily grow, a positive flow on to stimulating youth travel is expected. This could change in the event of new trade restrictions.

YHA's business remains primarily derived from Europe however 90% of economic growth forecast is expected to come from outside Europe. A great advantage is that a large proportion of this growth is in Australia's time zone. A challenge is that Australia is not a cheap destination to visit. An easing in the value of the Australian dollar would boost visitation.

In June 2018 YHA Australia will host a Marketing Forum on behalf of Hostelling International (HI), attended by their CEO. The event is primarily aimed at the professional marketing staff of the hostelling organisations in Asian countries and aims to realise the potential of the principle of "my outbound is your inbound". It will be held at the Sydney Harbour YHA during the Vivid Festival, showcasing this unique property.

## HOSTEL DEVELOPMENT AND TECHNOLOGY

In 2018 YHA will be consolidating on the hostel developments of recent years which has included the acquisitions of Newcastle Beach YHA and Cape Byron YHA, a major extension at Byron Bay YHA, and taking on responsibility for properties in all States and Territories. Going forward, two projects have priority – planning for a new development in Melbourne to replace the Melbourne



## VISA OVERVIEW

The Working Holiday Maker program encourages cultural exchange and closer ties between arrangement countries by allowing young adults to have an extended holiday, during which they may engage in short term work or study in Australia. The purpose of the visa aligns very well with YHA's mission. There is opportunity to better articulate the educational aspects of the visa, especially for the majority of participants for whom English is not their first language. How better to convert years of classroom learning into confident conversational English, than to spend time in the share rooms, communal kitchens and common rooms of YHA Australia hostels?



Metro YHA property (which has been sold and leased back); secondly, planning for a new hostel on the site purchased in central Surfers Paradise.

Hostels may be inexpensive places to stay but they have also seen ongoing technical innovation. This has included bedroom card door access, a customised property management system, building management systems, sustainability installations, CCTV and premium Wi-Fi. In 2017, YHA trialled ID scanning with the objective of increasing accuracy and speed of check in and strengthening guest security. Work will progress to achieve pre-check in capability, door access via mobile devices, and future pod-style bunks incorporating personal light and power, USB outlets and greater privacy.

### COMMUNICATING WITH MEMBERS

The change to 'Simple Affordable Membership' is generating a much bigger membership list, which provides opportunity to engage with more members and communicate opportunities.

In 2018, the focus will continue to be on growing YHA's occupancy whilst maintaining yield, and carefully managing booking channels. Online Travel Agents are a dominant force in distribution and offer customers the benefit of choice. However their licence agreements are one sided, commission is expensive and their attempts to set accommodation rates across channels raises

issues about competition which merits intervention by the Australian Competition and Consumer Commission – ACCC. Along with other accommodation providers, YHA promotes a message to customers to 'book direct and save' for the best deals. That is, members will always be advantaged when they use the websites [yha.com.au](http://yha.com.au) and [hihostels.com](http://hihostels.com) to book. YHA will also develop its own booking App, as a quicker and simpler means of making hostel bookings, especially from mobile phones.

### THE SINGLE NATIONAL ORGANISATION

The long standing goal of a single YHA Australia entity having been achieved, the great opportunity is to now realise the benefits. These are not simply a leaner, more cost-effective structure but also an organisation which is less internally focused. The management of a federation with one national and seven state boards was time consuming, and through working largely by consensus, tended to be slow in decision making.

The organisation has now modernised its Constitution, put in place well-defined policies, management structure and a Strategic Plan, and has robust and professionally managed accounting, administration and IT systems. Opportunities include continuing to build and manage best practice IT, digital and customer relationship tools, whilst secondly as a more outward-facing and well regarded organisation, developing more partnerships with other organisations in the youth, travel and recreation sectors.

# OUR PEOPLE

## HUMAN RESOURCES

At 31 December 2017

### WORKFORCE PROFILE

At the year end, YHA employed 358 people in Australia (a full time equivalent of 234), from over fifty-five nations, creating a rich cultural diversity of employees. The median age of staff was 31 with 66% under 35 years old. The workforce profile was distributed between females (57%) and males (43%), with the number working either full-time or permanent-part time at 89% (89% in 2016), and 85% of those working in the hostels.

YHA has a strong sense of community with staff working well together and supporting several local charities, fund-raising and awareness-raising events. In 2017, these included participation in HI's 'Sleep for Peace' Day, Australia's Biggest Morning Tea (Cancer Council fundraiser) Movember, MS Walk, Bridge to Brisbane, Stadium Stomp and staff blood donations to the Australian Red Cross.

### TRAINING & DEVELOPMENT

YHA continued to implement the organisation's Workforce Development Plan, which sets out how to achieve the organisation's strategic and financial objectives through efficient utilisation of human resource capacity.

Training and staff development are important components of YHA's recruitment and retention with both in-house and external training provided. YHA conducts an induction program for new staff and provides ongoing training in sales and customer service, property management and customer database systems, safety, staff management, and Business Planning courses tailored specifically for the organisation. YHA ensures that all senior hostel staff are 'Provide First Aid' certified, and also provides Mental Health First Aid training for Hostel Managers and Deputies. YHA also supports its staff in gaining further qualifications relating to the business, by contributing up to 50% of tuition fees for approved courses.

YHA encourages exchanges between hostels and during the year exchanges took place involving staff from several hostels. The national structure has facilitated increased interstate transfers. YHA also attracted experienced industry managers from outside of the organisation, bringing new ideas and enthusiasm to their roles.

### STAFF STATISTICS SNAPSHOT

AS AT 31 DECEMBER 2017

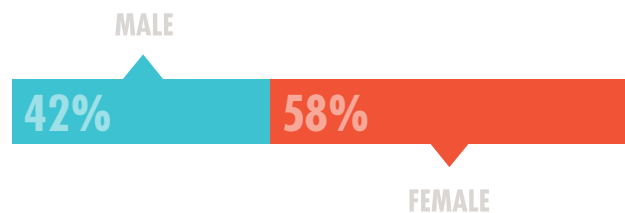
#### EMPLOYEES



#### LOCATION



#### GENDER



#### STAFF TURNOVER DURING THE YEAR

##### HIRED IN PAST YEAR



## ONLINE INFORMATION & TRAINING

YHA's intranet, Egor, represents a valuable channel of communication for all staff across the recently unified national organisation, attracting record levels of engagement throughout 2017. Egor also provides an interactive hub for YHA resources, giving staff from every corner of the country access to consistent documentation and information. The intranet contains manuals, policies, guides and information sheets to assist hostel staff in their everyday work. Egor also delivers online training courses via an elearning system, Trainee, which contains seven modules that are optimised for staff to use on portable devices.

On an international level, Hostelling International (HI) introduced a new intranet called Workplace in 2017, providing more opportunity for collaboration with international colleagues.

## RECOGNISING STAFF

YHA recognises and rewards performance through an 'Employee of the Month' scheme, and the 2017 'Employee of the Year' prize was awarded to Hannah Durant, Deputy Manager of Cairns Central YHA, for her competence, willingness to take on challenges, and empathy with both colleagues and guests.

## ENTERPRISE AGREEMENT

YHA's Enterprise Agreement covers all hostel staff, and runs from 2016-2019.

## EQUAL EMPLOYMENT OPPORTUNITY

YHA is committed to the principles of Equal Employment Opportunity (EEO) and each year submits a report to the Workplace Gender Equality Agency (WGEA.) YHA continues to promote an inclusive and positive workplace environment, including training to prevent discrimination and harassment, and EEO is an integral part of training for new employees.



*YHA employed new staff member, Liam Hagan, at Brisbane City YHA under a 'Beyond the Broncos Indigenous Program'*

## WORKPLACE HEALTH & SAFETY

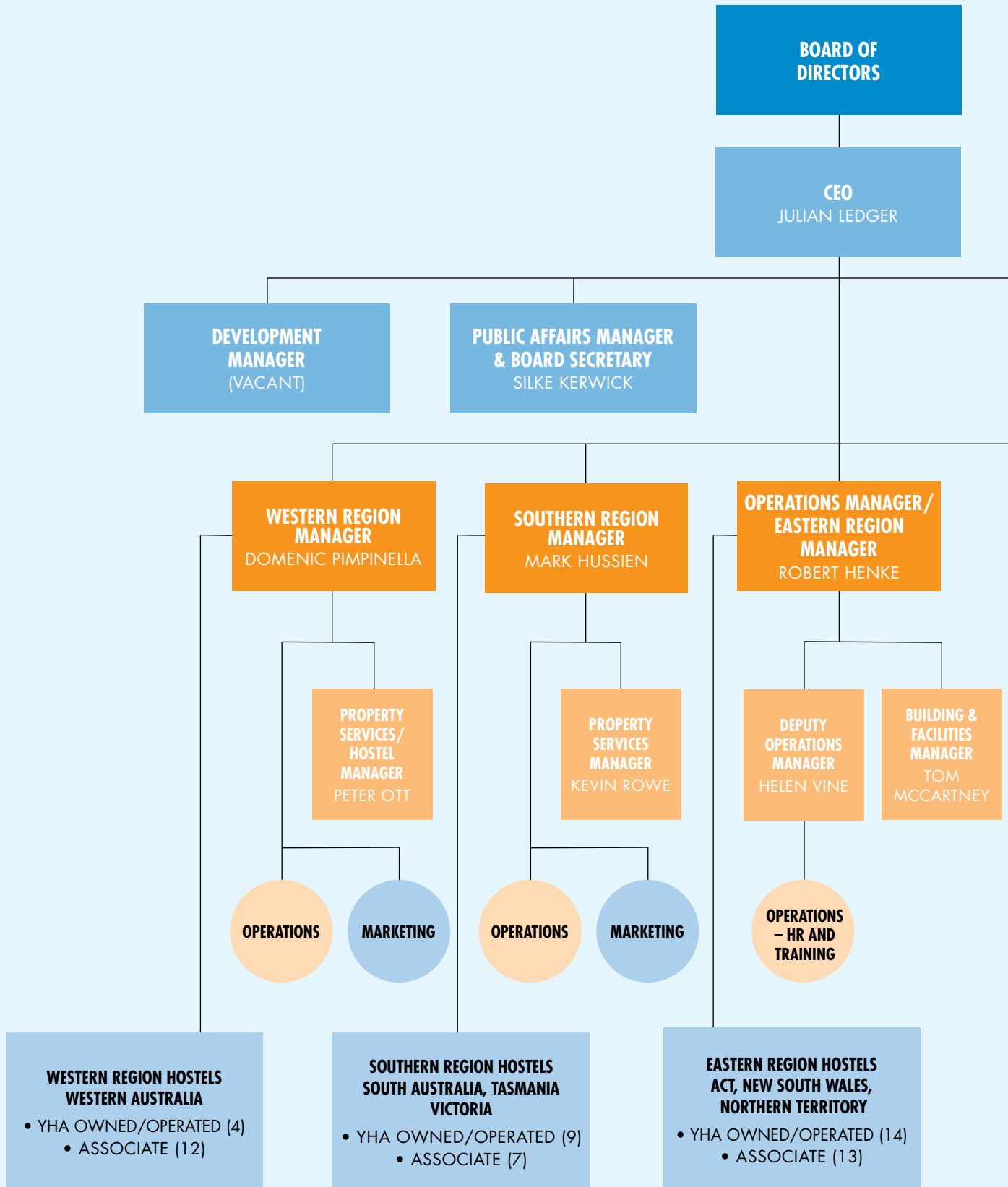
Safety is an important issue for YHA, and the organisation has a good record with workplace safety and injury management. Workplace health and safety best practice means that YHA and its employees are all responsible and accountable. The YHA Ltd Workplace Health & Safety Consultative Group consists of representatives from hostels and administration offices across the network, and meets four times each year to review, discuss, and provide advice to management on how to best manage workplace health and safety within the organisation.

