

# YHA AUSTRALIA YEAR IN REVIEW

2018





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COVER: PERTH CITY YHA HAD AN INTERIOR REFRESH, THANKS TO A GENEROUS BEQUEST  
INSIDE COVER: GUESTS LOVED THE NEW EXTENSION AND RENOVATION AT BYRON BAY YHA



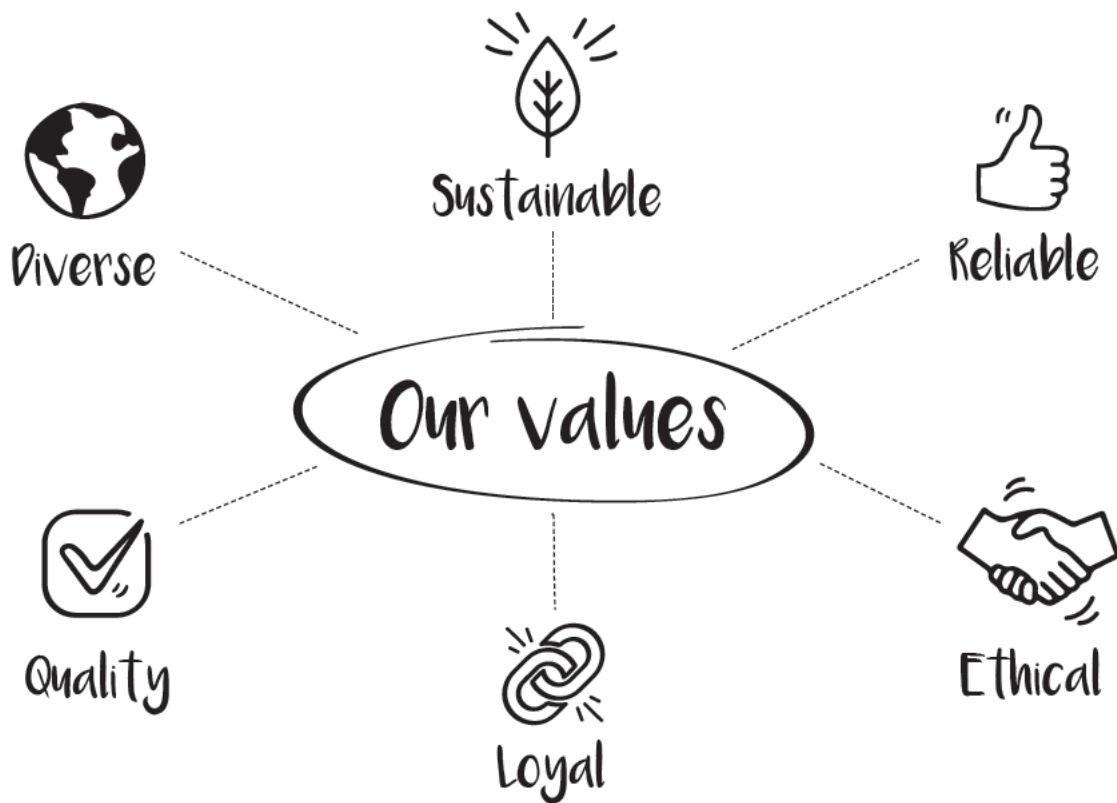
# OUR BRAND



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 71 hostels in Australia, in urban and regional areas.

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.



# INTRODUCTION

Dear Members & Friends

**The past year, 2018, was the first for YHA Australia as a fully merged, national organisation, enabling the provision of seamless services to our members across the country.**

Overall, our network of 71 unique places to stay generated over 1.6 million overnight stays, bringing together guests from 186 countries to share accommodation and travel experiences throughout Australia.

YHA is proudly a not-for-profit organisation, continuously reinvesting in improving our properties and services. In April, a carefully designed new extension opened at Byron Bay YHA – located at the most easterly point in Australia – which immediately proved popular with guests from around the world.

Several hostels were honoured at the 2018 Adventure Tourism Awards, including Noosa Halse Lodge YHA winning 'Best Accommodation in Australia' and Queensland, whilst Adelaide Central YHA won the award for South Australia, Melbourne Central YHA for Victoria, and Fremantle Prison YHA – located in a UNESCO World Heritage convict site – won for WA.

Following the introduction of a new 'Simple Affordable Membership' model the year prior, we saw strong growth in the number of members, rising to 260,558 by year end. To assist members with booking their accommodation while travelling, a new YHA mobile app with booking functionality was launched at year end, with promising uptake.

To share expertise, we hosted an Asia Pacific Marketing Forum in Sydney, which was well-attended by colleagues from several member countries and the international office of Hostelling International (HI) – the global organisation of which YHA is a member.

Financially, on a turnover of \$45.7 million, after one-off adjustments, we recorded an operating deficit of \$2.35 million (2017 was a deficit of \$1.11 million). Earnings before interest, tax, depreciation and amortisation totalled \$7.25 million (2017: \$7.05 million).



*L TO r: Julian Ledger (CEO) and Evan Prentice (Chair)*

During the year we welcomed a new Director to the Board, Simon Spicer, with specific finance and strategy expertise. Long-standing Director, Rob McGuirk, stood down as Chair after five years in the role (although remaining on the Board) to focus on his newly elected role as President of Hostelling International. The new Chair (Evan Prentice) is joined by new Vice Chair (Michael McPhail), who brings governance and marketing experience, and a youthful perspective.

Together with the management team, our Board is focussed on the strategy of providing quality, sustainable accommodation and associated activities at our network of youth hostels around Australia, with a particular emphasis on carrying out our mission of 'education through travel'.

Thanks go to all our Directors, staff, members and industry partners, for helping us to deliver on this mission throughout the past year.

Julian Ledger  
CEO

Evan Prentice  
Chair



# OUR HIGHLIGHTS

Noosa YHA won  
'Best Accommodation in Australia'

## UNIFICATION

First full year of merged, national organisation (trading as YHA Australia)

## DEVELOPMENT

Opening of successful extension at Byron Bay YHA, with increased visitation

## AWARDS

YHA honoured with several wins at the 2018 Adventure Tourism Awards, including Noosa Halse Lodge YHA for 'Best Accommodation in Australia'

## MEMBERSHIP

Growth to 260,558 members under 'Simple Affordable Membership' model

## ADVOCACY

Representations to State and Federal governments on issues of concern to travellers, including reciprocal Working Holiday Maker visa scheme

## INTERNATIONAL

Election of YHA Australia Director, Rob McGuirk, to President of Hostelling International



## OUR HIGHLIGHTS CONTINUED



*YHA scooped up at the Adventure Tourism Awards*

### YHA ACCOMMODATION

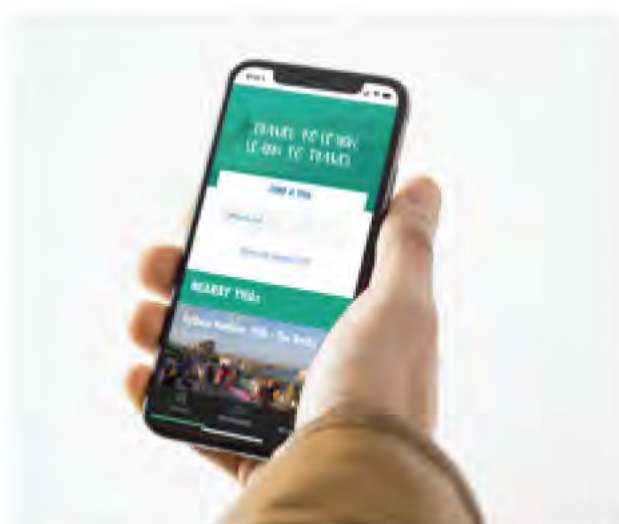
YHA won 'Best Accommodation' in the State at the 2018 Adventure Tourism Awards for Adelaide Central YHA (South Australia), Melbourne Central YHA (Victoria), Fremantle Prison YHA (WA) and Noosa Halse Lodge YHA (Queensland – also won the national award)

An average of 4,475 people accommodated across Australia each night

Total number of overnight stays of 1,633,552 (1,620,799 in 2017) across the country

Increase in number of guests from South America, with rise in visa caps

Historic Perth City YHA building given a design-focussed interior refresh using a bequest, and Bibbulmun Track Foundation co-located within the property providing marketing synergies



*A new mobile app was launched*

### MARKETING AND DIGITAL

Launch of new YHA app with booking functionality with early take up promising

Partnerships with organisations, including tourism and student bodies

Further growth in usage by Australian and international groups through direct marketing

Hosting of Hostelling International Asia Pacific Marketing Forum in Sydney

Positive coverage in range of media including TV, print and digital

YHA Australia's Head of Marketing, Janet McGarry, named an 'Industry Legend' at the 2018 Adventure Tourism Awards



4 *More guests were hosted across the network, including at Melbourne Metro YHA (pictured)*

### FINANCE

Total operating turnover of \$45.8M (\$44.2M in 2017)

Earnings before interest, taxation, depreciation and amortisation (EBITDA) of \$7.25M (\$7.05M in 2017)

Operating deficit of \$0.8M (\$11.22M surplus in 2017 – consideration received from merging entities contributed to result)

Normalised result of deficit of \$2.35M (\$2.64M normalised deficit in 2017)

## GOVERNANCE

The Board operated with nine Directors (including two appointed) and three sub committees, with meetings taking place in Adelaide, Blue Mountains, Byron Bay, Melbourne and Sydney

Remuneration for Directors introduced from AGM in April 2018, which is appropriate for the national scale of the organisation and will assist with recruiting and retaining a skills-based Board

Rob McGuirk stood down after serving five years as Chair, with new Chair (Euan Prentice) and Vice Chair (Michael McPhail) elected in December 2018



*YHA Director Rob McGuirk was elected President of Hostelling International (HI) – the global network of 4,000 youth hostels in 90 countries*



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



# OUR HOSTELS

## ACCOMMODATION

### SOURCES OF GUESTS

In 2018 international visitors made up 68% of hostel guests including those on tourist visas, and Working Holiday Makers from over forty countries. The number of guests from Argentina, Chile, Belgium, China, France, Japan, and New Zealand grew, however, there was a decline in those from other parts of Europe and the UK. Domestic travellers make up the remaining third of guests and the number of Australian guests grew over the year, mainly due an increase in domestic usage in regional areas and in Melbourne.

### RESULTS

In 2018, a total of 1,632,578 overnight stays were recorded at hostels around Australia, which was 1% higher than the year before. 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. At Byron Bay YHA, capacity increased as a new extension opened to guests in March, which was enthusiastically used by seasoned backpackers and those for whom this was



Japanese guests rank in YHA's top 10 – including ones such as these, travelling around the world by rickshaw!

1.63m  
Overnight  
Stays

their first time staying in a YHA hostel The new extension consists of all ensuited rooms, and blends seamlessly with the existing building due to careful design integration and landscaping.

Associate hostels in Foster and Ballarat (in Victoria) and Cape Tribulation and Cooktown (in Queensland) left the network as the owners either retired, or changed their business model. In South Australia, Port Elliot Beach House YHA (a property owned by YHA) successfully transitioned to a Managed Service Agreement at year end.

### GROUPS

Groups account for 11% 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.

### HOSTEL MANAGERS' CONFERENCE

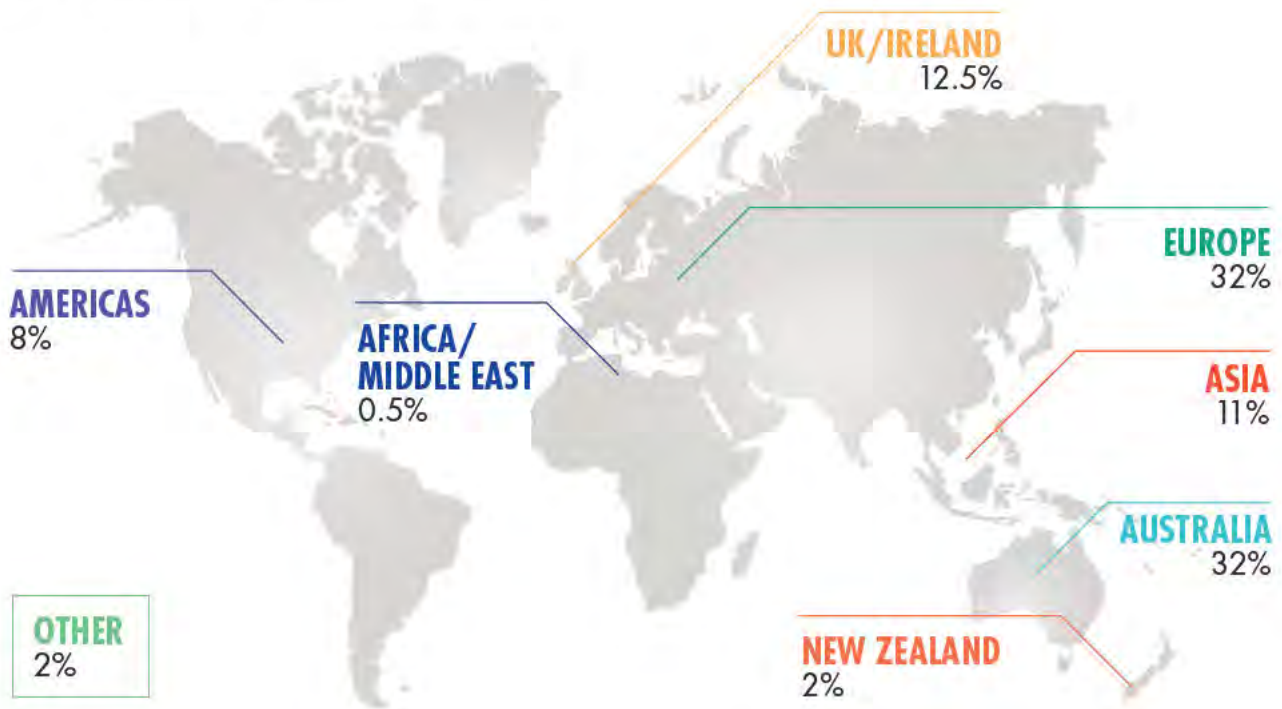
A successful Hostel Managers' Conference was held in Byron Bay in May, with 92 delegates from forty-four hostels and regional offices. The Conference was an excellent opportunity to showcase the new extension and upgraded common areas of the Byron Bay YHA. The new hostel was officially opened on the first night of the Conference by the Mayor of Byron Bay, Simon Richardson.

