YHA AUSTRALIA

YEAR IN REVIEW

2020

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COVER – REGIONAL DESTINATIONS, INCLUDING THE BLUE MOUNTAINS, FARED BETTER THAN URBAN ONES DURING 2020

INSIDE COVER – BYRON BAY YHA PROVIDED A 'HOME AWAY FROM HOME' FOR WORKING HOLIDAY MAKERS, INTERNATIONAL STUDENTS AND 'DIGITAL NOMADS' DURING THE COVID-19 PANDEMIC

ABN: 94 008 387 791 | ACN: 008 387 791

Solicitors: Whitehead Cooper Williams | Auditor: Pitcher Partners

Bankers: Australia and New Zealand Banking Group Limited | Insurance Brokers: Allsopp Bunting

OUR BRAND

YHA Ltd (trading as YHA Australia) is proudly a for-purpose, membership-based organisation with a network of 59 hostels across Australia, providing travellers of all ages with affordable, quality short-stay low cost accommodation. It is part of the global Hostelling International (HI) movement – a network of over 3,000 youth hostels in 77 countries.

OUR VISION

Creating an open and accommodating world where humanity flourishes.

OUR MISSION

To create a community in diverse spaces, by connecting the curious, inspiring personal growth and creating genuine local experiences, in a sustainable way.

OUR VALUES

Diverse Sustainable Reliable Quality Loyal Ethical

OUR ORIGINS

The youth hostel movement was founded in Germany in 1909 by school teacher Richard Schirrmann, with the first permanent hostel (which is still operating today, at Altena Castle) established in 1912. In 1932, the global network of not-for-profit youth hostel associations, Hostelling International (HI), was formed. The first YHA hostel in Australia opened in 1939 in Warrandyte in Victoria – a plaque marks the site of the humble beginnings of what has become Australia's most successful accommodation network for independent travellers.

The iconic 'house and tree' logo has endured since the 1930s due to its symbolism and simplicity – the three messages conveyed by the green YHA Australia logo are: the tree (representing the environment); the house (representing a place to stay); and the open door (representing just that, a welcoming open door).

OUR STORY

At the heart of YHA is a genuine purpose. A purpose that has defined the organisation – and one that has proven to stand the test of time. The success of this purpose has been the organisation's ability to adapt to each generation, while protecting the ideals of the organisation for the future.

It's a community of beliefs, of an international alignment that predates the United Nations. A signifier that has brought people together from all walks of life, while promoting diversity and acceptance through travel and shared experiences. It has provided access, safety, a common view where people feel welcome and connected.

Yet the secret to the organisation is that each generation must shape it to meet the current needs of that and the next. It must compete, connect and contemporize.

This is an organisation that has never stood still, driven by a great energy and social credibility to be much more than just an accommodation provider. To champion a sustainable future for all, with equality and access, the core beliefs of the organization.

This authenticity, this purpose makes the YHA a special place in the world. Places that shape and change with the world around it – ever a living and connecting place.

INTRODUCTION

Dear Members & Friends,

2020 was a year of survival and transformation for YHA Australia, with an organisational restructure and change in leadership following the AGM – including a new Chair, CEO and Executive Leadership Team. With the profound impact of the COVID-19 pandemic on tourism, our organisation was focused on ensuring that all properties were COVID-Safe, costs were minimised and marketing was directed towards attracting new customers. Due to a significant decrease in overnights however, a number of hostels in the network were forced to close or significantly reduce capacity, especially in city locations.

Despite Australia's international borders shutting on 20 March 2020, YHA continued to host 475,776 (2019: 1,129,359) overseas visitors during the year, as Working Holiday Makers and students from around the world opted to stay in Australia rather than return to their home countries. This compared to Australian guests, whose travel was impacted by state lockdowns of 249,086 (2019: 467,1449). This mix of guests ensured vibrancy and diversity throughout our hostel network, including visitors from traditional source countries in Europe and North America, but also from many countries further afield such as Azerbaijan and Mongolia.

With international tourism off the horizon, Australians took advantage of seeing their own country once lockdowns and border restrictions were eased, with YHA hosting a range of domestic travellers, including individuals, couples, friends and families. Regional properties, including those in Byron Bay and the Blue Mountains, fared particularly well, however visitation was somewhat slower in other regions around Australia and organised group travel also reduced in line with government restrictions.

Overall, we hosted 724,862 (2019: 1,596,509) guests throughout the year, which was 54% down on the prior year, and at year end we had significantly less members due to lower international arrivals. The year end result was significantly affected by the impairment of one hostel and land held for sale. Overall, occupancy reduced to just 30% and average rates also reduced. Accordingly, the Board of Directors and management placed high priority on liquidity during the year, necessitating the sale of Glebe Point YHA in Sydney.