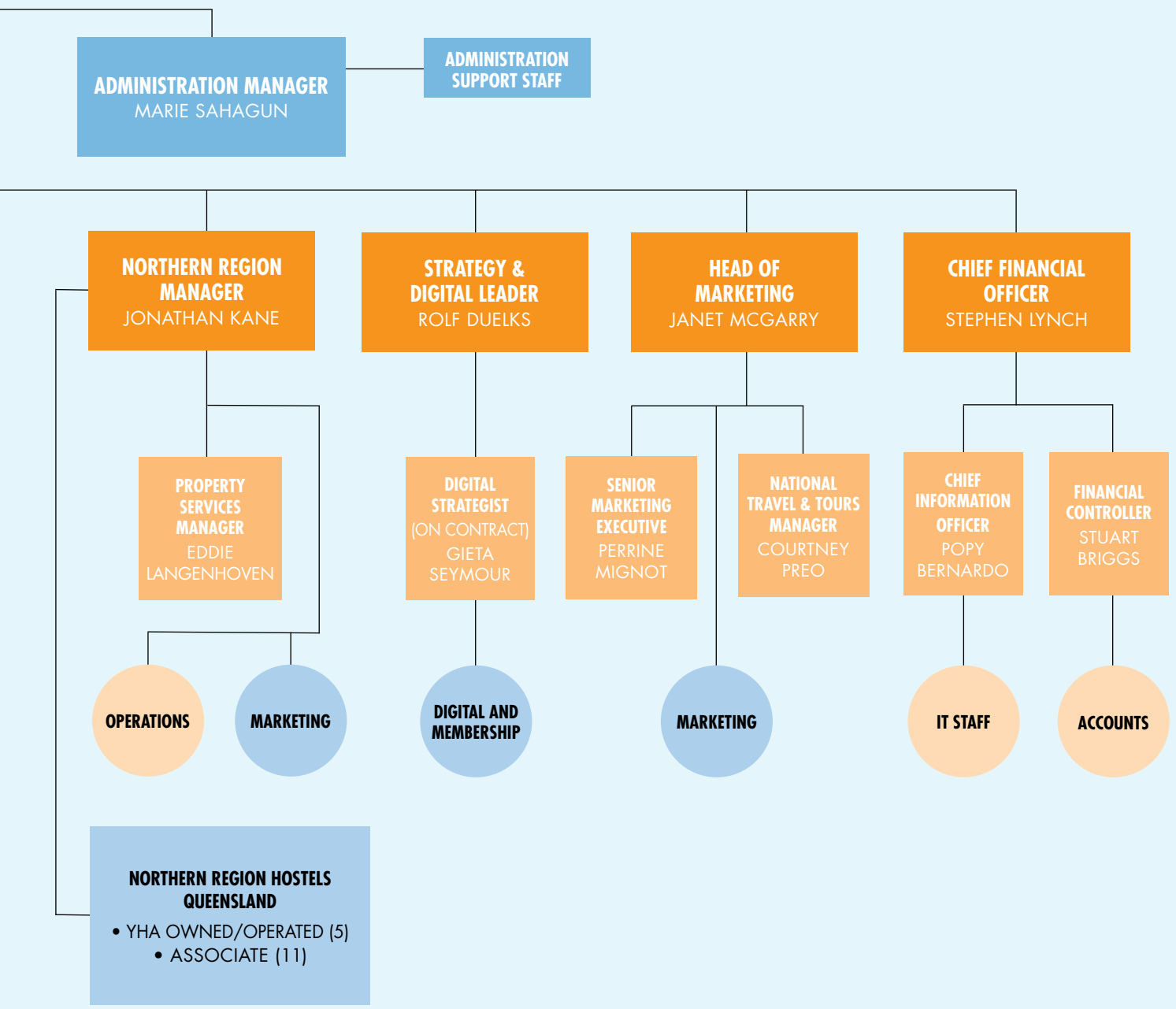
## WELLBEING

As part of its commitment to its people, YHA records staff sick leave against total hours worked. This allows YHA to monitor and react early to changes in staff wellbeing. Staff worked a total of 437,103 hours during the year and recorded 9,752 hours of personal leave (sick leave and carers' leave), comprising 2.2% (2016: 2.3%) of total hours worked. Flu vaccinations are offered to staff as a preventative measure.

# STAFF STRUCTURE

AT 31 MARCH 2018





# OUR GOVERNANCE

## GOVERNANCE

### DIRECTORY OF THE ORGANISATION AT 31 DECEMBER 2017

#### PATRON

His Excellency General the Honourable Sir Peter Cosgrove AK MC (Retd) Governor-General of the Commonwealth of Australia

#### PRESIDENT

James Tomkins, OAM

#### VICE PRESIDENTS

Greg Mortimer OAM

Hugh Andrew

David Wardle

Edna Lyle OAM

Ray Temperley

Jim Whitehead

Bruce Hart

Toinette Vincent

Helen Harms

Alex Zilkens

#### HONORARY LIFE MEMBERS

Ms E Lyle OAM

Mr W King

Mr T Blunden

Mr J Cras

Mr B Hansford

Mr D Wardle

Mr H Andrew

Mr J Bowles

Mr J Whitehead

Mr K Grey

Ms G Grey

Mr I Newson

Mr A Schmidt

Ms W Bell

Mr R Ousley

Mr J Hamilton

Ms C Davis

### THE BOARD OF DIRECTORS

The Board of Directors is the governing body of the organisation, and is made up of ordinary adult or Life members who act in a voluntary capacity. The primary focus of the Board is the long-term health and prosperity of YHA, accomplished by:

- setting strategic direction;
- overseeing development of the network;
- ensuring that appropriate risk management and people management systems are in place; and
- enshrining YHA's mission and core values in all aspects of the organisation's activities.

The Board approves and delegates the implementation of strategic objectives, plans and budgets to the CEO, who is appointed by, and accountable to, the Board. The CEO is responsible for day to day management of the business, subject to policies and procedures determined by the Board, and is supported by an experienced and stable management team - an organisational structure is included in this report.

### BOARD COMMITTEES

The Board has established three Committees to assist in the execution of its duties and responsibilities, and to allow detailed consideration of complex issues. The Board Committees are, the Audit & Risk Committee; the Nominations & Remuneration Committee, and the Election Committee. Each Committee has a charter that outlines its role and composition, and each Committee provides regular reports to the Board.

### AUDIT & RISK COMMITTEE

The purpose of the Audit & Risk Committee is to assist the Board in fulfilling its responsibilities regarding financial reporting, risk management, compliance with laws and regulations and ensuring the independence of the external auditor.

### NOMINATIONS & REMUNERATION COMMITTEE

The objectives of the Nominations & Remuneration Committee include ensuring that the Board is skills based, shows diversity and is made up of Directors with a range of expertise and experience. In addition, YHA is committed to continuing education and training for Directors.

## ELECTION COMMITTEE

The Election Committee is responsible for managing the Directors' interview process and familiarisation program, to ensure that candidates for the Board demonstrate the essential and desirable criteria required; understand their obligations under the Corporations Act, and are aware of their fiduciary, strategic and risk management responsibilities.

## DIRECTORS' REMUNERATION WORKING GROUP

In December 2016, a Working Group of the Board was established, drawn from the Directors, to consider the issue of remuneration for Directors. To date in YHA's history, Directors have acted in a voluntary capacity, with expenses incurred in the process of their duties reimbursed. YHA's Constitution allows for the remuneration of Directors, however the level is presently set at zero.

During 2017, the working group considered both the potential benefits and disadvantages of introducing remuneration for Directors, including reviewing case studies of comparable not-for-profit organisations. Having considered the issues, the Board decided that, due to the increased workload, commitment and travel time incurred with YHA now being a fully national organisation, a proposal should be put to members for a modest amount of remuneration for Directors (fixed at an aggregate limit of \$150,000 in any one year). Any amount of remuneration of Directors needs to be approved by YHA's members at a general meeting, requiring a 75% majority of those present and voting. Accordingly, an Explanatory Memorandum was produced, with the issue to be voted on by members, in person and by proxy, at the Annual General Meeting on 14 April 2018.



2017 Board and CEO L-R: Bronwyn Dallow, Robyn Antill, Tracey Powell, Ross McDougall, Evan Prentice (Vice Chair), Robert McGuirk (Chair), Julian Ledger (CEO), Michael McPhail, Leonie Clark (formerly Thijssen), Matthew McNeil.

## BOARD MEETINGS

The Board of Directors met nine times between January and December 2017, including seven face-to-face meetings held in Brisbane, Hobart, Sydney and Melbourne, and two teleconferences. In addition, the Audit & Risk Committee, and the Nominations & Remuneration Committee, held six meetings each, and the Election Committee held one meeting. The Directors' Remuneration Working Group held six meetings.

## BOARD MEMBERS

The Board was made up of nine Directors, with each Director normally serving a three-year term before deciding whether to nominate again (subject to term limits), with up to a third of the Board potentially changing each year.

Directors have travelled extensively within Australia and overseas, and continue to use the YHA network on their travels. The composition of the Board embraces diversity – by skills, experience, age and gender. The Directors' Report on page 35 sets out their qualifications and experience.

# OUR RELATIONSHIPS

The following is a summary of the organisation's relations with government and industry organisations.

## COMMONWEALTH GOVERNMENT

YHA Ltd is not recognised as a charity and is not exempt from Federal taxes such as Income Tax, Goods and Service Tax (GST) or Fringe Benefits Tax. Donations to YHA are not tax deductible for personal income tax.