### REGIONAL MEETINGS

Regional meetings took place to strengthen relations between hostel managers in various parts of the network. Meetings were held in the Hunter Valley (NSW mid-north coast); Noosa Heads (northern NSW & southern Queensland); Port Elliot (Victoria and South Australia), Cairns (northern Queensland) and Perth (Western Australia). A meeting of managers from 'gateway' hostels was also held in Sydney. These meetings covered topics such as membership, marketing, and eCommerce.



## 2018 OVERNIGHT STAYS BY COUNTRY OF ORIGIN



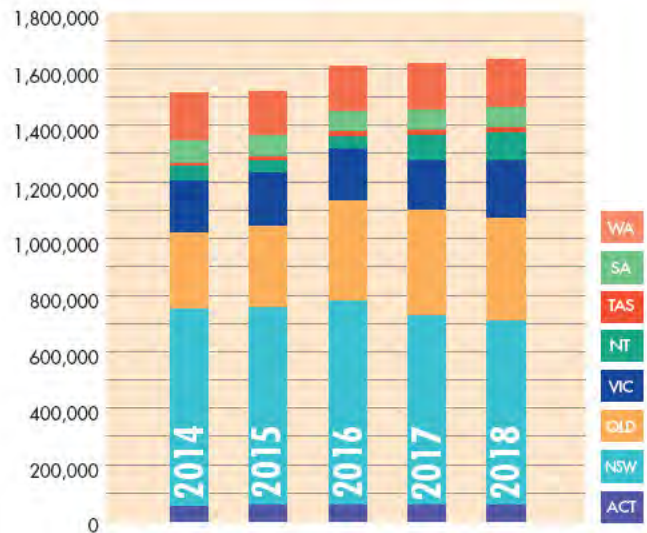
## QUALITY

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.

## HOSTEL IMPROVEMENTS

During the year, many initiatives took place to improve facilities for guests. At Sydney Central YHA – the organisation’s flagship hostel – four accommodation floors were renovated with vibrant colour schemes and artwork. The common areas of Cape Byron YHA were refreshed with new furniture and artwork including colourful murals. Other significant improvements included replacement of the air-conditioning system at Canberra YHA, a lock upgrade at Cairns Central YHA, and room and ensuite refurbishment at Brisbane City YHA.

## TOTAL OVERNIGHTS BY STATE/TERRITORY





## HOSTEL STATISTICS

	2018	2017	2016
<b>Number of hostels on 31 December</b>			
Operated and/or owned	32	32	33
Associates	39	43	45
<b>Total (includes all of YHA Australia)</b>	<b>71</b>	<b>75</b>	<b>78</b>
<b>Number of beds on 31 December</b>			
Operated and/or owned	5,126	5,080	5,148
Associates	2,825	3,245	2,874
<b>Total (includes all of YHA Australia)</b>	<b>7,951</b>	<b>8,325</b>	<b>8,022</b>
<b>Number of overnights on 31 December</b>			
Operated and/or owned	1,094,419	1,070,344	1,097,010
Associates	539,133	550,435	514,889
<b>Total (includes all of YHA Australia)</b>	<b>1,633,552</b>	<b>1,620,779</b>	<b>1,611,899</b>
<b>Overnights</b>			
Australian	519,531	498,254	481,945
International From HI countries	1,085,035	1,091,248	1,102,634
From non HI countries	28,986	31,277	27,320
<b>Total (includes all of YHA Australia)</b>	<b>1,633,552</b>	<b>1,620,779</b>	<b>1,611,899</b>
<b>Ratios – permanent only</b>			
Beds per hostel	112	111	103
Avg overnights per hostel	23,008	21,610	20,665
Avg overnights per bed	205	195	201







# Sustainability

## ENVIRONMENTALLY FRIENDLY

One of YHA's core values is to be environmentally friendly, and a range of sustainability measures were rolled out at hostels across Australia during the year. Solar photovoltaic arrays were installed at Sydney Central, Stradbroke Island and Yamba YHAs, with each installation 50% funded by YHA's Sustainable Hostels Fund. At Sydney Central YHA, replacing inefficient toilet cisterns has saved 33 litres of water per guest per night. LED lighting upgrades also continued at a number of properties to increase energy efficiency, and further projects are in the pipeline.

### GREEN WALL

In Adelaide, a 'Green Wall' was installed, as a place to recycle unwanted items as well as to educate guests and staff about sustainability initiatives and events to join in on.



## SOCIAL RESPONSIBILITY

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

### NATURE IN THE CITY

In Melbourne, a partnership was entered into with Port Phillip EcoCentre, with the help of a 24-month grant from the Victorian Government to run educational programs for backpackers to teach them about sustainability and travel.

The program is run over two days a month and includes a 'Nature in the City' talk at Melbourne Central YHA by EcoCentre staff, followed by a clean-up of nearby Batman Park. Each month, guests also have the opportunity to go off-site to work on a project, including in 2018 maintenance of the Little Penguins Habitat in St Kilda. This involves cleaning up the area and planting succulents to help stabilise the rocks where the birds live – guests love getting involved, and meeting penguins!





# DEVELOPMENT

## DEVELOPMENT PLAN

YHA has a Hostel Development Plan to provide strategic direction up to 2020 that is reviewed annually. During the year, a number of priority projects were progressed, including the completion of the extension at Byron Bay YHA at a cost, including land acquisition, of \$8 million.

## PERTH

Thanks to a bequest of \$135,000 from a former YHA member, the historic Perth City YHA building was given a design-focussed refresh. The main focus was on the comfort and social needs of guests, particularly taking into account the sharing nature of young international travellers. The building was refurbished with a fun and photogenic new look that offers conversation-inducing social spaces alongside areas for quiet reflection. Themes of travel and of Western Australia featured include a quokka collage wall, a giant Pilbara emu wall covering, a world globe light installation and inspirational travel quotes.

During the year, the Bibbulmun Track Foundation was also co-located as a tenant within Perth City YHA, providing marketing synergies. This not-for-profit organisation coordinates the track, and supports YHA hostels along 1,000km of walking track in WA's scenic south-west corner, stretching from Kalamunda in the Perth Hills to Albany. Further strengthening this symbiotic relationship, one of YHA's staff members based in WA, Marielle Sengers, was appointed to their Board.

## MELBOURNE

Melbourne – as a major city and with a burgeoning tourism focus revolving around events – is a high priority for YHA to expand capacity. There are currently two properties – Melbourne Central YHA in the centre, and Melbourne Metro YHA in North Melbourne. However location is a prime consideration for guests in urban areas, so the latter (being in a city fringe location) was sold during the year. A lease-back is in place while YHA seeks a suitable, larger alternative site in the city centre.

## SURFERS PARADISE

A well-located block of land has been land-banked in Surfers Paradise, for a future hostel development. Surfers Paradise is a popular destination with young travellers from both Australia and overseas. In the interim, YHA has two hostels in the area, at Coolangatta and Main Beach, as well as two hostels in nearby Byron Bay (an hour away).

## SYDNEY

YHA is actively exploring options to develop additional capacity in Sydney, in line with projections for future tourism growth in Australia's key gateway city. Accordingly, substantial effort is being invested in assessing the options for expanding on existing sites in the city centre.

## SYDNEY HARBOUR YHA

Under the terms of its lease with the NSW government, for each guest, YHA contributes to a Sinking Fund. Accumulated funds reached \$0.5M, being 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.







*The kitchen at Dunsborough Beachouse YHA was renovated*

### SUSTAINABLE HOSTELS

YHA operates a Sustainable Hostels Fund, to which guests can voluntarily donate \$1 per booking as part of the [yha.com.au](http://yha.com.au) booking process. Fifty six percent of guests booking on YHA's website contributed to the fund in 2018, raising \$56,013 to be used 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. During the year, the kitchen facilities were refurbished at a cost of \$100,000 at Dunsborough Beachouse YHA in the Margaret River region of WA. The fund currently has \$80,000 accumulated, to be used for improvements at hostels of less than 100 beds throughout regional Australia.

≡ \$56,013 ≡  
 raised from guests for  
 Sustainable Hostels Fund

### SYDNEY LIGHT RAIL

The CBD & South East Light Rail project currently underway runs from Sydney's Circular Quay to the University of New South Wales and beyond. The route goes past Sydney Central YHA, and YHA actively participated in a Business Reference Panel convened by Transport for NSW. Once completed, guests at this hostel – YHA's largest – will be able to travel quickly from a stop right at the front door, down George Street to Town Hall, Martin Place and Circular Quay. The long term benefits of the project will be immense.

During the year, the hostel suffered disruption due to construction, with guest amenity affected. Most bedroom windows were replaced with thicker glass (at the light rail contractor's expense) to reduce the noise impact. The project has proven more complex than anticipated and is over a year behind schedule – now due to open early 2020. A parliamentary inquiry convened to investigate problems found that the impact on businesses have been particularly significant, with many struggling during construction, and some having closed.



# OUR MEMBERS

## MEMBERSHIP

2018 marked a year since the introduction of the new 'Simple Affordable Membership' (SAM) structure, designed to make YHA more accessible. Take-up continued to increase in line with projections, and at the end of the year there were 260,558 members, a growth of 65%.

The underlying principle of the new structure is to include all, and especially young, members from both Australia and overseas, with membership provided to all guests upon check-in at YHA's across Australia. Members continue to enjoy the benefits of membership, including access to 4,000 YHA and Hostelling International hostels around the world and a range of discounts. This structure ensures that YHA is a thriving not-for-profit, membership-based organisation that is sustainable and relevant to future generations.

Technological progress during the year also means that members are able to use their cards in range of electronic and physical modes – as a downloadable version for Apple and Android mobile devices via [yha.com.au](http://yha.com.au), on the YHA booking App, or as a PDF, paper or plastic card. Amidst the sad reality of plastic pollution, and with YHA's commitment to environmental sustainability, a decision was taken in early 2018 not to re-order any plastic cards, and once stock has run out, to only issue paper-based cards when physical cards are requested.

260,558  
YHA Australia members



YHA membership is available on mobile devices with plastic cards being phased out



YHA members enjoy discounts at tourism attractions across Australia, including wildlife parks

### MEMBERSHIP STATISTICS AS AT 31 DECEMBER 2018

	2018	2017	% change
Youth	1,652	1,858	(11%)
Adult	244,889	144,544	69%
Life	10,940	10,940	–
Group	3,077	916	236%
<b>Total Membership</b>	<b>260,558</b>	<b>158,258</b>	<b>65%</b>

### IN MEMORIAM

YHA regrets to advise of the passing of several long-standing members, including generous donors, Frederick Swindley, David Gould, and Cyril Maitland Ash Brown of Western Australia (whose bequest was used to refurbish the historic Perth City YHA) – as well as Tessa Beneke OAM, who was a volunteer on the YHA Board in South Australia for many years from the 1970s and a true pioneer.



YHA'S NEW  
'SIMPLE AFFORDABLE  
MEMBERSHIP'  
WAS POPULAR,  
WITH MORE  
YOUNG TRAVELLERS  
JOINING





# OUR INNOVATION

## DIGITAL

### TECHNOLOGY

The tourism sector's dependency on costly Online Travel Agents is a growing issue, with YHA not immune from this trend.

While overnights generated via yha.com.au remained stable during the year, and are the highest amongst youth hostel organisations globally, continual investment is required to ensure that YHA can continue its digital transformation and to retain a high degree of independence. YHA continues to operate a mobile and desktop-friendly website in four languages (English, Chinese, Japanese and Korean) and has taken further steps to increase efficiencies of the property management and reservation systems, business intelligence and yield management tools.

### PRIVACY AND DATA SECURITY

Following on from 2017, a key focus during the year was to further improve data collection and storage, data integrity, and cyber security.

This prepared YHA for new laws and regulations coming into effect during the year, including the Australian Mandatory Data Breach Notification scheme and the European Union General Data Protection Regulation (GDPR) that covers EU residents (many of whom are YHA's guests, travelling in Australia). YHA complies with and supports these important initiatives for privacy and data security, with the Strategy & Digital leader becoming YHA's designated Privacy Officer.

**407,000**  
overnights booked on  
yha.com.au

## yHA Online

During the year, yha.com.au attracted over 2 million visitors, and generated 407,000 overnights for YHA hostels. Based on an agile development and delivery method, YHA's digital team rolled out a wide range of improvements to the website to improve customer experience and booking conversions.

A dedicated mini-website for group and Rent-A-YHA bookings was launched, giving key hostels new group-specific pages detailing rooms, rates, catering options, and specialised information. Group leaders can also now access a calculator to generate quotations that are then used by YHA's group coordinators in hostels for streamlined administration and booking processes.

The proudest achievement of the year for the Digital Team was Project hAPPY, YHA's first booking app, launched on 30 November.

The app allows one-click bookings and payments, as well as notifying users about hostel activities and free things to do around hostels. It encourages users to check out YHA member discounts, store their membership card and bookings, read and submit hostel reviews, and browse hostels while offline. During the first month of operation, close to a thousand guests downloaded and used the app, with the majority of bookings being made for regional hostels in Australia.





## MARKETING

### MARKETING PLAN

YHA's marketing efforts are guided by a Marketing Plan to 2020 that is underpinned by a comprehensive tactical plan. A range of campaigns and activities were undertaken during the year, aimed at building the brand, targeting niche audiences, and enhancing personalised communication with members.

### ENGAGEMENT

YHA uses a range of tools to communicate with members, including electronic newsletters, website specials, digital screens in hostels and social media. Potential guests are also targeted with specific promotions and campaigns, including dedicated campaigns for Australian travelers and international students.

### BOOK DIRECT & SAVE

YHA guarantees that the lowest available prices will always be available on [yha.com.au](http://yha.com.au). A range of strategies were implemented during the year to promote the benefits of booking direct.

### EVENTS

YHA was active throughout the year in promoting to potential guests at a range of events, including attending over thirty 'O' week (orientation) events on university campuses throughout Australia, from Townsville to Tasmania.

### AWARDS

YHA was honoured at the 2018 Adventure Tourism Awards, winning 'Best Accommodation' in the State for Adelaide Central YHA (South Australia), Melbourne Central YHA (Victoria), Fremantle Prison YHA (WA) and Noosa Halse Lodge YHA (Queensland) – which also won 'Best Accommodation in Australia' award. Additionally, YHA's Head of Marketing, Janet McGarry, was named an 'Industry Legend' for her service and dedication to the sector.

## YHA TRAVEL & TOURS

YHA Travel and Tours is an online and over the counter tour booking service for YHA guests. Strategically selected Australian products and experiences from trusted industry partners are made bookable through a web-based tour desk management system that provides YHA staff with the information and tools required to provide a comprehensive booking service.

Whilst members can make travel bookings via [yha.com.au](http://yha.com.au), the majority of travel and tours are sold face to face with reception and travel staff providing a valuable service to hostel guests, generating revenue, and further connecting the YHA network through the sale of eNights.

In 2019, Queensland accounted for 37% of YHA Travel and Tours sales, followed by NSW with 34%, with Cairns Central YHA the top selling hostel, reflecting the range of tours available in this region and the customer-serviced focussed team. In total, just under \$4 million of travel and tours were sold, on which YHA makes commission.





## MEDIA

YHA is pro-active on social media, including generating a range of unique content for YouTube, Instagram and Facebook. Liaison with traditional media and influencers also took place throughout the year, resulting in coverage of YHA in a range of Australian and international print, broadcast and social media (including promotion of the hashtag #YHAOZ).

## PARTNERS

YHA works with a large range of domestic and international partners including tourism bodies, travel agents and tour operators. YHA's accommodation is sold in specialised agents overseas, and also included in Working Holiday Maker arrival packages. YHA works closely with state tourism bodies, as well as the national organisation, Tourism Australia, to encourage visitation to Australia by young Free Independent Travellers (FITs).

## INTERNATIONAL COLLABORATION

During the year, close collaboration took place with sister organisations from Hostelling International (HI). A Pacific Rim Marketing Group, comprising of HI USA, HI Canada, YHA New Zealand and YHA Australia, convenes regularly, to pool resources and expertise, and plan joint research and campaigns.

In June 2018, over twenty representatives from eight international associations (Australia, New Zealand, China, Hong Kong, South Korea, Japan, Thailand and Pakistan) met at Sydney Harbour YHA for a two-day Asia-Pacific Marketing Forum. Chaired by the visiting CEO of Hostelling International, Darren Barker, the meeting worked on inter-regional cooperation, analysed guest trends and marketing initiatives, and shared knowledge on website development, eMembership and partner opportunities. Whilst in Sydney, the delegates had the opportunity to experience the Vivid Festival that lights up the Sydney Opera House and other cultural precincts, as well as to visit the World Heritage Blue Mountains area, and stay at the historic art deco Blue Mountains YHA.



*YHA hosted a Hostelling International Asia-Pacific Marketing Forum in Sydney*



# OUR ORGANISATION

## CORPORATE AFFAIRS

### UNIFICATION & REGENERATION

Following a series of mergers over the past decade, 2018 marked the first year of YHA being a single, unified national entity in Australia, since the organisation began in 1939. Accompanying this was regeneration at the Board level, with long-standing Chair, Rob McGuirk, standing down in anticipation of reaching a five-year term limit, to be succeeded by former Vice Chair, Evan Prentice. There was also rejuvenation with Michael McPhail - the youngest member of the Board – being elected Vice Chair.



Sharing of knowledge and friendship took place at the Hostelling International Conference in Iceland

### HOSTELLING INTERNATIONAL

YHA is highly committed to contributing to the global Hostelling International (HI) network and its development. As the only organisation in the global network recording over a million overnight stays from international guests each year, the Australian team is well placed to share expertise, innovation and provide leadership.

In October 2018, a delegation from Australia participated in the 52nd HI Conference, held in Reykjavik, Iceland (Directors Rob McGuirk, Tracey Powell, Michael McPhail; Public Affairs Manager, Silke Kerwick, and CEO, Julian Ledger – who presented at a plenary session on the topic of online bookings).

At the Conference, YHA Ltd Chair, Rob McGuirk, was elected as President of Hostelling International for a two-year term, becoming the first Australian in the organisation's 86 year history to hold the role. HI is a UK-based not-for-profit organisation, and a federation of national youth hostel associations in more than 80 countries with 4,000 affiliated hostels around the world. Thanks were also extended at the Conference to retiring HI Board members, including Alex Zikens (a Vice-President of YHA Ltd) for his service over the past four years.

## Australia's YHA/HI globetrotters

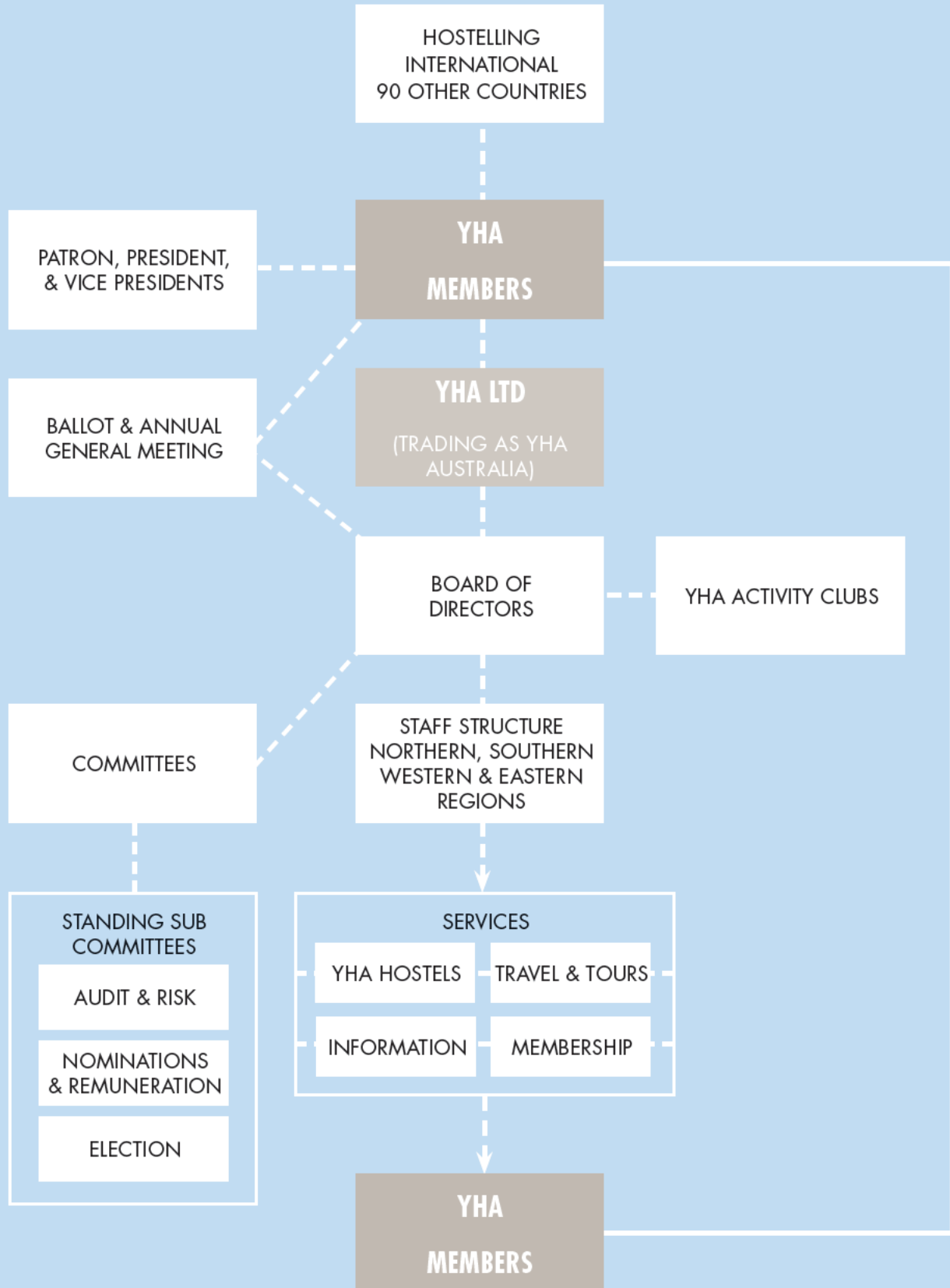
Hostelling International (HI) annual overnight statistics show the top 10 countries Australians stay at overseas. This closely mirrors the top 10 countries from which YHA hosts international visitors in Australia.





# ORGANISATIONAL STRUCTURE

AT 31 DECEMBER 2018





# OUR FUTURE

## STRATEGY

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

In preparation for the next planning cycle, a major review of the Plan took place at the end of 2018.

While the review confirmed that the overarching structure remains valid, it recommended a range of improvements, including:

- Reclassifying Key Areas of Focus and Strategies to reflect the current and expected tourism environment;
- A greater focus on member and guest experiences, moving on from the previous internal and governance focus that was necessary to complete organisational mergers;
- Creating more effective management and Board reporting tools;
- Reviewing and updating the Strategic Plan on a more frequent basis and moving from a fixed 4-yearly planning interval, to a rolling plan.
- These recommendations were adopted in November 2018 and will be taken into consideration when the Board and management develop the next iteration of the Strategic Plan, kicking-off with a Strategic Planning Conference in June 2019.

## OUTLOOK

### TOURISM TRENDS

Tourism into Australia has grown steadily, with 9.2 million international visitor arrivals in 2018. Australia's tourism really began during the 1954 Melbourne Olympics, when 66,000 international visitors came. Since then, aided by the launch in 1967 of the Australian Tourist Commission (now Tourism Australia), and the large increase in aviation capacity into Australia, the number of international visitors has grown steadily. Each year, more visitors from further-flung nations visit Australia to experience the unique environment and experiences that this country offers. The main impediments are distance and cost, however projections are positive for continued growth in inbound visitation, therefore the challenge for YHA is to keep pace and be front of mind for youth travellers from these countries.

### YOUTH TOURISM

The International Visitor Survey records that there were 620,000 backpacker arrivals into Australia in 2018, which was a decline from 646,000 the year before. Seasonality and global events can have an impact, such as the FIFA World Cup soccer tournament taking place in June-July 2018 in Russia (avidly followed by supporters from many key countries that YHA's guests come from, which may have kept people from travelling long-haul to Australia during this period). Overall, backpackers stayed 42 million overnights in Australia in 2018, with an average length of stay of 68 days and an average spend of \$7,000 each, contributing over \$4 billion to the economy.