YHA hostel employees are covered by an Enterprise Agreement under the Fair Work Act 2009 and the National Employment Standards.

## STATE, TERRITORY & LOCAL GOVERNMENTS

YHA Ltd is a not-for-profit company limited by guarantee under the Corporations Act 2001 and trading as YHA Australia.

YHA receives concessions granted by the NSW Government, including exemptions from some Stamp Duties, Payroll Tax and Land Tax. YHA receives exemption from Land Tax in Queensland and South Australia and a concession on Land Tax in Victoria.

City of Sydney has granted an exemption on Council rates at Sydney Harbour YHA and The Big Dig Archaeology Education Centre.

YHA leases land from the Department of Natural Resources, Mines & Energy in Queensland; the WA Department of Planning, Lands and Heritage; and the Tasmanian Government Parks & Wildlife Service, and leases property from the SA Department of Environment, Water & Natural Resources.

Throughout the course of the year, YHA ensured that national, state and local governments were kept informed of its role and activities.

## INDUSTRY REPRESENTATION

YHA maintains its contacts with a wide range of non-government groups including regional tourism bodies and recreational and environmental organisations.

The Sydney Central YHA Hostel Manager is the Secretary of the NSW Backpacker Operators' Association (BOA) – an industry body representing almost 100 organisations in the backpacking sector, including publishers, accommodation providers, travel agents and transport and tour operators. This group acts as a communication and advocacy body for the industry in NSW. Meetings are also convened in regional NSW to target local participation from operators in country areas.

The Northern Region Manager and the National Travel and Tours Manager serve on the Committee of Adventure Queensland.

YHA is represented through the CEO on the Backpacker Youth Tourism Advisory Panel (BYTAP). The panel provides leadership for industry representations to government on youth tourism, including marketing and development, traveller safety, raising accommodation standards and liberalisation of visas. The CEO is also a member of the Tourism Visa Advisory Group of the Department of Home Affairs. Additionally, YHA liaises with various consulates in Australia, to ensure provision of accurate information to Working Holiday Makers from foreign nations.

### YHA is a member of the following organisations:

Adelaide West End Association	National Capital Attractions Inc (NCAA)
Adventure Queensland	National Parks Association of NSW
AHK German Australian Chamber of Industry and Commerce	National Trust of Australia (NSW)
Associations Forum Pty Ltd	Newcastle City Tourist Association
Australian Conservation Foundation	NSW Business Chamber
Australian Federation of Employers & Industries	Outdoors NSW
Australian Institute of Company Directors	Queensland Tourism Industry Council (QTIC)
Australian Society of Association Executives	South Australian Tourism Industry Council
Australian Society of Travel Writers	Study Brisbane
Australian Tourism Export Council (ATEC)	Study Cairns Australia
Backpacker Operators Association of NSW (BOA)	Study Gold Coast
Backpacker Youth Tourism Advisory Panel (BYTAP)	The Rocks Chamber of Commerce
Blue Mountains Accommodation and Tourism Association	Thredbo Chamber of Commerce
Brisbane Marketing	Tourism & Transport Forum (TTF) Australia
Byron Visitors Centre	Tourism Central Australia (NT)
Canberra Convention Bureau	Tourism Noosa
Central Australia Tourism Information Association (CATIA)	Tourism Snowy Mountains
Coffs Tourism	Tourism Top End
EcoBiz Partner Program (DERM)	Tourism Tropical North Queensland (TTNQ)
Ecotourism Australia Ltd	Tourism Whitsundays
Glebe Chamber of Commerce	Victorian Employers' Chamber of Commerce and Industry (VECCI)
Gold Coast Tourism (GCT)	Victorian Tourism Industry Council (VTIC)
Institute of Managers and Leaders	Wilderness Society
Mackay Tourism Queensland	Women in Tourism (WIT)
Museums Australia	WYSE Travel Confederation
Nature Conservation Council of NSW	Young Tourism Network
	Youth Action (NSW)



# OUR FINANCES

## FINANCIAL SUMMARY

### OVERVIEW

Total income for 2017 before sale of assets was \$44.2 million. This was \$0.45 million below the previous year. The net surplus was \$11.22 million and includes the contribution from the merging Tasmanian and WA YHA organisations due to mergers of \$14 million. Whilst the overall number of overnight stays by guests was steady, there were decreases from some key international markets during 2017, most noticeably from the UK.

### BORROWINGS

The cash advance facility continued with ANZ Bank, and interest expenses remained low as the official cash rate held at 1.5% for the full year. The facility has no requirement to be reduced over the term and gives YHA the flexibility to use cash reserves for acquisitions or development. Cape Byron YHA was acquired in August 2017 with an increase in the loan facility limit. The development facility was used to fund development of the extension at Byron Bay YHA, and a larger capital improvement program.

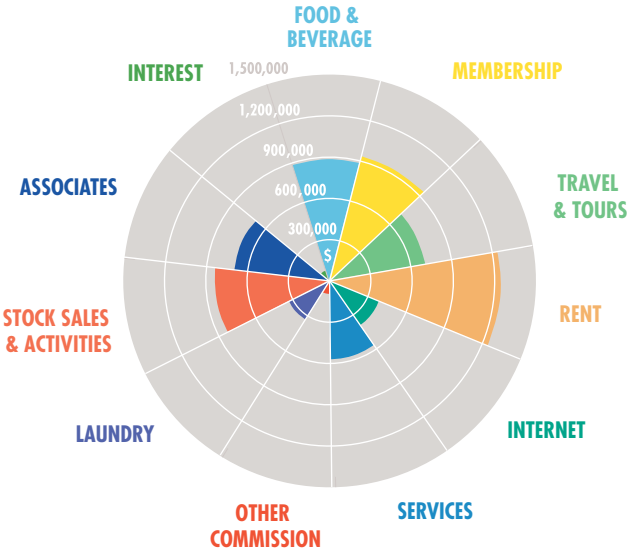
### CASH FLOW

Operating cash flows were lower than in 2016, with a decrease in receipts from customers and an increase in payments to employees, which was related to the increased operations in Tasmania, WA and Cape Byron. Finance costs paid were similar to 2016, with some increases in variable interest expenses from additional borrowings, though there were lower overall expenses due to improving interest rates on fixed interest risk strategies.

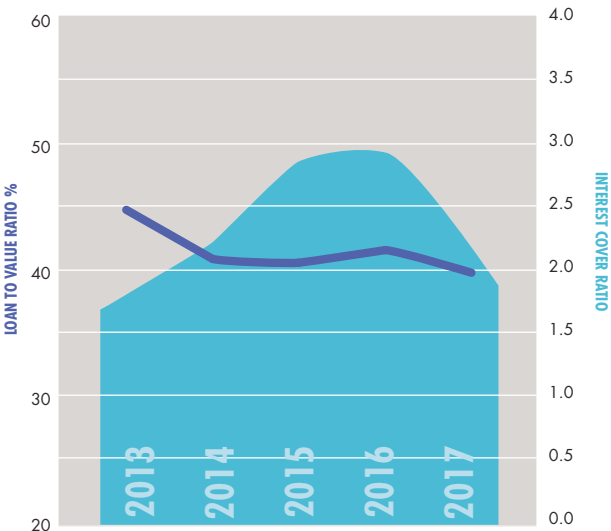
Cash flows from investing activities included expenditure on existing hostels of \$4.85 million (2016:\$3.83 million) and the acquisition of Cape Byron YHA for \$10.85 million (2016: acquisition of Newcastle Beach YHA for \$3.7 million and Surfers Paradise land \$4.2 million); and the development of Byron Bay YHA for \$4.44 million (2016: \$2.16 million). Proceeds from the sale of Bundanoon YHA of \$1.17 million were also received. Cash flows from financing activities were \$16.24 million; which was used to fund investing activities as well as to refinance YHA WA borrowings of \$2.37 million, and to repay YHA Tasmania loans of \$0.38 million.

Cash holdings were \$2.14 million (2016: \$3.09 million), which was lower than the previous year as funds were expended on the development at Byron Bay YHA and other capital works.

### SOURCE OF OTHER OPERATING INCOME



### LOAN TO VALUE AND INTEREST COVER RATIO





More ensuite bathrooms were added to rooms at Canberra City YHA

### CAPITAL EXPENDITURE

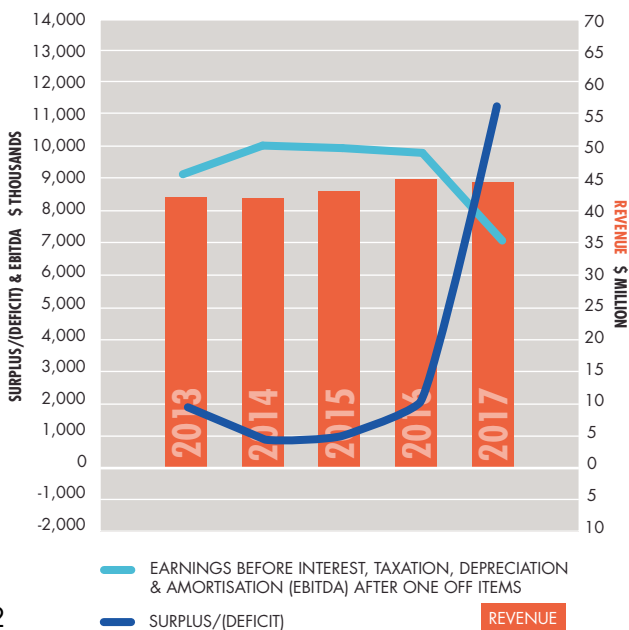
Capital expenditure other than major development projects was \$4.85 million, spent primarily on maintaining the standards of major plant, bathrooms, communal kitchens, furniture and equipment of the hostels, as well as investment in systems, and sustainability initiatives.

In 2017 there was also significant investment in the refurbishment of the common areas at Sydney Central YHA (\$0.5 million) to improve the property's appeal to millennial travellers, as well as investment at Canberra City YHA to increase the number of ensuite private rooms (\$0.55 million).