### WORKING HOLIDAY MAKERS

The Working Holiday Maker scheme is an important reciprocal cultural exchange program with over forty countries, enabling young people to spend time both working and travelling in Australia, and vice versa. It is highly valued by agricultural and tourism employers in regional areas, particularly in Northern Australia. These travellers are mobile and motivated, and are relied upon to fill casual and season jobs. Those Working Holiday Makers who undertake three months of specified work in regional areas during their first year visa are eligible to apply for a second year visa.

In 2017-18, as a subset of the of total number of backpackers in Australia, 210,456 Working Holiday Makers visas were granted, which was slightly down on the previous year. The scheme peaked five years prior, and has been gradually in decline since. To address this, new measures were introduced in 2018, including an increase in the age of the visa limit to 35 (from 30) for nationals from Ireland and Canada, and from 1 July 2019 the introduction of a potential third year visa for those who undertake six months of specified work in regional areas during their second year. Bi-lateral negotiations are also underway with new countries with potential to join the scheme. In 2019, a \$7.5M Tourism Australia youth campaign will aim to encourage visitation by highlighting the many opportunities available for young people from other countries to come to Australia on a Working Holiday, for life-changing, character-building experiences whilst here.



## STRATEGIC FOCUS

### ASIAN TOURISM

With Asia set to be the growth opportunity for tourism in the whole Asia Pacific region (with 57% of the world's population), Hostelling International has moved to encourage more dialogue and cooperation between HI national associations in the area. An inaugural marketing forum was held in 2017 in South Korea; Australia hosted in 2018, and in 2019 the event will be held in Japan. With three Asian countries being perennially in YHA Australia's top 10 sources of guests (China, Japan and Korea), international collaboration and partnership across the region is a high priority.

### HOSTEL DEVELOPMENT

In 2018 YHA will be consolidating on the hostel developments of recent years which has included 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 Metro YHA property (which has been sold and leased back); secondly, planning for a new hostel on the site purchased in central Surfers Paradise. In addition, YHA is working on a major opportunity in Sydney. YHA will keep investing in having a quality network, with the emphasis on having modern hostels in prime locations, with good design that generates social interaction among guests.

### TECHNOLOGY

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 self-check in capability, door access via mobile devices, and future pod-style bunks incorporating personal light and power, USB outlets and greater privacy.

### HOSTELS

YHA's key priority will be to grow hostel usage, whilst maintaining yield. As part of this, booking channels are carefully managed, and regular communication takes place with members and potential guests to promote the benefits of booking direct on yha.com.au rather than through Online Travel Agents. These large international platforms have become a dominant form of distribution in the tourism sector, at high commission costs to accommodation operators. The issue was brought to the fore during the year with the fining by millions of dollars for misleading conduct in advertising of one such agent, Trivago by the Australian Competition and Consumer Commission (ACCC).

### SAFETY

The scanning of guest ID was introduced to increase safety in hostels by ensuring that YHA management know who is in-house every night. Most guests stay in share-rooms and hostels have communal facilities. YHA will maintain and keep developing implementation of initiatives to ensure that hostels are safe.

### MEMBERSHIP

YHA's 'Simple Affordable Membership' structure, embedded in 2018, has streamlined processes and generated a larger membership base for YHA. This in turn provides an enhanced opportunity to engage with more members and develop a strong sense of community among fellow travellers.

### ADVOCACY

YHA will continue to work with government bodies to advocate for refinements and expansion to tourist visa programs. Another key focus is to continue to call for sensible regulation of short-term holiday letting of residential apartments that has sprung up in Australia's cities and key tourism locations, which creates an uneven playing field for approved tourist accommodation and which in some cases has led to a crisis of 'over-tourism' as residents are impacted by visitors.

## DIGITAL NOMADS

An emerging trend is that many of today's travellers, and in particular YHA's millennial guests, are 'digital nomads' combining work with adventures in foreign countries.

*“Co-working is morphing into co-living, so accommodation is becoming an add-on to the workspace. People are taking their work and study with them on the road, so it becomes increasingly difficult to tell the difference between travelling, staying and living.”*

PROFESSOR GREG RICHARDS, WYSE TRAVEL CONFEDERATION

# 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.

## VALUES



SUSTAINABLE



QUALITY



RELIABLE



LOYAL



DIVERSE



ETHICAL

## KEY AREAS



### CULTURE OF SUSTAINABILITY

The purpose of YHA is driven through environmentally, socially and financially sustainable activities.

- Environmentally sustainable
- Culturally and socially responsible
- Living the YHA values
- Profitability to support growth

### YHA

### BRAND

YHA encourages travel, healthy recreational activities, environmental awareness, friendship and understanding.

- Consistently high standards
- Contemporary and relevant
- Customer-focussed purpose and ethos
- Quality and Safety
- Industry leadership



### NETWORK DEVELOPMENT

YHA operates, and assists other to operate, hostels or similar accommodation.

- Extensive network
- Attractive locations
- Hostels encouraging social interaction



### GROWTH

Culture of Sustainability, Network Development and Brand is supported through growth strategies.

- Alternative funding models
- Flexible, motivated workforce
- YHA Travel and Tours
- Partnerships & alliances
- Digital innovation
- Simple, affordable membership



### GOVERNANCE

Optimal Organisational Structure and effective Governance.

- Efficient and responsive structure
- Broad director skills and experiences
- Balancing risk and opportunities



# OUR PEOPLE

## HUMAN RESOURCES

At 31 December 2018

### WORKFORCE PROFILE

At the year end, YHA employed 366 people in Australia, from over fifty-five nations, creating a rich cultural diversity of employees. The median age of staff was 30, with 64% being under 35 years old, and an average age of 28 years. The workforce profile was distributed between females (57%) and males (43%), with the number working either full-time or permanent-part time at 85% (89% in 2017), and 85% of those working in the hostels.

### COMMUNITY ENGAGEMENT

YHA has a strong sense of community with staff working well together and supporting several local charities, fund-raising and awareness-raising events. In 2018, these included:

- Participation in the Hostelling International (HI) 'Sleep for Peace' Day
- Rotary Peacebuilding Conference
- Australia's Biggest Morning Tea (Cancer Council fundraiser)
- Clean up Australia Day
- The World's Greatest Shave (leukaemia fundraiser)
- Cooking for OzHarvest
- Neverest (supporting the Australian Himalayan Foundation)
- The 24-hour Mega Swim for multiple sclerosis (MS)
- NAIDOC week
- Support of the Hutt Street Homeless Centre in Adelaide
- Beyond the Broncos Indigenous programs
- RUOK Day
- Fundraising for the Lombok earthquake victims
- The Adelaide Coastrek (supporting Beyond Blue)
- Frocktober (supporting ovarian cancer research)
- Movember (supporting men's health)
- A partnership with the Port Phillip EcoCentre
- Staff blood donations as a group 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 Mental Health First Aid training is also provided 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 across the country. YHA also sent a staff member, Alex Edson, from Adelaide Central YHA, to represent Australia at HI's World Youth Rally in Korea, an event which creates an educational platform for participants from around the world to learn to respect each other's culture, and come up with ways to protect the environment through teamwork and collaboration.

YHA also attracted experienced industry managers from outside of the organisation, bringing new ideas and enthusiasm to their roles.

### ONLINE INFORMATION & TRAINING

In 2018, YHA implemented a new online Learning Management System, to enhance the organisation's robust eLearning capabilities. Called 'Trainee', the platform provides staff with access to a suite of engaging interactive modules, facilitates registering for in-person training, and allows for complete training records to be attached to a staff member's profile. 'Trainee' has proved a valuable tool in disseminating key information to staff as well as automating and streamlining the organisations' training processes.

YHA's intranet, 'Egor', represents a valuable channel of communication for all staff across the national organisation, attracting record levels of engagement throughout 2018. '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 as well as company news.

On a global level, Hostelling International (HI) provides an intranet, Workplace by Facebook, providing a platform for collaboration with colleagues across the international network.

### RECOGNISING STAFF

YHA has traditionally recognised and rewarded performance through an 'Employee of the Month' scheme, and in 2018 the scheme was overhauled to encourage colleagues to recognise each other for their excellent work across a range of categories. YHA's 2018 'Employee of the Year' prize was awarded to Gaston Freddi, Duty Manager at Melbourne Metro YHA, for his commitment to implementing a variety of both socially and environmentally sustainable initiatives at YHA.

Several staff were recognised during the year for their long-standing service at YHA, including Julian Ledger, CEO (40 years), Kim Lim, Payroll Manager (30 years), Kerri McGrath, Blue Mountains YHA (15 years), Melanie Vella, Sydney Central YHA (15 years), Dilip Rai, Sydney Central YHA (10 years), Tanya Heuke, Adelaide Central YHA (10 years), Raini Schroeder, Digital Producer (10 years) and Hale Can, Operations & HR Advisor (10 years).

### ENTERPRISE AGREEMENT

YHA hostel staff are employed under the YHA Enterprise Agreement 2015

### 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.

### 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. In 2018, YHA saw a reduction in the number of safety incidents reported in the network than in the previous year, indicating further improvement to the organisation's well-established safety culture. The YHA 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 469,317 hours during the year and recorded 8,528 hours of personal leave (sick leave and carers' leave), comprising 1.82% (2017: 2.2%) of total hours worked. Flu vaccinations are offered to staff as a preventative measure.

### STAFF STATISTICS SNAPSHOT

AS AT 31 DECEMBER 2018

#### GENDER



#### EMPLOYEES



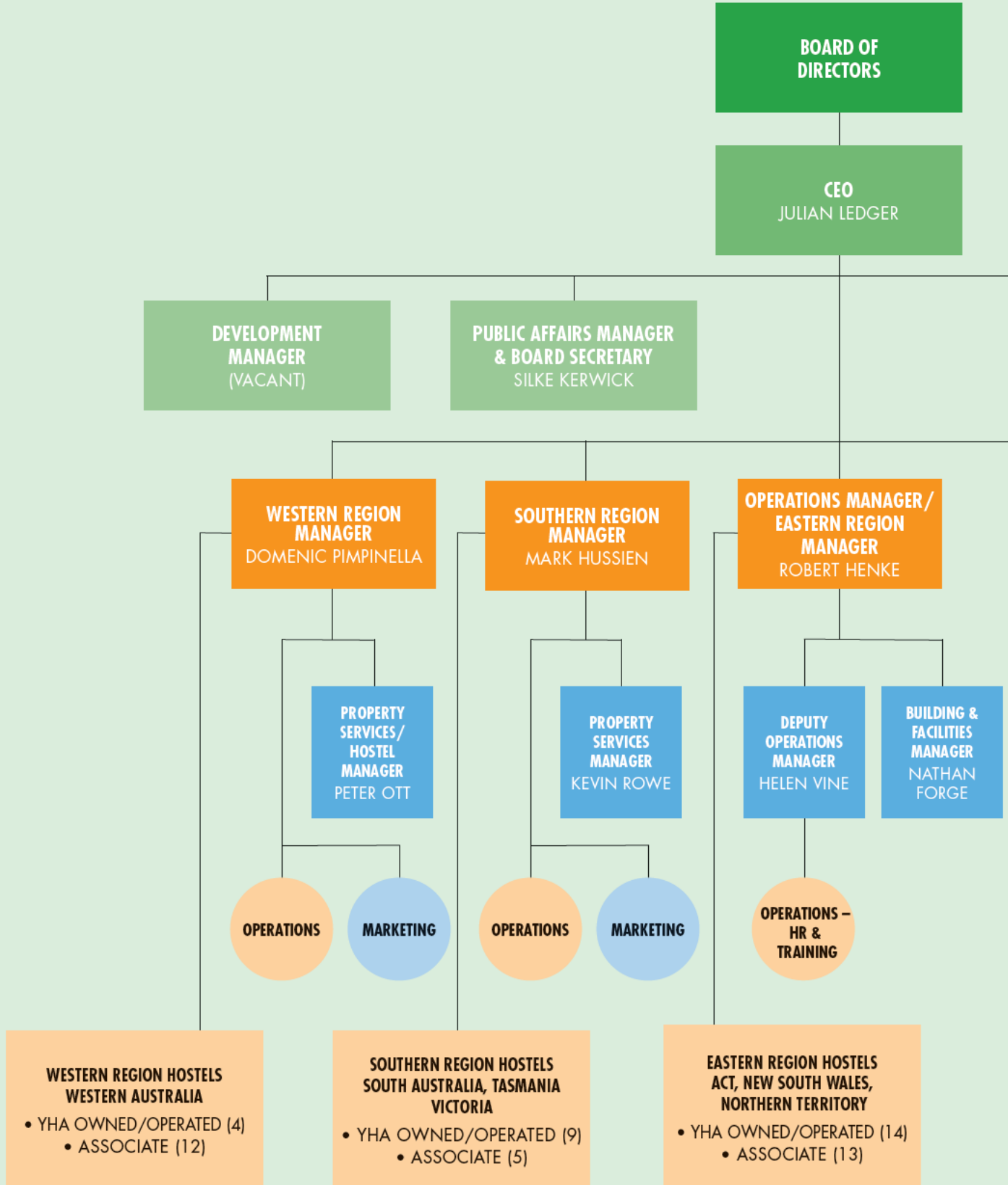
#### LOCATION

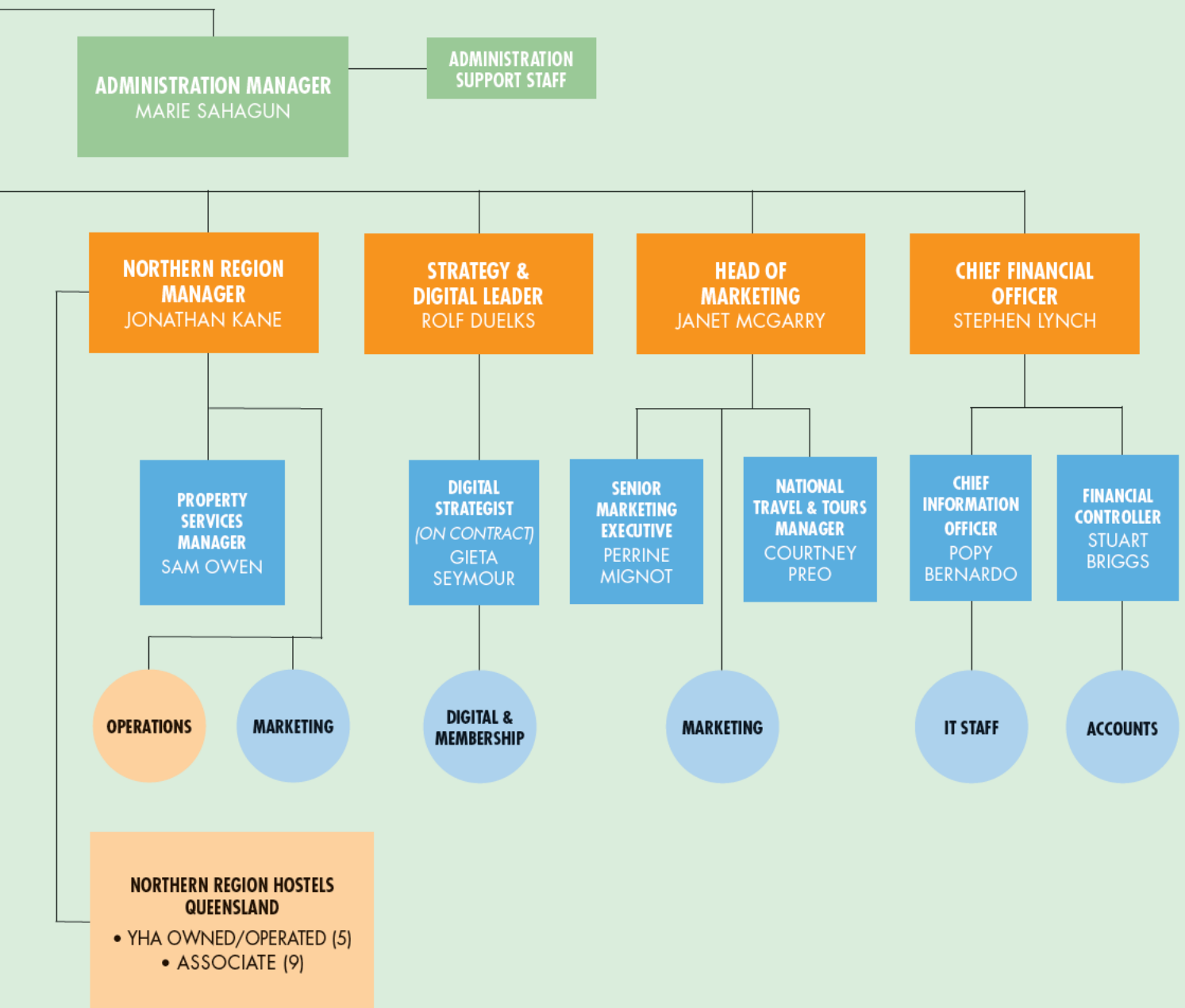




# STAFF STRUCTURE

AT 31 MARCH 2019







# OUR GOVERNANCE

## GOVERNANCE

### DIRECTORY OF THE ORGANISATION

AT 31 DECEMBER 2018

#### 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. 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

At the Annual General Meeting (AGM) held on 14 April 2018, members voted (in person and by proxy) on the issue of remuneration for Directors. Up to that point, Directors had always acted in a voluntary capacity, with expenses incurred in the process of their duties reimbursed. An Explanatory Memorandum had been sent to members, proposing that due to the increased workload, commitment and travel time incurred with YHA now being a fully national organisation, that a modest amount of remuneration for Directors, fixed at an aggregate amount of \$150,000 in any one year, be introduced. This was approved by YHA's members at the AGM, with 83.5% of those voting being in favour (the threshold required to pass being 75% as per YHA Ltd's

Constitution). Policies are in place to govern distribution of the remuneration pool amongst the Directors, and the reimbursement of direct expenses to attend meetings.

## BOARD MEETINGS

The Board of Directors met eight times between January and December 2018, including via seven face-to-face meetings held in Adelaide, Blue Mountains, Byron Bay, Melbourne and Sydney, and one teleconference. In addition, the Audit & Risk Committee held six meetings, the Nominations and Remuneration Committee held five meetings, and the Election Committee held two meetings.

## BOARD MEMBERS

For most of the year, 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 33 sets out their qualifications and experience.



YHA LTD BOARD OF DIRECTORS, 2018-19 (L to R): Bronwyn Dallow, Tracey Powell, Michael McPhail, Ross McDougall, Euan Prentice (Chair), Rob McGuirk, Julian Ledger (CEO), Leonie Clark, Simon Spicer, Matthew McNeil



# OUR RELATIONSHIPS

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

## COMMONWEALTH GOVERNMENT

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

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 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.

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

## INDUSTRY REPRESENTATION

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. The National Travel and Tours Manager serves on the Committee of Adventure Queensland – an industry organisation for the backpacker and adventure sector in that state. A new industry

association was also launched in 2018 – Adventure Tourism Victoria – with the Deputy Manager of Melbourne Central YHA, and YHA's Southern Region Operations Assistant, both being on the inaugural Executive Committee.

YHA is represented through the CEO on the Backpacker Youth Tourism Advisory Panel (BYTAP). This 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	Nature Conservation Council of NSW
Adventure Queensland	National Capital Attractions Inc (NCAA)
Adventure Tourism Victoria	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	Outdoors NSW
Australian Federation of Employers & Industries	Queensland Tourism Industry Council (QTIC)
Australian Society of Association Executives	South Australian Tourism Industry Council
Australian Society of Travel Writers	Study Cairns Australia
Australian Tourism Export Council (ATEC)	Study Gold Coast
Backpacker Operators Association of NSW (BOA)	The Rocks Chamber of Commerce
Backpacker Youth Tourism Advisory Panel (BYTAP)	Thredbo Chamber of Commerce
Blue Mountains Accommodation and Tourism Association	Tourism & Transport Forum (TTF) Australia
Brisbane Backpacker & Adventure Association	Tourism Noosa
Brisbane Marketing	Tourism Snowy Mountains
Byron Visitors Centre	Tourism Top End
Canberra Convention Bureau	Tourism Tropical North Queensland (TTNQ)
Central Australia Tourism Information Association (CATIA)	Tourism Whitsundays
Coffs Tourism	Victorian Employers' Chamber of Commerce and Industry (VECCI)
EcoBiz Partner Program (DERM)	Victorian Tourism Industry Council (VTIC)
Ecotourism Australia Ltd	Wilderness Society
Glebe Chamber of Commerce	Women in Tourism (WIT)
Gold Coast Tourism (GCT)	WYSE Travel Confederation
Museums Australia	Young Tourism Network

# OUR FINANCES

## FINANCIAL SUMMARY

### OVERVIEW

Total income for 2018 before sale of assets was \$45.8M. This was \$1.5M above the previous year, although this includes income for new hostels in WA (following a merger) and increased numbers of beds at Byron Bay YHA (following property purchase and extension) for a full 12 months, compared to only four months in the previous year. The net deficit was \$0.8M, which includes a gain on the sale of the Melbourne Metro YHA property of \$1.57M (the property has been leased back for 5 years).

The overall number of overnight stays by guests increased by 12,773, with decreases from the key international market of the UK and some European countries, whilst there were increases from the Americas and New Zealand. Overnight stays by Australians increased by 21,277 in 2018. The increases were largely the result of increased capacity in the hostel network.

### BORROWINGS

The cash advance facility with ANZ Bank was extended to January 2023, 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, although the proceeds from the sale of Melbourne Metro YHA were used to lower borrowings by \$10.0M. The development facility was drawn down by \$2.0M to assist with a capital expenditure air-conditioning replacement project at Canberra City YHA (costing \$1.1M). However, as part of the extension of the bank facility, the Development Fund was replenished to \$3.0M to allow for future development needs over the 2019-2022 period.

### CASH FLOW

Operating cash flows were lower than in 2017, with an increase in receipts from customers and an increase in payments to employees and suppliers. Most of these increases relate to increased operations in Tasmania, WA and Cape Byron YHA (property purchased in 2017). Finance costs paid were higher than in 2017 due to the interest expenses from additional borrowings for the Cape Byron YHA acquisition.

Cash flows from investing activities included expenditure on existing hostels of \$4.79M (2017: \$4.85M). Proceeds from the sale of Melbourne Metro YHA of \$11.034M were also received. Cash flows from financing activities were \$2.0M, which was used to fund investing activities.

Cash holdings were \$2.05M (2016: \$2.14M) which was similar to the previous year as funds are conserved for other capital works.

### CAPITAL EXPENDITURE

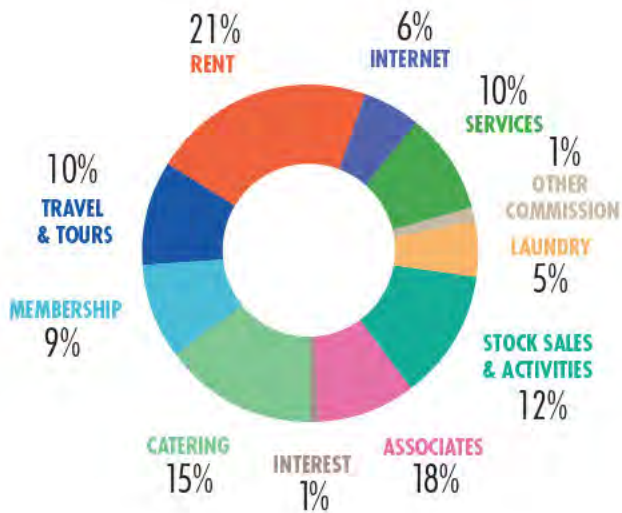
Capital expenditure, other than development projects, was \$4.79M, spent primarily on maintaining the standards of major plant, bathrooms, communal kitchens, furniture and equipment of the hostels, as well as investment in systems, and sustainability initiatives.