Communal areas at Sydney Central YHA were vibrantly refurbished

### REVENUE, OPERATING SURPLUS/(DEFICIT), EBITDA



### TOTAL ASSETS, EQUITY AND BORROWINGS



## FIVE YEAR COMPARISON

YHA LTD

	2017 \$	2016 \$	% Change	2015 \$	2014 \$	2013 \$
<b>Before disposal / impairment of fixed assets</b>						
Total revenue	44,253,571	44,685,152	(1.0)	42,943,067	41,757,479	41,961,333
Total expenses	45,938,888	43,219,190	(6.3)	41,903,197	41,036,435	42,363,934
Surplus / (Deficit) before disposal of assets	(1,685,317)	1,465,962	(215.0)	1,039,870	721,044	(402,601)
One off gains – integration or disposal of fixed assets	15,158,576	619,583		–	221,212	3,527,291
(Loss) on disposal of assets	(43,709)	(72,762)		(56,897)	(113,936)	(116,431)
(Impairment) expense	(960,000)	–		–	–	(900,000)
Income tax expense	(1,248,569)	(4,138)		–	38,934	(235,640)
Surplus / (deficit) after tax	11,220,981	2,008,645	458.6	982,973	867,254	1,872,619
Total assets	161,370,767	131,584,921	22.6	123,971,750	122,614,001	124,365,811
Total borrowing	96,237,000	80,000,000	20.3	75,000,000	75,000,000	77,248,543
Total equity	53,100,417	41,879,436	26.8	39,870,791	38,887,818	39,065,706
Gearing (note A)	0.64	0.66	(1.8)	0.65	0.66	0.66
Capital expenditure	20,144,617	14,060,227	43.3	2,837,441	4,328,495	1,246,305
Earnings before interest tax depreciation & amortisation (note B)	7,053,847	9,773,461	(27.8)	9,920,677	9,999,865	9,109,945
Interest cover (note B)	2.11	2.95	(28.5)	2.86	2.21	1.79
Loan to value ratio (note C)	39.8%	41.6%	1.8	40.6%	40.9%	44.8%
Number of members (note D)	158,258	35,262		36,664	36,092	36,173
Number of hostels (note E)	75	57	31.6	59	62	65
Number of employees (note F)	233	225	3.6	234	229	248
Turnover per employee (note G)	189,929	198,601	(4.4)	183,517	182,347	169,199

Note A: Based on current and non-current borrowings as a percentage of total borrowings and total accumulated funds.

Note B: Based on operating surplus before interest charges, depreciation, amortisation and in 2013-2017 adjusted for gain on disposal, merging or integration and impairment expense.

Note C: Includes WA and Tasmania hostels for 2017.

Note D: Includes all Australian and international existing and new members/guests who stayed in 2017; (prior years exclude international members).

Note E: Includes staff operated, leased and associate hostels.

Note F: Full time and part time equivalent to full time employees employed by YHA.

Note G: Total revenue divided by the number of employees.

# YHA LTD ANNUAL REPORT

YEAR ENDING 31 DECEMBER 2017  
ABN 94 008 387 791

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# 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 2017.

## 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:

NAME	QUALIFICATIONS	EXPERIENCE	RESPONSIBILITIES	ELECTED TO
Robyn Joan Antill	BSc, MSc (Maths), MSc (Operations Research), PMP, GAICD	YHA member since 2014. Hostelling International member since 1990. Project Management Consultant.		April 2018
Leonie Isabelle Clark (formerly Thijssen)	BCom, CPA, GIA (Cert), GAICD	YHA member since 2000. Former member of YHA Queensland Board. Held roles of Treasurer YHA Queensland and Vice Chair of YHA Ltd. Finance and HR manager.	Chair of Audit & Risk Committee	April 2019
Bronwyn Teresse Dallow	M.International Management, Grad Dip Business, MAICD	YHA member since 2011. General Manager, business chamber.		Elected April 2017 to April 2020
Ross Peter McDougall	BA, LLB, GAICD	YHA member since 2012. Solicitor.		April 2020
Robert Anthony McGuirk	BA, LLB, F Fin, GAICD	YHA member since 1990. Former member of YHA Victoria Board, held roles of Chair & Vice Chair. Former Hostelling International Vice President. Lawyer, Property Manager, IT Consultant.	Chair, and Chair of Election Committee	April 2019
Matthew Craig McNeil	BArch (Hons), GAICD	YHA member since 1988. Architect.		April 2019
Michael James McPhail	BSc (Hons), AAICD	YHA member since 2011. Former member of YHA WA Inc. Board, held role of Vice Chair. Commercial property marketer.		Appointed 1 September 2017 to April 2019
Tracey Michelle Powell	BBus, GAICD	YHA member since 2000. Former member of YHA South Australia Board, held role of Chair. Associate Director, local government.	Chair of Nominations & Remuneration Committee	April 2018
Euan Gordon Prentice	BCom, A Fin	YHA member since 2009. Owner of capital markets research business.	Vice Chair	April 2018
Dana Denise Ghinzel	BCom, CPA, GAICD	YHA member since 1983. Accountant with public sector.		Ceased on 8 April 2017
David John Neish	BArch, FRAIA	YHA member since 1976. Former member of YHA Queensland Board. Architect.		Ceased on 27 February 2017

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

## COMPANY SECRETARY

Julian Ledger has held the role of Company Secretary since 23 April 2003 and Stephen Lynch was also appointed as Company Secretary on 23 September 2009.

# DIRECTORS' REPORT

CONTINUED

## 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, Nominations and Remuneration and Election Committee.

DIRECTOR	BOARD OF DIRECTOR MEETINGS		COMMITTEE MEETINGS	
	NUMBER HELD/ ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER HELD/ELIGIBLE TO ATTEND	NUMBER ATTENDED
Robyn Antill	9	9	6	5
Leonie Clark (formerly Thijssen)	9	9	6	6
Bronwyn Dallow	8	7	4	4
Ross McDougall	9	8	4	4
Robert McGuirk	9	8	6	6
Matthew McNeil	9	7	5	5
Michael McPhail	4	4	–	–
Tracey Powell	9	8	6	6
Euan Prentice	9	6	11	10
Dana Ghinzel	1	1	2	1
David Neish	–	–	–	–

The above meeting attendance is for YHA Ltd. Youth Hostels Association of Queensland (YHA Queensland) also held 2 Board meetings, YHA Victoria Limited held 1 Board meeting during the year and YHA WA Inc held 3 Board meetings since the merger with YHA Ltd on 1 September 2017. 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 company 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:
  - i) achieve personal development;
  - ii) foster friendship; and
  - iii) 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:
  - i) travel;
  - ii) healthy recreational activities;
  - iii) environmental awareness; and
  - iv) 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

- 1) To be the market leader in the provision of low cost, quality accommodation in Australia and at least maintain current market share.
- 2) To be the market leader in providing services to free independent travellers (FITs).
- 3) To be a dynamic market driven organisation responsive to change.
- 4) To develop the business and activities of YHA in accordance with the national and international aims and objectives of the organisation.
- 5) To achieve the most effective structure for YHA in Australia.
- 6) To provide an annual operating surplus to reinvest in the further growth and development of YHA services and resources.
- 7) To continue to exercise the organisation's social, cultural, economic, educational and environmental responsibilities as a major international membership organisation.
- 8) To continue to develop YHA's human resources as a means of achieving the above objectives.
- 9) 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. These activities are directed at achieving the specific objectives of the group.

#### 6. OPERATING RESULTS

The consolidated surplus for the financial year ended 31 December 2017 was \$11,220,981 (2016 surplus of \$2,008,645). The surplus includes recognition as income the net assets value of YHA Tasmania Inc. of \$2,257,236, whose operations and property were integrated and transferred on 1 January 2017 to YHA Ltd as well as recognition as income the net assets of YHA WA Inc. of \$11,796,522, whose operations and property were integrated on 1 September 2017 (2016: \$619,583 from the integration of Hostelling International Australia Inc.). Adjusting for this recognition of income the consolidated surplus would become a consolidated deficit of \$2,832,777 (2016: Surplus of \$1,389,062), which includes an impairment expense of \$960,000 for the year.

The group uses occupancy percentage or utilisation of the hostel beds as a measure of performance together with quality ratings from guests. The hostel bed occupancy in 2017 for operated hostels was 65.3% (2015 66.7%), ratings were in the desired range and several hostels achieved consistently high ratings.

#### 7. REVIEW OF OPERATIONS

The annual report is prepared on a consolidated basis and includes the operations of YHA Ltd (hostel operations, membership, travel and tour sales), YHA Queensland (property owner), YHA Victoria (activities clubs in Victoria) and YHA WA Inc (property owner).

Revenue declined over the prior year due to lower numbers of backpackers particularly from the UK and the switch from a leased hostel operation in Darwin to a better quality associate hostel. Australian guest nights were also lower than last year although guest nights from groups improved on the prior year. The inclusion of new hostel operations in Hobart, Perth, Fremantle, Dunsborough and Esperance assisted in balancing this reduction as well as the additional operations from Cape Byron YHA (acquired associate hostel 26 August 2017). All hostels in these locations were already in operation. Membership sales reduced also as systems to enable all guests to join more easily and remain members were simplified and made more affordable.

Development work continued on the extension of the Byron Bay YHA. Despite the severe rain event following Cyclone Debbie, which contributed to a 3 month delay on the project, the new building is expected to open in March 2018. Contracts to sell and leaseback the Melbourne Metro YHA were exchanged in December 2017 and the sale will settle in the first quarter of 2018. Proceeds from the sale will be used to reduce borrowings.

# DIRECTORS' REPORT

CONTINUED

## 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

As noted in the 2016 report the property, plant & equipment of YHA Victoria Limited was transferred to YHA Ltd in the first quarter of 2017. YHA Victoria no longer owns hostel property and continues as an entity that facilitates the YHA activities clubs in Victoria.

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 2017.

## 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.

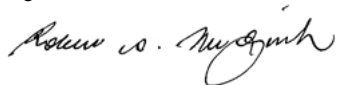
## 15. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 64.