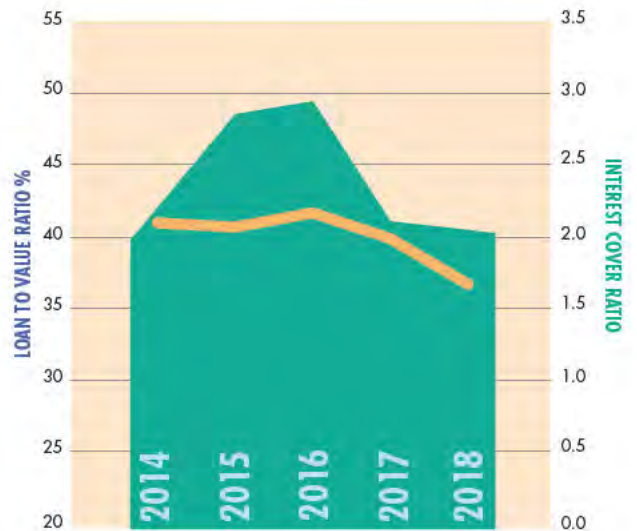
*Brisbane City YHA had room and ensuite refurbishments*



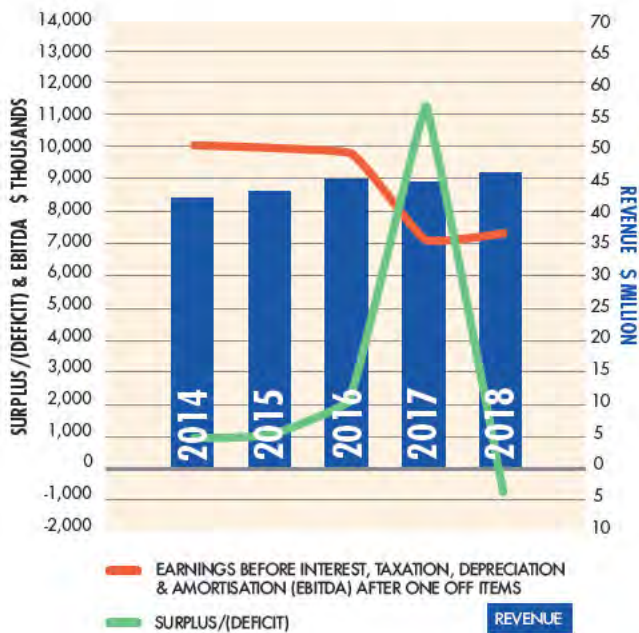
### SOURCE OF OTHER OPERATING INCOME



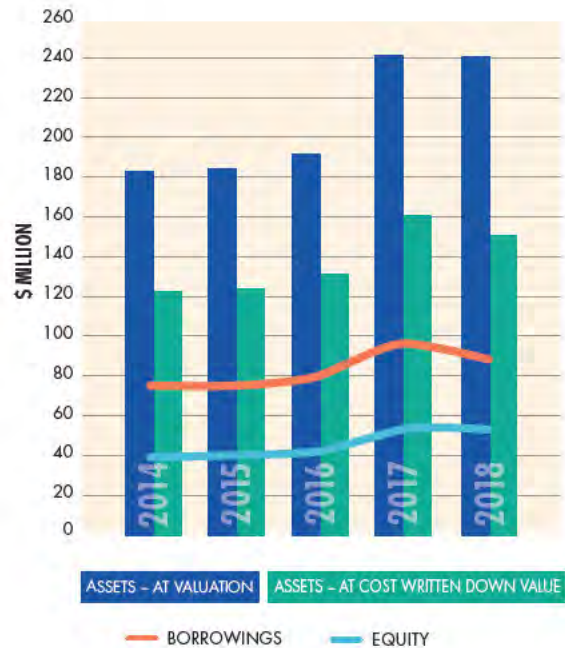
### LOAN TO VALUE AND INTEREST COVER RATIO



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



### TOTAL ASSETS, EQUITY AND BORROWINGS



# FIVE YEAR COMPARISON

YHA LTD

	2018 \$	2017 \$	% Change	2016 \$	2015 \$	2014 \$
Before disposal / impairment of fixed assets						
Total revenue	45,787,155	44,253,571	3.5	44,685,152	42,943,067	41,757,479
Total expenses	48,141,246	46,898,888	(2.6)	43,219,190	41,903,197	40,136,435
Surplus / (deficit) before disposal of assets	(2,354,091)	(2,645,317)	(11.0)	1,465,962	1,039,870	1,621,044
One off gains - integration or disposal of fixed assets	1,572,053	15,158,576		619,583	–	221,212
(Loss) on disposal of assets	(31,767)	(43,709)		(72,762)	(56,897)	(113,936)
(Impairment) expense	–	–		–	–	(900,000)
Income tax expense	(4,918)	(1,248,569)		(4,138)	–	38,934
Surplus / (deficit) after tax	(818,723)	11,220,981	(107.3)	2,008,645	982,973	867,254
Total assets	151,002,918	161,370,767	(6.4)	131,584,921	123,971,750	122,614,001
Total borrowing	88,237,000	96,237,000	(8.3)	80,000,000	75,000,000	75,000,000
Total equity	52,851,694	53,100,417	(0.5)	41,879,436	39,870,791	38,887,818
Gearing (note A)	0.63	0.64	(3.0)	0.66	0.65	0.66
Capital expenditure	4,794,032	20,144,617	(76.2)	14,060,227	2,837,441	4,328,495
Earnings before interest tax depreciation & amortisation (note B)	7,252,588	7,053,847	2.8	9,773,461	9,920,677	9,999,865
Interest cover (note B)	2.05	2.11	(2.6)	2.95	2.86	2.21
Loan to value ratio (note C)	36.6%	39.8%	3.2	41.6%	40.6%	40.9%
Number of members (note D)	260,558	158,258		35,262	36,664	36,092
Number of hostels (note E)	71	75	(5.3)	57	59	62
Number of employees (note F)	237	233	1.7	225	234	229
Turnover per employee (note G)	193,195	189,929	1.7	198,601	183,517	182,347

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 2018  
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 2018.

## 1. THE NAMES AND OTHER INFORMATION OF THE DIRECTORS OF THE COMPANY IN OFFICE

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

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

NAME	QUALIFICATIONS	EXPERIENCE	RESPONSIBILITIES	ELECTED TO
Robyn Joan Antill	BSc, MSc (Maths), MSc (Operations Research), PMP, GAICD	YHA member since 2014. Hostelling International member since 1990. Project Management Consultant.		Term ended in April 2018
Leonie Isabelle Clark	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.		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. Current Hostelling International President (since October 2018) and former Vice President. Lawyer, Property Manager, IT Consultant.	Chair to December 2018, and Chair of Election Committee to April 2018	April 2019
Matthew Craig McNeil	BArch (Hons), GAICD	YHA member since 1988. Architect.		April 2019
Michael James McPhail	BSc (Hons), GAICD	YHA member since 2011. Former member of YHA WA Inc. Board, held role of Vice Chair. Management consultant.	Vice Chair from December 2018	Appointed on 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 and Chair of Election Committee from April 2018	April 2021
Euan Gordon Prentice	BCom, A Fin	YHA member since 2009. Owner of capital markets research business.	Vice Chair to December 2018, Chair from December 2018	April 2021
Simon Paul Spicer	BEC, CA, GAICD	YHA member since 2018. Finance and Strategy Executive.		Appointed on 1 September 2018 to April 2020

## 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
Leonie Clark	8	8	6	6
Bronwyn Dallow	8	7	10	10
Ross McDougall	8	8	6	6
Robert McGuirk	8	8	5	5
Matthew McNeil	8	7	5	5
Michael McPhail	8	8	4	4
Tracey Powell	8	5	5	3
Euan Prentice	8	6	7	4
Simon Spicer	3	2	1	–
Robyn Antill	1	1	1	1

The above meeting attendance is for YHA Ltd. Youth Hostels Association of Queensland (YHA Queensland) also held 2 Board meetings, YHA Victoria Limited held 2 Board meetings and YHA WA Pty Ltd (formerly YHA WA Inc.) held 1 Board meeting during the year. 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 deficit after tax for the financial year ended 31 December 2018 was \$818,723 (2017 surplus of \$11,220,981). Revenue for the current year includes operations for Cape Byron Bay YHA and WA hostels for 12 months, whereas the prior year included only 4 months. The Byron Bay YHA extension was completed early in the year and opened in March 2018. The Melbourne Metro YHA was sold and leased back in March 2018 and the proceeds of the sale used to amortise borrowings by \$10,000,000.

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 2018 for operated hostels was 64.2% (2017 65.3%), 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 Pty Ltd (formerly YHA WA Inc. and property owner).

Revenue increased over the prior year with the additional hostel capacity, though like for like revenue was lower with lower average bed rates compared to last year due to keen price competition in a soft market for international visitors including working holiday makers. Australian guest nights were higher than last year mostly from improvements in group stays. Membership sales reduced as expected as systems to enable all guests to join more easily and remain members were simplified and membership was made more affordable.

Development of the larger Byron Bay YHA was completed according to plan and opened slightly behind the project schedule in March 2018. Melbourne Metro YHA was sold and leased back in accordance with the development strategy for the Melbourne location. Two regional hostels at Esperance and Port Elliot changed from a lease operation to a service contract model of operations.



# 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

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 2018.

## 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 61.

## 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.



Euan Prentice  
Director  
23 February 2019



Leonie Clark  
Director  
23 February 2019

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTE	2018 \$	2017 \$
<b>Revenue or other income</b>			
Rendering of services	3	45,084,616	43,616,483
Other income	3	2,274,592	15,795,664
	3	47,359,208	59,412,147
<b>Expenses</b>			
Employee benefits expense	4	(20,580,943)	(19,518,406)
Depreciation & amortisation expense	4	(5,702,458)	(5,413,939)
Impairment expense	11,12	–	(960,000)
Finance costs	4	(3,904,221)	(3,325,225)
Other expenses	4	(17,985,391)	(17,725,027)
		(48,173,013)	(46,942,597)
<b>Deficit / (surplus) before income tax</b>		<b>(813,805)</b>	<b>12,469,550</b>
Income tax (expense)	5	(4,918)	(1,248,569)
Deficit / (surplus) after income tax		(818,723)	11,220,981
Other comprehensive income		–	–
Total Comprehensive Income		(818,723)	11,220,981

The accompanying notes form part of these financial statements.



# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	NOTE	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	2,053,494	2,137,055
Trade and other receivables	7	635,274	611,799
Inventories	8	52,452	54,132
Other current assets	9	957,679	861,189
Non-current assets classified as held for sale	10	–	9,330,523
<b>Total Current Assets</b>		<b>3,698,899</b>	<b>12,994,698</b>
<b>Non-current Assets</b>			
Property, plant and equipment	11	144,733,694	145,832,597
Intangible assets	12	2,570,325	2,543,472
<b>Total Non-current Assets</b>		<b>147,304,019</b>	<b>148,376,069</b>
<b>TOTAL ASSETS</b>		<b>151,002,918</b>	<b>161,370,767</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	3,789,763	4,469,685
Income tax payable	14	–	1,248,569
Derivative financial instruments	18	429,070	246,082
Provisions	16	2,164,376	2,328,902
Other liabilities	17	3,045,129	2,858,889
<b>Total Current Liabilities</b>		<b>9,428,338</b>	<b>11,152,127</b>
<b>Non-current Liabilities</b>			
Trade and other payables	13	45,192	61,181
Borrowings	15	88,237,000	96,237,000
Derivative financial instruments	18	862,327	716,010
Provisions	16	148,367	104,032
<b>Total Non-current Liabilities</b>		<b>89,292,886</b>	<b>97,118,223</b>
<b>TOTAL LIABILITIES</b>		<b>98,721,224</b>	<b>108,270,350</b>
<b>NET ASSETS</b>		<b>52,281,694</b>	<b>53,100,417</b>
<b>EQUITY</b>			
Accumulated surplus		48,523,985	49,342,708
Revaluation reserve		3,757,709	3,757,709
<b>TOTAL EQUITY</b>		<b>52,281,694</b>	<b>53,100,417</b>

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	REVALUATION RESERVE \$	ACCUMULATED SURPLUS \$	TOTAL EQUITY \$
<b>Balance at 1 January 2017</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
Deficit after income tax	–	(818,723)	(818,723)
Other comprehensive income	–	–	–
<b>Balance at 31 December 2018</b>	3,757,709	48,523,985	52,281,694

The accompanying notes form part of these financial statements.



# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTE	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Receipts from members and customers		52,082,340	48,527,045
Receipts from integration of YHA entities		–	277,111
Other receipts		135,040	–
Payments to employees		(20,719,566)	(19,570,049)
Payments to suppliers		(25,022,497)	(21,375,788)
Income taxes paid		(1,253,487)	–
Interest received		51,926	52,509
Finance costs paid		(3,597,716)	(3,368,517)
<b>Net cash provided by operating activities</b>	25	1,676,040	4,542,311
<b>Cash flows from investing activities</b>			
Purchase of plant, equipment & software		(4,793,854)	(4,853,353)
Payment for purchase of businesses, net of cash acquired	21	–	(10,850,000)
Development of property		–	(4,441,264)
Proceeds from sale of property, plant & equipment		11,034,253	1,168,464
<b>Net cash provided by / (used in) investing activities</b>		6,240,399	(18,976,153)
<b>Cash flows from financing activities</b>			
(Repayment) of bank borrowings		(10,000,000)	(2,751,812)
Proceeds from bank borrowings		2,000,000	16,237,000
<b>Net cash (used in) / provided by financing activities</b>		(8,000,000)	13,485,188
<b>Net (decrease) in cash and cash equivalents</b>		(83,561)	(948,654)
<b>Cash and cash equivalents at the beginning of the year</b>		2,137,055	3,085,709
<b>Cash and cash equivalents at the end of the year</b>	6	2,053,494	2,137,055

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 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 2018 comprises YHA Ltd (the company) and its controlled entities which include Youth Hostels Association of Queensland, YHA Victoria Limited and YHA WA Pty Ltd (formerly 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 23 February 2019.

### **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.

## 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.

### **Going concern**

Notwithstanding the Group's net deficiency of current assets, the financial report has been prepared on a going concern basis. The Directors believe that the group is a going concern and is able to pay its debts as and when they fall due. This is supported by cashflow forecasts and bank facilities currently in place.

## 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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

### **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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## **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.

## **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.

### *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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 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 tax losses and other timing differences as there is no probability of recovery of these benefits.

NOTE 3 – REVENUE	2018 \$	2017 \$
Hostel	39,176,776	37,566,778
Catering	976,509	889,276
Other hostel	2,245,376	2,299,294
Membership	606,180	925,223
Travel & tours commission	667,898	705,624
Rent	1,411,877	1,230,288
Rendering of services	45,084,616	43,616,483
Sundry income	650,613	584,579
Gain on disposal of property, plant & equipment	1,572,053	1,104,818
Contribution from integration of YHA entities	–	14,053,758
Interest	51,926	52,509
Other income	2,274,592	15,795,664
<b>Total revenue and other income</b>	<b>47,359,208</b>	<b>59,412,147</b>

The gain on disposal of property was from the sale of Melbourne Metro YHA, the hostel was leased back for 5 years. Consideration received from the YHA entities in 2017 represents the net assets of the YHA Tasmania Inc. of \$2,257,236 and YHA WA Inc. of \$11,796,522. 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.

NOTE 4 – EXPENSES		
Salaries and wages	17,585,493	16,785,945
Superannuation	1,779,228	1,731,373
Other benefits	1,216,222	1,001,088
Employee benefits	20,580,943	19,518,406
Depreciation of property plant & equipment	5,301,833	5,003,589
Amortisation of software	400,625	410,350
Depreciation and amortisation	5,702,458	5,413,939
Borrowing costs	43,755	130,452
Bank interest	3,531,161	3,345,717
Fair value loss / (gain) on interest rate swaps	329,305	(150,944)
Finance costs	3,904,221	3,325,225
Cost of goods sold	973,915	951,311
Loss on disposal of property, plant & equipment	31,767	43,709
Operating expenses	7,814,068	7,363,052
Administration, marketing and insurance	5,506,847	5,857,106
Property expenses	3,553,642	3,394,547
Audit	105,152	115,302
Other expenses	17,985,391	17,725,027

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 5 – INCOME TAX	2018 \$	2017 \$
<b>a) Reconciliation of effective tax rate</b>		
Income tax expense using the domestic corporation tax rate of 30% (2017: 30%)	(245,617)	3,366,294
Add / (subtract) tax effect of:		
Income and expenses exempt under principle of mutuality	245,617	(3,472,138)
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
Income tax expense	–	1,248,569
<b>b) Principle of mutuality</b>		
The estimated amount of income subject to the mutuality principle is 95% (2017: 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	11,919,071	9,485,144
YHA Queensland	2,541,771	2,478,445
YHA WA Pty Ltd	1,777,771	–
Tax losses	16,238,613	11,963,589
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	72,803	73,848
Cash at bank	1,920,339	1,995,892
Cash on deposit	60,352	67,315
	2,053,494	2,137,055
<b>NOTE 7 – TRADE &amp; OTHER RECEIVABLES</b>		
Trade receivables	635,274	611,799
	635,274	611,799
<b>NOTE 8 – INVENTORIES</b>		
Finished goods	52,452	54,132
	52,452	54,132
<b>NOTE 9 – OTHER ASSETS</b>		
<b>Current</b>		
Prepayments	957,679	861,189
	957,679	861,189



<b>NOTE 10 – NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE</b>	2018 \$	2017 \$
<b>Freehold Land and Building</b>		
At cost	–	9,373,044
Less: Accumulated depreciation	–	(42,521)
<b>Total non-current assets classified as held for sale</b>	–	9,330,523
<p>The non-current assets held for sale in 2017 represented the carrying value of the Melbourne Metro YHA land &amp; 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.</p>		
<b>NOTE 11 – PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Freehold Land and Buildings</b>		
At cost	124,122,764	121,883,580
Less: Accumulated depreciation	(28,208,989)	(24,573,190)
	95,913,775	97,310,390
<b>Leasehold Land and Buildings</b>		
At cost	51,282,421	50,815,198
Less: Accumulated depreciation	(11,672,779)	(10,423,951)
	39,609,642	40,391,247
<b>Plant and Equipment</b>		
At cost	21,998,760	19,571,485
Less: Accumulated depreciation	(12,788,483)	(11,440,525)
	9,210,277	8,130,960
<b>Total Property, Plant and Equipment</b>	144,733,694	145,832,597

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 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:

	2018 \$	2017 \$
<b>Freehold Land &amp; Buildings</b>		
Balance at the beginning of the year	97,310,390	78,460,774
Additions	1,388,520	1,454,948
Additions through business combination (Note 21)	–	25,177,335
Additions development work in progress	–	4,441,264
Disposals	–	(18,827)
Transfers to intangibles	(293,300)	96,306
Transfer to non-current assets held for sale	–	(9,330,523)
Impairment expense	–	(560,000)
Depreciation expense	(2,491,835)	(2,410,886)
Carrying amount at the end of the year	95,913,775	97,310,390
<b>Leasehold Land &amp; Buildings</b>		
Balance at the beginning of the year	40,391,247	38,869,862
Additions	467,223	579,837
Additions through business combination (Note 21)	–	2,037,148
Transfers	–	11,520
Depreciation expense	(1,248,828)	(1,107,120)
Carrying amount at the end of the year	39,609,642	40,391,247
<b>Plant &amp; Equipment</b>		
Balance at the beginning of the year	8,130,960	7,047,989
Additions	2,522,528	2,281,146
Additions through business combination (Note 21)	–	438,620
Disposals	(163,445)	(43,387)
Transfers to intangibles	281,405	(107,826)
Depreciation expense	(1,561,171)	(1,485,582)
Carrying amount at the end of the year	9,210,277	8,130,960

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT CONTINUED	2018 \$	2017 \$		
<b>Total</b>				
Balance at the beginning of the year	145,832,597	124,378,625		
Additions	4,378,271	4,315,931		
Additions through business combination (Note 21)	–	27,653,103		
Additions development work in progress	–	4,441,264		
Disposals	(163,445)	(62,215)		
Transfers to intangibles	(11,895)	–		
Transfer to non-current assets held for sale	–	(9,330,523)		
Impairment expense	–	(560,000)		
Depreciation expense	(5,301,834)	(5,003,589)		
Carrying amount at the end of the year	144,733,694	145,832,597		
<b>NOTE 12 – INTANGIBLE ASSETS</b>				
Licences – at cost	116,681	116,681		
Licences	116,681	116,681		
The recoverable amount of the Liquor Licence is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 10-year period with the period extending beyond five years extrapolated using an estimated growth rate.				
Goodwill – at cost	2,064,101	2,064,101		
Goodwill – impairment expense	(400,000)	(400,000)		
	1,664,101	1,664,101		
The recoverable amount of the Goodwill is determined together with the cash-generating unit which includes property, plant and equipment and is based on value-in-use calculation.				
Computer software – at cost	4,021,640	3,593,983		
Less: accumulated amortisation	(3,232,097)	(2,831,293)		
	789,543	762,690		
Total intangible assets	2,570,325	2,543,472		
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	1,664,101	762,690	2,543,472
Additions	–	–	415,583	415,583
Transfers from property, plant and equipment	–	–	11,895	11,895
Amortisation charge	–	–	(400,625)	(400,625)
Carrying amount at the end of the year	116,681	1,664,101	789,543	2,570,325



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 13 – TRADE AND OTHER PAYABLES	2018 \$	2017 \$
<b>Current</b>		
Trade creditors	494,769	1,131,178
Accrued expenses	2,152,642	2,460,158
BAS payable	352,910	167,730
Other payables	665,303	552,843
Deferred revenue	124,139	157,776
	3,789,763	4,469,685
<b>Non-current</b>		
Rental bonds	45,192	61,181
	45,192	61,181
<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	88,237,000	96,237,000
Total Borrowings	88,237,000	96,237,000
<p>1. The ANZ facility consists of a Cash Advance Facility of \$93,387,000 for YHA Ltd borrowings which has four years until termination in January 2023. 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; a facility for corporate credit cards of \$200,000, a facility for electronic payments (\$500,000) and bank guarantees (\$700,000) for security of leasehold hostel and office properties. There is an undrawn development facility for \$3,000,000.</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 23 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 2018 and 2017 reporting periods.</p>		
The bank facilities as at the balance date are:	2018 \$	2017 \$
Credit facilities	92,187,000	97,112,000
Amount utilised	88,237,000	96,237,000
Amount unutilised	3,950,000	875,000
<p>The unused credit facilities consist of cash advance facility of \$3,000,000 (2017: \$Nil), bank overdraft \$750,000 (2017: \$750,000) and corporate card facility \$200,000 (2017: \$125,000).</p>		

NOTE 15 – BORROWINGS CONTINUED	2018 \$	2017 \$
<b>Assets Pledged as Security</b>		
The carrying amounts of assets pledged as security are:		
First mortgage and floating charges		
Total assets	151,002,918	161,370,767
Independent valuations of interest in Land & Buildings		
2018	29,455,000	–
2017	206,405,000	220,305,000
2016	4,200,000	7,500,000
2015	825,000	6,025,000
2014	–	7,700,000
Total	240,885,000	241,530,000
<p>The total independent valuation reports value of \$240,885,000 representing 28 freehold and leasehold properties and including the 2018 updates for the extended Byron Bay YHA, Newcastle Beach YHA, Pittwater YHA, Thredbo YHA, Alice Springs YHA and Airlie Beach YHA. A value for WA hostel at Fremantle Prison YHA has been included. The written down value of these properties, which are recorded at cost or deemed cost as at transfer date in the financial report is \$140,056,820.</p>		
<b>NOTE 16 – PROVISIONS</b>		
<b>Current</b>		
Employee benefits	2,164,376	2,328,902
	2,164,376	2,328,902
<b>Non-current</b>		
Employee benefits	148,367	104,032
	148,367	104,032
Aggregate liability for employee benefits provision including on-costs:		
Employee benefits	2,312,743	2,432,934
		EMPLOYEE ENTITLEMENTS \$
<b>Movements in provisions</b>		
Balance at the beginning of the year		2,432,934
Additions		1,946,792
Amounts utilised		(2,066,983)
Balance at the end of the year		2,312,743

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 17 – OTHER LIABILITIES	2018 \$	2017 \$
<b>Current</b>		
Bookings in advance	3,045,129	2,858,889
	3,045,129	2,858,889
<b>NOTE 18 – DERIVATIVE FINANCIAL INSTRUMENTS</b>		
The group has the following derivative financial instruments:		
<b>Current</b>		
Interest rate swap contracts – non-hedging	429,070	246,082
<b>Non-current</b>		
Interest rate swap contracts – non-hedging	862,327	716,010
	1,291,397	962,092

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 2018 the fair value has been determined by reference to the ANZ Bank value of the interest rate swap agreements as at 31 December 2018. 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 – COMMITMENTS	2018 \$	2017 \$
<b>a. Capital commitments</b>		
Capital expenditure commitments contracted for:		
Capital expenditure projects	356,455	377,368
Development of Byron Bay YHA	–	327,955
	356,455	705,323
Commitments for capital expenditure projects will be payable not later than 1 year.		
<b>b. Operating leases</b>		
Payable not later than 1 year	1,253,788	1,241,782
Later than 1 year but not later than 5 years	3,720,675	4,442,719
Later than 5 years	3,317,109	3,683,358
	8,291,572	9,367,859

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

**c. Other commitments**

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

**NOTE 20 – RELATED PARTY DISCLOSURES**

All transactions between the company and its controlled entities are eliminated on consolidation. There were no other related party transactions occurring during the year. The directors of the company are all directors of the controlled entities. Directors are reimbursed for expenses incurred in attending meetings in accordance with directors' expense policy and from the April 2018 Annual General Meeting have been remunerated, in accordance with the constitution. Disclosures relating to key management personnel are set out in Note 23.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## NOTE 21 – BUSINESS COMBINATIONS

There were no business combinations in 2018. The 2017 business combinations were: 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 resulting in YHA Ltd becoming a member of YHA WA and YHA WA'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.

	2018	2017
	\$	\$
Cash and cash equivalents	–	277,111
Trade receivables	–	66,162
Inventories	–	4,898
Prepayments	–	54,054
Plant and equipment	–	438,620
Land & Buildings	–	27,214,483
Computer software	–	2,000
Trade payables and advance deposits	–	(251,503)
Employee benefits	–	(150,255)
Borrowings	–	(2,751,812)
Net assets acquired	–	24,903,758
Goodwill	–	–
Acquisition-date fair value of the total consideration transferred	–	24,903,758
Representing:		
Cash paid or payable to vendor	–	10,850,000
Gain on bargain purchase – balance	–	14,053,758
Acquisition costs expensed to profit or loss	–	571,316

## NOTE 22 – 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 2018 (CONTINUED)

## NOTE 23 – KEY MANAGEMENT PERSONNEL COMPENSATION

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:

### Key management personnel – excluding directors

	SALARY \$	SUPERANNUATION \$	TOTAL \$
2018	1,621,969	152,327	1,774,296
2017	1,526,697	142,376	1,669,073
<b>Directors</b>			
2018	54,792	5,205	59,998
2017	–	–	–

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

The directors remuneration is \$10,000 per annum plus superannuation per director and is paid pro-rata for Directors who join after the AGM. Additional remuneration of \$2,500 plus superannuation is also paid to Directors who hold the office of Vice Chair and Committee Chairs. Additional remuneration of \$5,000 plus superannuation for the Chair (note: the Chair chose to forego the remuneration to December 2018).