## 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.



Robert McGuirk  
Director  
3 March 2018



Leonie Clark  
Director  
3 March 2018



# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTE	2017 \$	2016 \$
<b>Revenue or other income</b>			
Rendering of services	3	43,616,483	43,741,081
Other income	3	15,795,664	1,563,654
	3	59,412,147	45,304,735
<b>Expenses</b>			
Employee benefits expense	4	(19,518,406)	(18,825,043)
Depreciation & amortisation expense	4	(5,413,939)	(5,131,072)
Impairment expense	11,12	(960,000)	–
Finance costs	4	(3,325,225)	(3,176,427)
Other expenses	4	(17,725,027)	(16,159,410)
		(46,942,597)	(43,291,952)
<b>Surplus before income tax</b>		<b>12,469,550</b>	<b>2,012,783</b>
Income tax (expense) / benefit	5	(1,248,569)	(4,138)
Surplus after income tax		11,220,981	2,008,645
Other comprehensive income		–	–
<b>Total Comprehensive Income</b>		<b>11,220,981</b>	<b>2,008,645</b>

The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	NOTE	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	2,137,055	3,085,709
Trade and other receivables	7	611,799	523,409
Inventories	8	54,132	71,307
Other current assets	9	861,189	711,470
Non-current assets classified as held for sale	10	9,330,523	–
<b>Total Current Assets</b>		<b>12,994,698</b>	<b>4,391,895</b>
<b>Non-current Assets</b>			
Property, plant and equipment	11	145,832,597	124,378,625
Intangible assets	12	2,543,472	2,814,401
<b>Total Non-current Assets</b>		<b>148,376,069</b>	<b>127,193,026</b>
<b>TOTAL ASSETS</b>		<b>161,370,767</b>	<b>131,584,921</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	4,469,685	3,398,502
Income tax payable	14	1,248,569	–
Derivative financial instruments	18	246,082	403,154
Provisions	16	2,328,902	2,131,928
Other liabilities	17	2,858,889	2,814,699
<b>Total Current Liabilities</b>		<b>11,152,127</b>	<b>8,748,283</b>
<b>Non-current Liabilities</b>			
Trade and other payables	13	61,181	63,359
Borrowings	15	96,237,000	80,000,000
Derivative financial instruments	18	716,010	709,882
Provisions	16	104,032	183,961
<b>Total Non-current Liabilities</b>		<b>97,118,223</b>	<b>80,957,202</b>
<b>TOTAL LIABILITIES</b>		<b>108,270,350</b>	<b>89,705,485</b>
<b>NET ASSETS</b>		<b>53,100,417</b>	<b>41,879,436</b>
<b>EQUITY</b>			
Accumulated surplus		49,342,708	36,421,090
Revaluation reserve		3,757,709	5,458,346
<b>TOTAL EQUITY</b>		<b>53,100,417</b>	<b>41,879,436</b>

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	REVALUATION RESERVE \$	ACCUMULATED SURPLUS \$	TOTAL EQUITY \$
<b>Balance at 1 January 2016</b>	5,458,346	34,412,445	39,870,791
Surplus after income tax	–	2,008,645	2,008,645
Other comprehensive income	–	–	–
<b>Balance at 31 December 2016</b>	5,458,346	36,421,090	41,879,436
Surplus after income tax	–	11,220,981	11,220,981
Transfer to Accumulated Surplus	(1,700,637)	1,700,637	–
Other comprehensive income	–	–	–
<b>Balance at 31 December 2017</b>	3,757,709	49,342,708	53,100,417

The accompanying notes form part of these financial statements.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTE	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Receipts from members and customers		48,527,045	48,732,124
Receipts from integration of YHA entities		277,111	136,675
Payments to employees		(19,570,049)	(17,423,608)
Payments to suppliers		(21,375,788)	(21,312,576)
Income taxes paid		–	(4,138)
Interest received		52,509	66,070
Finance costs paid		(3,368,517)	(3,360,287)
<b>Net cash provided by operating activities</b>	26	4,542,311	6,834,260
<b>Cash flows from investing activities</b>			
Purchase of plant, equipment & software		(4,853,853)	(3,827,278)
Purchase of property		–	(4,522,805)
Payment for purchase of businesses net of cash acquired	22	(10,850,000)	(3,697,000)
Development of property		(4,441,264)	(2,164,144)
Proceeds from sale of property, plant & equipment		1,168,464	–
<b>Net cash (used in) investing activities</b>		(18,976,153)	(14,211,227)
<b>Cash flows from financing activities</b>			
(Repayment) of bank borrowings – Westpac		(2,751,812)	–
Proceeds from bank borrowings – ANZ		16,237,000	5,000,000
<b>Net cash provided by financing activities</b>		13,485,188	5,000,000
<b>Net (decrease) in cash and cash equivalents</b>		(948,654)	(2,376,967)
<b>Cash and cash equivalents at the beginning of the year</b>		3,085,709	5,462,676
<b>Cash and cash equivalents at the end of the year</b>	6	2,137,055	3,085,709

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), as appropriate for not for profit orientated entities and the *Corporations Act 2001*. The consolidated financial report of the group as at and for the year ended 31 December 2017 comprises YHA Ltd (the company) and its controlled entities which include Youth Hostels Association of Queensland, YHA Victoria Limited and YHA WA Inc. YHA Ltd is a company limited by guarantee, incorporated and domiciled in Australia. 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 statements were authorised for issue by the Directors on 3 March 2018.

### **New, revised or amending Accounting Standards and Interpretations adopted**

The group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. No other new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have been early adopted. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the year.

### **New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2017 reporting period and have not been early adopted by the group. The group is working through the impact of these new standards and interpretations, which include the following:

#### **AASB 1058: Income of Not-for-Profit Entities applicable for financial years commencing on or after 1 January 2019**

AASB 1058 replaces the income recognition requirements in AASB 1004: Contributions applicable to private sector not-for-profit entities with a model based on the principles of AASB 15: Revenue from Contracts with Customers. Consequently, AASB 1058 requires private sector not-for-profit entities to recognise all revenue from contracts with customers when the related performance obligations are satisfied, irrespective of whether the ultimate beneficiary of the goods or services provided by the not-for-profit entity is the grantor of the funds or another entity. An agreement involving a not-for-profit entity would be classified as a contract with a customer if the agreement:

- creates enforceable rights and obligations between the parties; and
- includes a promise by the not-for-profit entity to transfer a good or service that is sufficiently specific for the entity to determine when the obligation is satisfied.

For contracts with customers that comprise a donation component, AASB 1058 requires such components to be treated as part of the performance obligation(s) unless the entity can demonstrate that component is not related to the promised goods or services.

When an arrangement does not meet the criteria for a contract with a customer, the inflows are accounted for in accordance with AASB 1058, which requires:

- the asset received by the not-for-profit entity to be accounted for in accordance with the applicable Australian Accounting Standard; and
- any difference between the consideration given for the asset and its fair value to be recognised in accordance with its substance (such as a contract liability, a financial instrument and/or a contribution by owners), and any residual amount recognised as income.

AASB 1058 also permits a not-for-profit entity to recognise volunteer services as an asset or expense (as applicable) and any related contributions by owners or revenue as an accounting policy choice, provided that the fair value of the services can be measured reliably.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

Although the directors do not anticipate that the adoption of AASB 1058 will have a material impact on the Group's reported revenue, it is impracticable at this stage to provide a reasonable estimate of such impact.

## **AASB 9 Financial Instruments applicable for financial years commencing on or after 1 January 2018**

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

## **AASB 15 Revenue from Contracts with Customers applicable for financial years commencing on or after 1 January 2019**

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

## **AASB 16 Leases applicable for financial years commencing on or after 1 January 2019**

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

## **BASIS OF PREPARATION**

### **Reporting Basis and Conventions**

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**

### **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 company 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.

### **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.

### **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.

### **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.

#### *Financial Liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments. Derivative financial liabilities are recognised at the fair value of interest rate swaps and are calculated as the present value of the estimated future cash flows based on observable yield curves. Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria, they are classified as 'held for trading' for accounting purposes.

#### *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.

### **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.

### **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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## **Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

## **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**

Revenue from the provision of services and sale of goods is recognised upon providing the service or on delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

## **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.

## **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.

## **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 consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity'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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## 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 consolidated entity for income tax purposes.

## 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

### *ii) 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 entity 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.

## 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 consolidated entity 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.

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

The consolidated entity 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.

### **Goodwill and other indefinite life intangible assets**

The consolidated entity 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 consolidated entity 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 these benefits.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

NOTE 3 – REVENUE	2017 \$	2016 \$
Hostel	37,566,778	37,570,441
Catering	889,276	969,018
Other hostel	2,299,294	2,528,451
Membership	925,223	807,033
Travel & tours commission	705,624	833,447
Rent	1,230,288	1,032,691
Rendering of services	43,616,483	43,741,081
Sundry income	584,579	876,999
Gain on disposal of assets	1,104,818	–
Contribution from integration of YHA entities	14,053,758	619,583
Interest	52,509	67,072
Other Income	15,795,664	1,563,654
Total revenue and other income	59,412,147	45,304,735
<p>Consideration received from the YHA entities in 2017 and 2016 represents the net assets of the YHA Tasmania Inc. of \$2,257,236 and YHA WA Inc. of \$12,946,522; and in 2016 the net assets of Hostelling International Australia Inc. These net assets have been transferred to YHA Ltd as part of the merger of YHA Tasmania and YHA WA Inc. has been consolidated as a controlled entity of YHA Ltd.</p>		
NOTE 4 – EXPENSES		
Salaries and wages	16,785,945	16,230,175
Superannuation	1,731,373	1,672,893
Other benefits	1,001,088	921,975
Employee benefits	19,518,406	18,825,043
Depreciation of property plant & equipment	5,003,589	4,733,548
Amortisation of software	410,350	397,524
Depreciation and amortisation	5,413,939	5,131,072
Borrowing costs	130,452	50,625
Bank interest	3,345,717	3,313,206
Fair value (gain) loss on interest rate swaps	(150,944)	(187,404)
Finance costs	3,325,225	3,176,427
Cost of goods sold	951,311	1,083,533
Loss on disposal of assets	43,709	72,762
Operating expenses	7,363,052	6,907,142
Administration, marketing and insurance	5,857,106	4,847,324
Property expenses	3,394,547	3,153,455
Audit	115,302	95,194
Other expenses	17,725,027	16,159,410

NOTE 5 – INCOME TAX	2017 \$	2016 \$
<b>a) Reconciliation of effective tax rate</b>		
Income tax expense using the domestic corporation tax rate of 30% (2016: 30%)	3,366,294	602,594
Add / (subtract) tax effect of:		
Income and expenses exempt under principle of mutuality	(3,472,138)	(602,594)
Recognition of previously unrecognised tax losses	(286,655)	–
Income tax losses not recognised as deferred tax asset	61,821	–
Assessable gain on disposal of property, plant and equipment	1,579,247	–
Prior year under provision for income tax	–	4,138
Income tax expense	1,248,569	4,138
<b>b) Principle of mutuality</b>		
The estimated amount of income subject to the mutuality principle is 95% (2016: 95%).		
<b>c) Unrecognised tax losses</b>		
The following tax losses from non-mutual income have not been brought to account as a deferred tax asset:		
YHA Ltd	9,485,144	9,350,445
YHA Queensland	2,478,445	2,407,075
YHA Victoria Limited	–	969,894
Tax losses	11,963,589	12,727,414
The consolidated entity 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.		
<b>NOTE 6 – CASH AND CASH EQUIVALENTS</b>		
Cash on hand	73,848	65,469
Cash at bank	1,995,892	2,919,224
Cash on deposit	67,315	101,016
	2,137,055	3,085,709
<b>NOTE 7 – TRADE &amp; OTHER RECEIVABLES</b>		
Trade receivables	611,799	523,409
	611,799	523,409
<b>NOTE 8 – INVENTORIES</b>		
Finished goods	54,132	71,307
	54,132	71,307
<b>NOTE 9 – OTHER ASSETS</b>		
<b>Current</b>		
Prepayments	861,189	711,470
	861,189	711,470

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

NOTE 10 – NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	2017 \$	2016 \$
<b>Freehold Land and Building</b>		
At cost	9,373,044	–
Less: Accumulated depreciation	(42,521)	–
Total non-current assets classified as held for sale	9,330,523	–

The non-current assets held for sale represents the carrying value of the Melbourne Metro YHA land & buildings for which a contract of sale and lease back was executed in December 2017. The lease is for a 5 year term with two further 5 year options, though the lease includes a termination clause (two years notice) after the first term at the discretion of both the lessor and lessee.

## NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

<b>Freehold Land and Buildings</b>		
At cost	121,883,580	107,066,583
Less: Accumulated depreciation	(24,573,190)	(28,605,809)
	97,310,390	78,460,774
<b>Leasehold Land and Buildings</b>		
At cost	50,815,198	47,760,594
Less: Accumulated depreciation	(10,423,951)	(8,890,732)
	40,391,247	38,869,862
<b>Plant and Equipment</b>		
At cost	19,571,485	18,861,223
Less: Accumulated depreciation	(11,440,525)	(11,813,234)
	8,130,960	7,047,989
<b>Total Property, Plant and Equipment</b>	145,832,597	124,378,625
Independent valuations of interest in Land & Buildings		
2017	220,305,000	–
2016	7,500,000	7,500,000
2015	6,025,000	10,625,000
2014	7,700,000	173,960,000
Total	241,530,000	192,085,000

The total independent valuation reports value of \$241,530,000 representing 29 freehold and leasehold properties and including the 2017 additions of Cape Byron YHA, Hobart Central YHA and WA hostels excluding Fremantle Prison YHA. The written down value of these properties, which are recorded at cost or deemed cost as at transfer date in the financial report is \$145,790,661 and excludes the development in progress at Byron Bay YHA.

## NOTE 11 – 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:

	2017 \$	2016 \$
<b>Freehold Land &amp; Buildings</b>		
Balance at the beginning of the year	78,460,774	69,664,489
Additions	1,454,948	5,389,600
Additions through business combination (Note 20)	25,177,335	2,932,899
Additions development work in progress	4,441,264	2,164,144
Disposals	(18,827)	–
Transfers	96,306	428,167
Transfer to non-current assets held for sale	(9,330,523)	–
Impairment	(560,000)	–
Depreciation expense	(2,410,888)	(2,118,525)
Carrying amount at the end of the year	97,310,390	78,460,774
<b>Leasehold Land &amp; Buildings</b>		
Balance at the beginning of the year	38,869,862	39,761,904
Additions	579,837	135,953
Additions through business combination (Note 20)	2,037,148	–
Disposals	–	(3,372)
Transfers	11,520	(681)
Depreciation expense	(1,107,120)	(1,023,942)
Carrying amount at the end of the year	40,391,247	38,869,862
<b>Plant &amp; Equipment</b>		
Balance at the beginning of the year	7,047,989	6,647,359
Additions	2,281,146	2,502,837
Additions through business combination (Note 20)	438,620	–
Disposals	(43,387)	(69,640)
Transfers	(107,826)	(441,486)
Depreciation expense	(1,485,582)	(1,591,081)
Carrying amount at the end of the year	8,130,960	7,047,989

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT CONTINUED	2017 \$	2016 \$
<b>Total</b>		
Balance at the beginning of the year	124,378,625	116,073,752
Additions	4,315,931	8,028,390
Additions through business combination (Note 20)	27,653,103	2,932,899
Additions development work in progress	4,441,264	2,164,144
Disposals	(62,213)	(73,012)
Transfers	–	(14,000)
Transfer to non-current assets held for sale	(9,330,523)	–
Impairment	(560,000)	–
Depreciation expense	(5,003,590)	(4,733,548)
Carrying amount at the end of the year	145,832,597	124,378,625

### Revaluation Reserve

The hostel land and buildings of YHA Victoria Limited were adjusted to independent market value over the years 2000 to 2010 and the net balance of the revaluation reserve for these changes was \$1,700,637. As the YHA Victoria Limited hostels were transferred to YHA Ltd in 2017 this revaluation reserve has been transferred to accumulated earnings. The hostel land and buildings of YHA South Australia Inc. were adjusted to independent market value over the years 2000 to 2013 and the net balance of the revaluation reserve for these changes was \$3,757,709.



NOTE 12 – INTANGIBLE ASSETS	2017 \$	2016 \$
Licences – at cost	116,681	116,681
Licences	116,681	116,681
Goodwill – at cost	2,064,101	1,378,965
Goodwill – acquired through business combination (Note 20)	–	764,101
Goodwill – impairment expense	(400,000)	–
Less: accumulated amortisation	–	(78,965)
	1,664,101	2,064,101
Computer software – at cost	3,593,983	3,056,451
Less: accumulated amortisation	(2,831,293)	(2,422,832)
	762,690	633,619
Total intangible assets	2,543,472	2,814,401

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.

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.

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 SOFTWARE \$	TOTAL \$
Carrying amount at the beginning of the year	116,681	2,064,101	633,619	2,814,401
Additions	–	–	537,421	537,421
Additions through business combinations (Note 20)	–	–	2,000	2,000
Impairment	–	(400,000)	–	(400,000)
Amortisation charge	–	–	(410,350)	(410,350)
Carrying amount at the end of the year	116,681	1,664,101	762,690	2,543,472

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

NOTE 13 – TRADE AND OTHER PAYABLES	2017 \$	2016 \$
<b>Current</b>		
Trade creditors	1,131,178	448,248
Accrued expenses	2,460,158	2,218,320
BAS payable	167,730	281,288
Other payables	552,843	303,670
Deferred revenue	157,776	146,976
	4,469,685	3,398,502
<b>Non-current</b>		
Rental bonds	61,181	63,359
	61,181	63,359
<b>NOTE 14 – INCOME TAX PAYABLE</b>		
Income tax payable	1,248,569	–
	1,248,569	–
<b>NOTE 15 – BORROWINGS</b>		
<b>Non-current</b>		
Bank loans	96,237,000	80,000,000
Total Borrowings	96,237,000	80,000,000
<p>1. The ANZ facility consists of a Cash Advance Facility of \$98,112,000 for YHA Ltd borrowings which has one and a half years until termination in June 2019. The facility allows prepayment and with any prepayment a permanent reduction in the facility. Prepayments are not required. The ANZ facility includes an overdraft of \$750,000 though this is only available during the slower trading months from March to October each year. Also included in this facility amount is a corporate credit card facility of \$125,000, facility for electronic payments (\$500,000) and bank guarantees (\$500,000) for security of leasehold hostel and office properties.</p> <p>2. The bank facilities are secured by a first ranking fixed and floating charge over all the assets of the group and first ranking mortgages over 24 hostel properties. The covenants within the bank borrowings 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 1.4 times. The group complied with the financial covenants of its borrowing facilities during the 2017 and 2016 reporting periods.</p>		
The bank facilities as at the balance date are:	2017 \$	2016 \$
Credit facilities	97,112,000	81,875,000
Amount utilised	96,237,000	80,000,000
Amount unutilised	875,000	1,875,000
<p>The unused credit facilities consist of cash advance facility of \$Nil (2016: \$1,000,000), bank overdraft \$750,000 (2016: \$750,000) and corporate card facility \$125,000 (2016: \$125,000).</p>		
<b>Assets Pledged as Security</b>		
The carrying amounts of assets pledged as security are:		
First mortgage and floating charges		
Total assets	161,370,767	131,584,921

<b>NOTE 16 – PROVISIONS</b>	2017 \$	2016 \$
<b>Current</b>		
Employee benefits	2,328,902	2,077,928
Onerous contract	–	54,000
	2,328,902	2,131,928
<b>Non-current</b>		
Employee benefits	104,032	183,961
	104,032	183,961
Aggregate liability for employee benefits provision including on-costs		
Employee benefits	2,432,934	2,261,889
		EMPLOYEE ENTITLEMENTS \$
<b>Movements In Provisions</b>		
Balance at the beginning of the year		2,261,889
Additions		1,961,309
Transfers		128,827
Amounts utilised		(1,919,091)
Balance at the end of the year		2,432,934
<b>NOTE 17 – OTHER LIABILITIES</b>		
<b>Current</b>		
Bookings in advance	2,858,889	2,814,699
	2,858,889	2,814,699

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

NOTE 18 – DERIVATIVE FINANCIAL INSTRUMENTS	2017 \$	2016 \$
The group has the following derivative financial instruments:		
<b>Current</b>		
Interest rate swap contracts – non-hedging	246,082	403,154
<b>Non-current</b>		
Interest rate swap contracts – non-hedging	716,010	709,882
	962,092	1,113,036

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. This classifies them as Level 2 financial instruments. In 2017 the fair value has been determined by reference to the ANZ value of the interest rate swap agreements as at 31 December 2017. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

Derivatives are classified as held for trading and accounted for at fair value through the Statement of Profit or Loss and Other Comprehensive Income unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

## NOTE 19 – CONTINGENT LIABILITIES

During the year the Cyclone in Queensland caused damage to the retaining wall at the rear of the Airlie Beach YHA hostel building and an insurance claim will be lodged for the rectification of this wall and other damage caused. If the retaining wall portion of the claim is not accepted YHA will have a contingent liability to complete these works in the order of \$300,000 and the hostel may need to adjust its operations during the rectification works.

## NOTE 20 – COMMITMENTS

	2017 \$	2016 \$
<b>a. Capital commitments</b>		
Capital expenditure commitments contracted for:		
Capital expenditure projects	377,368	515,923
Development of Byron Bay YHA	327,955	3,799,942
	705,323	4,315,865

Commitments for capital expenditure projects will be payable not later than 1 year. The development commitment for Byron Bay YHA represents the remaining commitment for works that will be completed in early 2018 including an estimation for any claims for variations from the contracted amounts as well as an estimation for furniture and fitout not included in the construction contract.

### b. Operating leases

Payable not later than 1 year	1,241,782	1,314,067
Later than 1 year but not later than 5 years	4,442,719	1,780,411
Later than 5 years	3,683,358	3,559,467
	9,367,859	6,653,945

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) and Sydney Harbour YHA (to 2108).

### c. Other commitments

The Company entered into a Lease Agreement with the Sydney Harbour Foreshore Authority to develop and 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 \$594,000 with annual CPI adjustments to the contribution per overnights from 2009.