### Key management personnel – including directors

2018	1,676,761	157,532	1,834,293
2017	1,526,697	142,376	1,669,073

**NOTE 24 – PARENT ENTITY INFORMATION****PARENT ENTITY**

	2018 \$	2017 \$
Set out below is the supplementary information about the parent entity.		
<b>Statement of comprehensive income</b>		
Surplus after income tax	(18,491,155)	23,166,840
Total current assets	3,625,260	12,926,281
Total assets	133,302,300	160,079,147
Total current liabilities	9,397,927	9,858,318
Total Liabilities	98,693,180	106,976,541
<b>Equity</b>		
Total equity	34,609,120	53,102,606

**Contingent liabilities**

The parent entity had no contingent liabilities as at 31 December 2018.

**Capital commitments**

The parent entity had capital commitments for property, plant & equipment as at 31 December 2018 of \$356,455 and 31 December 2017 of \$705,323.

**Significant accounting policies**

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## NOTE 25 – RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	CONSOLIDATED ENTITY	
	2018 \$	2017 \$
<b>(Deficit) / surplus after income tax</b>	(818,723)	11,220,981
<b>Non-cash flow in (deficit) / surplus</b>		
Depreciation and amortisation	5,702,280	5,413,939
Impairment of property, plant & equipment	–	560,000
Impairment of goodwill	–	400,000
Fair value adjustment to derivatives	329,305	(150,944)
(Profit) on sale of property, plant & equipment	(1,572,053)	(1,104,818)
Loss on sale or disposal of property, plant & equipment	31,767	43,709
Contribution from merging YHA entities	–	(13,776,647)
<b>Changes in assets and liabilities</b>		
(Increase) decrease in receivables	(23,475)	(22,228)
Decrease (increase) in inventory	1,680	71,229
(Increase) decrease in other assets	(96,490)	(144,821)
(Decrease) increase in payables	(822,976)	772,362
(Decrease) increase in provision for income tax payable	(1,248,569)	1,248,569
(Decrease) increase in provisions	(120,186)	(33,210)
Increase (decrease) in other liabilities	313,479	44,190
Net cash provided by operating activities	1,676,040	4,542,311

## NOTE 26 – INFORMATION TO BE FURNISHED UNDER CHARITABLE FUNDRAISING ACTS

The Company is authorised to fundraise under the Charitable Fundraising Act 1991 (NSW). 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 27 – EVENTS AFTER REPORTING PERIOD

No matter or circumstance has arisen since 31 December 2018 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.

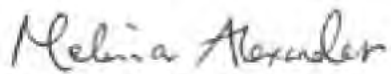


**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF YHA LTD  
ABN: 94 008 387 791**

In relation to the independent audit for the year ended 31 December 2018, 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

23 February 2019

# DIRECTORS' DECLARATION

The Directors of YHA Ltd declare that:

1. The financial statements and notes, as set out on pages 33 to 60, are in accordance with the Corporations Act 2001, and:
  - a. Comply with Australian 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 2018 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 Company are in accordance with the Charitable Fundraising Act 1991 (the Act), including:

- i. the financial report shows a true and fair view of the financial results of fundraising appeals for the year ended 31 December 2018;
- ii. the financial report and associated records 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 2018 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.



Euan Prentice  
Director  
23 February 2019



Leonie Clark  
Director  
23 February 2019

**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 2018, 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 2018 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.



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF YHA LTD  
ABN 94 008 387 791**

**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 2018, 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.

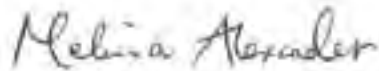
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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.

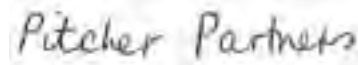
**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF YHA LTD  
ABN 94 008 387 791**

- 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

23 February 2019

# YHA AUSTRALIA HOSTELS

AT 31 DECEMBER 2018

HOSTEL	MANAGED BY	BEDS	OWNERSHIP	STATUS	NOTES
<b>ACT</b>					
<b>Canberra City</b> 7 Akuna St, Canberra	Arthur Lee	264	O	L	Converted office block.
<b>NSW</b>					
<b>Albury</b> 372 Wagga Rd, Lavington	Kerrie & Craig Richardson	18			Building in caravan park.
<b>Batemans Bay</b> Cnr of Old Princes Hwy & South St	Ray and Cath King	30	A		Converted building in caravan park.
<b>Bellingen</b> 2 Short St	Amanda Fisher, Rowan Simon	30	A		Converted commercial building with extensions.
<b>Blue Mountains</b> 207 Katoomba St, Katoomba	Kylie McInerney	200	O	F	Converted guesthouse.
<b>Blue Mountains – Hawkesbury Heights</b> 836 Hawkesbury Rd	Carolyn & John Beazley	12	O	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	199	O	F	Purpose-built hostel.
<b>Cape Byron</b> Cnr Byron & Middleton Sts, Byron Bay	Paul Cason	134	O	F	Purpose-built hostel.
<b>Coffs Harbour</b> 51 Collingwood St	Brett Banwell	96	O	F	Leased to manager. Purpose-built hostel.
<b>Glebe Point</b> 262-264 Glebe Point Rd, Glebe	Craig Tester	149	O	F	Converted motel.
<b>Hunter Valley</b> 100 Wine Country Drive, Nulkaba	Nigel Worton	38	A		Purpose-built hostel.
<b>Murwillumbah</b> 1 Tumbulgum Rd	Tassie Duff	17	A		Private residence converted into hostel.
<b>Newcastle Beach</b> 30 Pacific St, Newcastle	Damian Parkhouse	92	O	F	Converted heritage building. Management contract.
<b>Nimbin Rox</b> 74 Thorburn St, Nimbin	Liam Brehme	29	A		Purpose-built hostel.
<b>Pittwater</b> Via Halls Wharf, Morning Bay	Michael Doherty & Sarah Polomka	32	O	F	Leased to manager. Converted residence.
<b>Port Macquarie</b> 36 Waugh St	Richard Bock, Mathilde Boudrieres	59	A		Private homes extended into hostel.
<b>Port Stephens</b> Frost Rd, Anna Bay	Mark & Sandy Munday	37	A		Purpose-built hostel.
<b>Railway Square</b> 8-10 Lee St, Sydney	Dean Grasselli	281	O	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.
<b>Sydney Central</b> 11 Rawson Place, Sydney	Sam Badans	563	O	F	Converted heritage office building.
<b>Sydney Harbour</b> 110 Cumberland St, The Rocks	Danny Avis	354	O	L	Leased from Sydney Harbour Foreshore Authority. Purpose-built hostel raised above archaeological remnants, with onsite education centre.



HOSTEL	MANAGED BY	BEDS	OWNERSHIP	STATUS	NOTES
<b>Tamworth</b> 169 Marius St	Carol Hobden	18	A		Converted commercial building.
<b>Thredbo</b> 2 Buckwong Place	Bianca Bott	53	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	88	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	Rosh Paku-Moore	418	A		Purpose-built hostel
<b>QLD</b>					
<b>1770</b> Lot 12 Captain Cook Drive, Agnes Waters	Will Boothby	56	A		Purpose-built hostel also offering motel and apartments.
<b>Airlie Beach</b> 394 Shute Harbour Rd	Kathryn and David Cowie	82	O	F	Converted motel. Management service contract.
<b>Brisbane City</b> 392 Upper Roma St	Carolyn Worton	387	O	F	Two lots amalgamated. Purpose-built hostel.
<b>Cairns Central</b> 20-26 McLeod St, Cairns	Martin Greenhalgh	234	O	F	Purpose-built hostel.
<b>Coolangatta</b> 230 Coolangatta Road, Bilinga	Warren Nicholas	76	O	L	Land leased from Department of 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 Fleming	141	A		Purpose-built hostel also offering cabins and camping.
<b>Mission Beach</b> 76 Holland St, Wongaling Beach	Richard & Anthea Gilroy	94	A		Purpose-built hostel.
<b>Noosa</b> 2 Halse Lane, Noosa Heads	Wade Batty	96	A		National Trust Heritage listed building with additional purpose-built hostel.
<b>Port Douglas</b> Port St	Keith Hamelink	102	A		Converted motel.
<b>Rockhampton</b> 60 MacFarlane St	Auzen Mercader	20	A		Purpose-built hostel.
<b>Stradbroke Island</b> 132 Dickson Way, Point Lookout	Dan Fitzgerald	62	A		Purpose-built hostel with dive centre.
<b>Surfers Paradise</b> Mariners Cove, 70 Seaworld Drive, Main Beach	Nathan McGregor	101	O	S	Sub-leased from Sunland Group. Converted office.
<b>Townsville</b> 113-119 Flinders Street, Townsville	Chris Hanson	177	A		Purpose-built hostel also offering villas.
<b>SA</b>					
<b>Adelaide Central</b> 135 Waymouth St, Adelaide	Anna Cornelisse	232	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	Bryan & Ellen Farrell	61	O	F	Management service contract. Converted historic guest house.
<b>Port Lincoln</b> 26 London St	Debi & Robert Forster	68	A		Converted sporting facility.
<b>TAS</b>					
<b>Hobart Central</b> 9 Argyle St, Hobart	Nadia Fadel	118	O	F	Converted factory.
<b>Bridport Seaside Lodge</b> 47 Main Street, Bridport	Murray Saunders	26	A		Motel.

HOSTEL	MANAGED BY	BEDS	OWNERSHIP	STATUS	NOTES
<b>Coles Bay – Esplanade</b> Reserve Road, Coles Bay	John O'Donnell & Sharon Johnson	12	A		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. Leased from Tasmanian Government Parks & Wildlife Service.
<b>VIC</b>					
<b>Apollo Bay</b> 5 Pascoe St	John & Gail Affleck	72	O	F	Management service contract. Purpose-built hostel.
<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	Ben Schultz	341	O	L	Purpose-built hostel. Leased from CDPL Australia Pty Ltd.
<b>Phillip Island</b> 10-12 Phillip Island Tourist Rd, Newhaven	Larson Henderson	140	A		Purpose-built hostel.
<b>Port Fairy</b> 8 Cox St	Alison & Kadir Zehir	77	A		Converted heritage building.
<b>WA</b>					
<b>Albany</b> 49 Duke St	Jennie Halliman	55	A		Historic house converted to hostel.
<b>Broome</b> 62 Frederick St	Greg Shean	146	A		Purpose-built hostel.
<b>Bunbury</b> 14 Wellington St	Ian & Sarah Upton	29	A		Former guest house converted into a hostel.
<b>Denmark</b> 17 Price St	Mark Basson	17	A		Heritage mill cottage converted into a purpose-built hostel.
<b>Dunsborough</b> 201 Geographe Bay Rd, Quindalup	Andrew Ingle	68	O	F	Leased to manager. Former schoolhouse.
<b>Esperance</b> 299 Goldfields Rd	Rochelle Kihi & Tomasi Leitu	64	O	F	Management service contract. Former hospital building (relocated from Kalgoorlie).
<b>Exmouth</b> 561 Murat Rd	Kym James	42	A		Purpose-built hostel (part of resort).
<b>Fremantle</b> 6A The Terrace	Sean Stahlhut	196	O	L	Conversion of Women's Division and Warders' cottages of Fremantle Prison. Leased from WA Department of Planning, Lands and Heritage. UNESCO World Heritage Site.
<b>Kalbarri</b> 51 Mortimer St	Joe Goodwin	64	A		Purpose-built hostel
<b>Kalgoorlie</b> 192 Hay St	Jennifer Lazar	51	A		Purpose-built hostel.
<b>Kununurra</b> 120 Konkerberry Dve	Lisa Spackman	38	A		Residential house converted into a purpose-built hostel.
<b>Lancelin</b> 10 Hopkins St	Matt Hall & Karen Stokke	54	A		Purpose-built hostel.
<b>Margaret River</b> 66 Townview Tce	Jules Ashton	39	A		Two residential houses converted into hostel.
<b>Pemberton</b> 7 Brockman St	Troy Della Franca	10	A		Cottage converted into hostel.
<b>Perth City</b> 300 Wellington St, Perth	Peter Ott	229	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/Licence  
S = Sub-lease

# YHA AUSTRALIA HOSTEL LOCATIONS

AT 31 DECEMBER 2018



Sustainable

This Year in Review is printed using vegetable-based inks on paper sourced from Responsibly Managed Forests.

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OUTSIDE BACK COVER:  
FREMANTLE PRISON YHA WON  
'BEST ACCOMMODATION IN WA'  
AT THE ADVENTURE TOURISM AWARDS



# 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.



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