## NOTE 21 – RELATED PARTY DISCLOSURES

All transactions between the company and the controlled entities are eliminated on consolidation. There are no other related party transaction occurring during the year. 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 but are not remunerated, in accordance with the constitution. Disclosures relating to key management personnel are set out in Note 24.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

### NOTE 22 – BUSINESS COMBINATIONS

On 1 January 2017, YHA Ltd merged with YHA Tasmania resulting in the operations and property assets transferring to YHA Ltd for nil consideration. On 1 September 2017, YHA Ltd merged with YHA WA Inc resulting in YHA Ltd becoming a member of YHA WA Inc. and YHA WA Inc.'s operations were transferred to YHA Ltd. YHA Ltd took effective control of the property, assets and liabilities. On 26 August 2017, YHA Ltd acquired the Cape Byron YHA hostel and 5 retail shops. The 2016 business combination was the acquisition of the Newcastle Beach YHA. Details of the business combinations are as follows:

	CAPE BYRON YHA	YHA TASMANIA	YHA WA	2017 \$	2016 \$
Cash and cash equivalents	–	267,233	9,878	277,111	–
Trade receivables	–	13,390	52,772	66,162	–
Inventories	–	–	4,898	4,898	–
Prepayments	–	31,585	22,469	54,054	–
Plant and equipment	200,000	19,054	219,566	438,620	–
Land & Buildings	10,650,000	2,427,378	14,137,105	27,214,483	3,135,899
Computer software	–	–	2,000	2,000	–
Trade payables and advance deposits	–	(98,693)	(152,810)	(251,503)	–
Employee benefits	–	(21,428)	(128,827)	(150,255)	–
Borrowings	–	(381,283)	(2,370,529)	(2,751,812)	–
Net assets acquired	10,850,000	2,257,236	11,796,522	24,903,758	3,135,899
Goodwill	–	–	–	–	764,101
Acquisition-date fair value of the total consideration transferred	10,850,000	2,257,236	11,796,522	24,903,758	3,900,000
Representing:					
Cash paid or payable to vendor	10,850,000	–	–	10,850,000	3,900,000
Gain on bargain purchase – balance	–	2,257,236	11,796,522	14,053,758	–
Acquisition costs expensed to profit or loss	493,331	77,985	–	571,316	200,648

## NOTE 23 – FINANCIAL INSTRUMENTS

### **Financial risk management objectives**

The consolidated entity's activities expose it to financial risks including interest rate risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses financial instruments such as fixed interest rate contracts to reduce certain interest rate risk exposures. These contracts are exclusively used to minimise interest rate risk, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and cash flow forecasting for liquidity risk.

Risk management is carried out by senior management, finance executives ('finance') and the Audit & Risk Committee under policies approved by the Board. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and mitigates financial risks within the consolidated entity and reports to the Board on a monthly basis.

### **Interest rate risk**

The consolidated entity's main interest rate risk arises from long-term borrowings with variable rates, which expose the consolidated entity to cash flow interest rate risk. The policy is to maintain at least 50% and up to 95% of its borrowings at a fixed rate using interest rate swaps to achieve this when necessary.

The consolidated entity manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the consolidated entity agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Generally, the consolidated entity raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the consolidated entity borrowed at fixed rates directly.

### **Liquidity risk**

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

### **Foreign currency risk**

The consolidated entity is not exposed to any significant foreign currency risk.

### **Price risk**

The consolidated entity is not exposed to any significant price risk.

### **Credit risk**

The consolidated entity is not exposed to any significant credit risk.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## NOTE 24 – KEY MANAGEMENT PERSONNEL COMPENSATION

All directors are members of the company and do not receive any remuneration for their services. They are entitled to receive, upon application, discounts no more favourable than those available to all members.

Key management personnel include the directors listed in the Directors' Report, the Chief Executive Officer, Operations (Eastern Region) Manager, Head of Marketing, Chief Financial Officer, Digital and Strategy Leader, Northern Region Manager, Southern Region Manager and Western Region Manager. Total compensation is shown as follows:

	Salary	Superannuation	Total
	\$	\$	\$
2017	1,526,697	142,376	1,669,073
2016	1,453,247	132,879	1,586,126

## NOTE 25 – PARENT ENTITY INFORMATION

PARENT ENTITY

	2017	2016
	\$	\$
Set out below is the supplementary information about the parent entity.		
<b>Statement of comprehensive income</b>		
Surplus after income tax	23,166,840	2,520,283
Total current assets	12,926,281	4,322,008
Total assets	160,079,147	114,326,546
Total current liabilities	9,858,318	3,433,578
Total Liabilities	106,976,541	84,390,780
<b>Equity</b>		
Total equity	53,102,606	29,935,766

### Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2017.

### Capital commitments

The parent entity had capital commitments for property, plant & equipment as at 31 December 2017 of \$705,323 and 31 December 2016 of \$4,315,865.

### Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed at Note 1.

### Subsequent Events

The parent entity has a loan amount receivable from a subsidiary (YHA Victoria Ltd) included in the total assets value disclosed above. Subsequent to year end the parent entity has forgiven the loan balance receivable from YHA Victoria Ltd through a formal deed of forgiveness of debt executed on 3 March 2018. We note that the loan balances are eliminated on consolidation.



**NOTE 26 – RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES**

	CONSOLIDATED ENTITY	
	2017 \$	2016 \$
<b>Surplus after income tax</b>	11,220,981	2,008,645
<b>Non-cash flow in profit</b>		
Depreciation and amortisation	5,413,939	5,131,072
Impairment of property, plant & equipment	560,000	–
Impairment of goodwill	400,000	–
Fair value adjustment to derivatives	(150,944)	(187,404)
(Profit) on sale of property, plant & equipment	(1,104,818)	–
Loss on sale or disposal of property, plant & equipment	43,709	72,762
Contribution from merging YHA entities	(13,776,647)	(604,197)
<b>Changes in assets and liabilities</b>		
(Increase) decrease in receivables	(22,228)	9,274
Decrease (increase) in inventory	71,229	22,050
(Increase) decrease in other assets	(144,821)	(409,872)
Increase (decrease) in payables	772,362	487,465
Increase in provision for income tax payable	1,248,569	–
Increase in provisions	(33,210)	293,115
Increase (decrease) in other liabilities	44,190	11,350
<b>Net cash provided by operating activities</b>	<b>4,542,311</b>	<b>6,834,260</b>

**NOTE 27 – INFORMATION TO BE FURNISHED UNDER CHARITABLE FUNDRAISING ACTS**

The Company is authorised to fundraise under the Charitable Fundraising Act 1991 (NSW). YHA Queensland is authorised under the Collections Act 1966 (QLD) and YHA Victoria Limited under the Fundraising Appeals Act 1998 (VIC). 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 28 – EVENTS AFTER REPORTING PERIOD**

No matter or circumstance has arisen since 31 December 2017 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.

**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 2017, 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.



M A ALEXANDER  
Partner

PITCHER PARTNERS  
Sydney

3 March 2018

# DIRECTORS' DECLARATION

The Directors of YHA Ltd declare that:

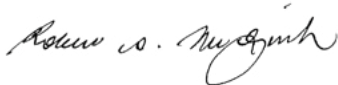
1. The financial statements and notes, as set out on pages 39 to 63, are in accordance with the *Corporations Act 2001*:
  - a. Comply with Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - b. Give a true and fair view of the consolidated entity's financial position as at 31 December 2017 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.
3. *Charitable Fundraising Act 1991* (New South Wales (NSW))

The financial operations of the Group are in accordance with the *Charitable Fundraising Act 1991* (the Act), Including:

- i. the financial report of the Group shows a true and fair view of the financial results of fundraising appeals for the year ended 31 December 2017;
- ii. the financial report and associated records of the Group have been properly kept during the year in accordance with the Act;
- iii. money received as a result of fundraising appeals conducted during the year ended 31 December 2017 has been properly accounted for and applied in accordance with the Act; and
- iv. as at the date of this statement there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

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

On behalf of the Directors.



Robert McGuirk  
Director  
3 March 2018



Leonie Clark  
Director  
3 March 2018

**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 2017, 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 2017 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Also in our opinion, the financial report gives a true and fair view with the provisions of the *Charitable Fundraising Act 1991 (NSW)*, the *Fundraising Appeals Act 1998 (VIC)* and the *Collections Act 1966 (QLD)*.

**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* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 2017, 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 – Reduced Disclosure Requirements 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

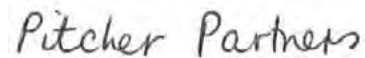
not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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.



M A ALEXANDER  
Partner



PITCHER PARTNERS  
Sydney

3 March 2018

# YHA AUSTRALIA HOSTELS

AT 31 DECEMBER 2017

HOSTEL	MANAGED BY	BEDS	OWNERSHIP	STATUS	NOTES
<b>ACT</b>					
<b>CANBERRA CITY</b> 7 Akuna St, Canberra	Arthur Lee	264	○	F	Converted office block.
<b>NSW</b>					
<b>ALBURY</b> 372 Wagga Rd, Lavington	Kerrie Day, Craig Richardson	24	A		Building in caravan park.
<b>BATEMANS BAY</b> Cnr of Old Princes Hwy & South St	Francis McLaughlin & Brent Bruen	40	A		Converted building in caravan park.
<b>BELLINGEN</b> 2 Short St	Amanda Fisher	30	A		Converted commercial building with extensions.
<b>BLUE MOUNTAINS</b> 207 Katoomba St, Katoomba	Bronwen Johnston	200	○	F	Converted guesthouse.
<b>BLUE MOUNTAINS – HAWKESBURY HEIGHTS</b> 836 Hawkesbury Rd	Carolyn & John Beazley	12	○	L	Land leasehold; purpose-built hostel owned by the organisation.
<b>BONDI BEACHOUSE</b> Cnr Fletcher and Dellview St, Bondi Beach	Kati Farthing	94	A		Converted guesthouse.
<b>BYRON BAY</b> 7 Carlyle St	Paul Cason	107	○	F	Purpose-built hostel.
<b>CAPE BYRON</b> Cnr Byron & Middleton Sts, Byron Bay	Paul Cason	134	○	F	Purpose-built hostel.
<b>COFFS HARBOUR</b> 51 Collingwood St	Brett Banwell	92	○	F	Leased to manager. Purpose-built hostel.
<b>GLEBE POINT</b> 262-264 Glebe Point Rd, Glebe	Craig Tester	145	○	F	Converted motel.
<b>HUNTER VALLEY</b> 100 Wine Country Drive, Nulkaba	Nigel Worton	48	A		Purpose-built hostel.
<b>MURWILLUMBAH</b> 1 Tumbulgum Rd	Tassie Duff	24	A		Private residence converted into hostel.
<b>NEWCASTLE BEACH</b> 30 Pacific St, Newcastle	Damian Parkhouse	93	○	F	Converted heritage building Management contract.
<b>NIMBIN ROX</b> 74 Thorburn St, Nimbin	Liam Brehme	28	A		Purpose-built hostel.
<b>PITTWATER</b> Via Halls Wharf, Morning Bay	Michael Doherty & Sarah Polomka	32	○	F	Leased to manager Converted residence.
<b>PORT MACQUARIE</b> 36 Waugh St	Richard Bock	59	A		Private homes extended into hostel.
<b>PORT STEPHENS</b> Frost Rd, Anna Bay	Mark & Sandy Munday	31	A		Purpose-built hostel.
<b>RAILWAY SQUARE</b> 8-10 Lee St, Sydney	Dean Grasselli	280	○	L	Leasehold from Rail Corporation NSW. Converted parcels office.
<b>SYDNEY BEACHOUSE</b> 4 Collaroy St, Collaroy Beach	James Dakin	214	A		Purpose-built hostel.

HOSTEL	MANAGED BY	BEDS	OWNERSHIP	STATUS	NOTES
<b>SYDNEY CENTRAL</b> 11 Rawson Place, Sydney	Sam Badans	556	O	F	Converted heritage office building.
<b>SYDNEY HARBOUR</b> 110 Cumberland St, The Rocks	Ross Lardner	354	O	L	Leased from Sydney Harbour Foreshore Authority. Purpose-built hostel raised above archaeological remnants, with onsite education centre.
<b>TAMWORTH</b> 169 Marius St	Carol Hobden	43	A		Converted commercial building.
<b>THREDBO</b> 2 Buckwang Place	Bianca Bott	52	O	S	Land sub-leased from Kosciuszko Thredbo Pty Ltd, on lease from National Parks & Wildlife Service.
<b>YAMBA</b> 26 Coldstream St	Shane & Justin Henwood	90	A		Purpose-built hostel.
<b>NT</b>					
<b>ALICE SPRINGS</b> Cnr Parsons St & Leichhardt Tce	Roger Wileman	108	O	F	Converted open air cinema.
<b>DARWIN</b> 52 Mitchell St	Sheena Matthews	418	A		Purpose-built hostel.
<b>QLD</b>					
<b>AIRLIE BEACH</b> 394 Shute Harbour Rd	Kathryn and David Cowie	87	O	F	Converted motel. Management contract.
<b>BRISBANE CITY</b> 392 Upper Roma St	Sam Owen	373	O	F	Two lots amalgamated. Purpose-built hostel.
<b>CAIRNS CENTRAL</b> 20-26 McLeod St, Cairns	Dean Thexton	228	O	F	Purpose-built hostel.
<b>CAPE TRIBULATION</b> 152 Rykers Rd	Tim Champion	112	A		Purpose-built cabins within rainforest.
<b>COOKTOWN</b> 9 Boundary St	Scott Orchard	30	A		Converted motel.
<b>COOLANGATTA</b> 230 Coolangatta Road, Bilinga	Warren Nicholas	82	O	L	Land leased from Department of Natural Resources, Mines and Energy Queensland. Building owned by organisation and leased to manager. Purpose-built hostel.
<b>HERVEY BAY</b> 820 Boat Harbour Dr	Karen Inglis	95	A		Purpose-built hostel also offering cabins and camping.
<b>MAGNETIC ISLAND</b> 40 Horseshoe Bay Rd	Brett & Janelle Flemming	120	A		Purpose-built hostel also offering cabins and camping.
<b>1770</b> Lot 12 Captain Cook Drive, Agnes Waters	Ross & Elizabeth Davis	62	A		Purpose-built hostel also offering motel and apartments.
<b>TOWNSVILLE</b> 113-119 Flinders Street, Townsville	Chris Hanson	207	A		Purpose-built hostel also offering villas.
<b>MISSION BEACH</b> 76 Holland St, Wongaling Beach	Richard & Anthea Gilroy	80	A		Purpose-built hostel.
<b>NOOSA</b> 2 Halse Lane, Noosa Heads	Drew Pearson	97	A		National Trust Heritage listed building with additional purpose-built hostel.
<b>PORT DOUGLAS</b> Port St	Keith Hamelink	92	A		Converted motel.
<b>ROCKHAMPTON</b> 60 MacFarlane St	Auzen Mercader	62	A		Purpose-built hostel.



HOSTEL	MANAGED BY	BEDS	OWNERSHIP	STATUS	NOTES
<b>STRADBROKE ISLAND</b> 132 Dickson Way, Point Lookout	Dan Fitzgerald	72	A		Purpose-built hostel with dive centre.
<b>SURFERS PARADISE</b> Mariners Cove, 70 Seaworld Drive, Main Beach	Nathan McGregor	100	O	S	Sub-leased from Sunland Group Converted office.
<b>SA</b>					
<b>ADELAIDE CENTRAL</b> 135 Waymouth St, Adelaide	Anna Cornelisse	230	O	F	Converted office building.
<b>MOUNT LOFTY</b> Cleland Conservation Park	Managed via Adelaide Central YHA	10	O	L	Stone cottage leased from SA Department of Environment, Water & Natural Resources.
<b>PORT ELLIOT</b> 13 The Strand	Steve Woodward	60	O	F	Leased to Manager. Converted historic guest house.
<b>PORT LINCOLN</b> 26 London St	Debi & Robert Forster	71	A		Converted sporting facility.
<b>TAS</b>					
<b>HOBART CENTRAL</b> 9 Argyle St, Hobart	Nadia Fadel	109	O	F	Converted factory.
<b>BRIDPORT SEASIDE LODGE</b> 47 Main St, Bridport	Murray Saunders	28	A	F	Motel.
<b>COLES BAY – ESPLANADE</b> Reserve Road, Coles Bay	John O'Donnell & Sharon Johnson	32	A	F	Purpose-built hostel within a caravan park.
<b>COLES BAY – FREYCINET</b> Parsons Road, Freycinet National Park	Managed via Hobart Central YHA	10	O	L	Wooden cabin.
<b>VIC</b>					
<b>APOLLO BAY</b> 5 Pascoe St	John & Gail Affleck	72	O	F	Management service contract. Purpose-built hostel.
<b>BALLARAT</b> Magpie St	Neil Robbins	12	A	F	Converted worker's cottage.
<b>FOSTER</b> 40 Station Rd	Mohya & John Davies	10	A	F	Converted worker's cottage.
<b>GRAMPIANS/HALLS GAP</b> Cnr Grampians and Buckler Rd	Kellie Soule & Gary Hampson	64	O	F	Management service contract. Purpose-built hostel.
<b>MELBOURNE CENTRAL</b> 562 Flinders St	Suzanne Taylor	244	O	F	Converted heritage hotel building.
<b>MELBOURNE METRO</b> 78 Howard St, North Melbourne	Jordan Bews	361	O	F	Purpose-built hostel.
<b>PHILLIP ISLAND</b> 10-12 Phillip Island Tourist Rd, Newhaven	Larson Henderson	145	A		Purpose-built hostel.
<b>PORT FAIRY</b> 8 Cox St	Alison & Kadir Zehir	50	A		Converted heritage building.

HOSTEL	MANAGED BY	BEDS	OWNERSHIP	STATUS	NOTES
<b>WA</b>					
<b>ALBANY</b> 49 Duke St	Jennie Halliman	40	A		Historic house converted to hostel.
<b>BROOME</b> 62 Frederick St	Fabio Armani	160	A		Purpose-built hostel.
<b>BUNBURY</b> 14 Wellington St	Ian & Sarah Upton	26	A		Former guest house converted into a hostel.
<b>DENMARK</b> 17 Price St	Mark Basson	20	A		Heritage mill cottage converted into a purpose-built hostel.
<b>DUNSBOROUGH</b> 201 Geographe Bay Rd, Quindalup	Andrew Ingle	61	O	F	Leased to manager. Former schoolhouse.
<b>ESPERANCE</b> 299 Goldfields Rd	Rochelle Kihi & Tomasi Leitu	90	O	F	Leased to manager. Former hospital building (relocated from Kalgoorlie).
<b>EXMOUTH</b> 561 Murat Rd	Kym James	93	A		Purpose-built hostel (part of resort).
<b>FREMANTLE</b> 6A The Terrace	Sean Stahlhut	202	O	L	Conversion of Women's Division of Fremantle Prison and Warders' cottages. Leased from WA Department of Planning, Lands and Heritage. UNESCO World Heritage site.
<b>KALBARRI</b> 51 Mortimer St	Joe Goodwin	48	A		Purpose-built hostel.
<b>KALGOORLIE</b> 192 Hay St	Susanna Flight	77	A		Purpose-built hostel.
<b>KUNUNURRA</b> 120 Konkerberry Dve	Lisa Spackman	60	A		Residential house converted into a purpose-built hostel.
<b>LANCELIN</b> 10 Hopkins St	Matt Hall & Karen Stokke	40	A		Purpose-built hostel.
<b>MARGARET RIVER</b> 66 Townview Tce	Jules Ashton	52	A		Two residential houses converted into hostel.
<b>PEMBERTON</b> 7 Brockman St	Troy Della	10	A		Cottage converted into hostel.
<b>PERTH CITY</b> 300 Wellington St, Perth	Peter Ott	233	O	F	Converted heritage building.
<b>WALPOLE</b> 60 Nockolds St	Peggy Polkinghorne	24	A		Former living quarters for men working in wood mill.

**OWNERSHIP KEY:**

O = Owned and/or operated by YHA

A = Associate hostel - privately owned

**STATUS KEY:**

F = Freehold owned by YHA

L = Leasehold

S = Sub-lease

# YHA AUSTRALIA HOSTEL LOCATIONS

AT 31 DECEMBER 2017



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OUTSIDE BACK COVER:  
COOLING OFF AT BYRON BAY YHA

# OUR MISSION

To provide opportunity for all, but especially young people, for education by personal development, fostering friendship and bringing about a better understanding of others and the world around them.



## YHA LTD

Level 3, 9 Castlereagh Street  
Sydney NSW 2000

Tel: (02) 9261 1111 Fax: (02) 9261 1969

Email: [yha@yha.com.au](mailto:yha@yha.com.au)

## NORTHERN REGION OFFICE

Level 3, Bowman House,  
276 Edward Street  
Brisbane, Queensland 4000  
Tel: (07) 3236 4999

## SOUTHERN REGION OFFICE

562 Flinders Street  
Melbourne VIC 3000  
Tel: (03) 9670 3802

## WESTERN REGION OFFICE

300 Wellington St  
Perth WA 6000  
Tel: (08) 9366 3000

# YHA.COM.AU