TRACEY POWELL (CHAIR) & PAUL MCGRATH (CEO)

In addition to tight fiscal management and monitoring emerging risks, YHA took the opportunity to focus on a new Strategic Plan for 2020-2023, and on revitalising the organisation's Vision and Mission. Innovation was at the forefront, with accelerator projects and sprints to develop new business revenue streams that should come to fruition in 2021 and beyond.

Thanks go to our Directors, team, members and industry partners for their continued support over the past, very challenging year.

Paul McGrath
CEO

Tracey Powell
Chair

2020 IN SUMMARY

OVERVIEW

Leadership change with new Chair, Vice-Chair, CEO and rejuvenation of Executive Leadership Team

Restructure of organisation including rationalisation of corporate overheads

Profound negative impact of COVID-19 pandemic on occupancy, with international borders shut from 20 March 2020 and domestic borders within Australia subject to snap closures and State-specific lockdowns

YHA ACCOMMODATION

An average of 1,986 people accommodated across Australia each night

Over 50% international guests, mainly Working Holiday Makers and international students who remained in Australia during the COVID-19 pandemic

Total number of overnight stays of 724,862 (1,596,509 in 2019) across the country

Regional hostels within close proximity to urban centres fared better than those in cities, which suffered from low visitation

Contraction in hostel network by 10 properties due to the COVID-19 pandemic

Development Application lodged for redevelopment of Railway Square YHA, Sydney, in partnership with technology company, Atlassian

FINANCE

Total operating turnover of $25.1M ($46.2M in 2019)

Earnings before interest, taxation, depreciation and amortisation (EBITDA) after adjustment for one-off disposals and impairments was a loss of $1.54M ($5.99M in 2019)

Consolidated deficit after tax of $10.146M (2019 deficit of $6.07M) including impairment of one hostel and of land for development of $4.76M (2019: $1.27M).

Normalised result of deficit of $11.49M ($4.65M normalised deficit in 2019)

Focus on liquidity, necessitating asset sale (Glebe Point YHA in Sydney)

STRATEGY & INNOVATION

New Vision & Mission adopted

Strategy 2020-2023 developed with focus on innovation

Accelerator sprints to identify and prototype new business initiatives

GOVERNANCE

The Board operated with eight Directors (including three appointed) and three sub committees, plus one working group on Strategy & Innovation

One Board meeting took place in Sydney, and the rest virtually – 15 Board meetings were held (an increase from 7 the prior year, due to additional oversight during the COVID-19 pandemic)

OUR ACCOMMODATION

RESULTS

YHA experienced a profound negative impact from the COVID-19 crisis on occupancy, with international borders shut from 20 March 2020 and within Australia subject to numerous State border closures and lockdowns. Due to increasing competition from the mainstream tourist accommodation sector, rates were also under pressure.

Additionally, some hostels suffered from the impact of the bushfires in January 2020, including Thredbo YHA (which was evacuated), Blue Mountains YHA (which was cut off from visitation due to road closures), and the Sydney hostels as visitors stayed away from the smoke-filled city.

Despite the tourism sector being in a state of turmoil for most of the year, YHA accommodated just under 2,000 guests each night, recording a total of 724,862 overnight stays at hostels around Australia (which was 54% less than the prior year).

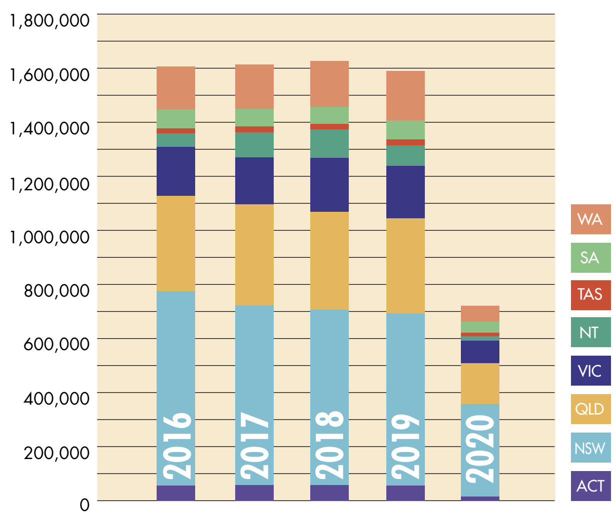
OUR GUESTS

From April onwards, with international borders shut, international students and Working Holiday Makers who opted to stay in Australia during the COVID-19 pandemic made up 55% of guests. Australians formed the remaining 45% of guests being a mix of individuals and families, friends and small groups travelling together despite the challenges of state closures and no large group travel.

OUR MEMBERS

At year end, YHA Australia had 439,539 members.

TOTAL OVERNIGHTS BY STATE/TERRITORY



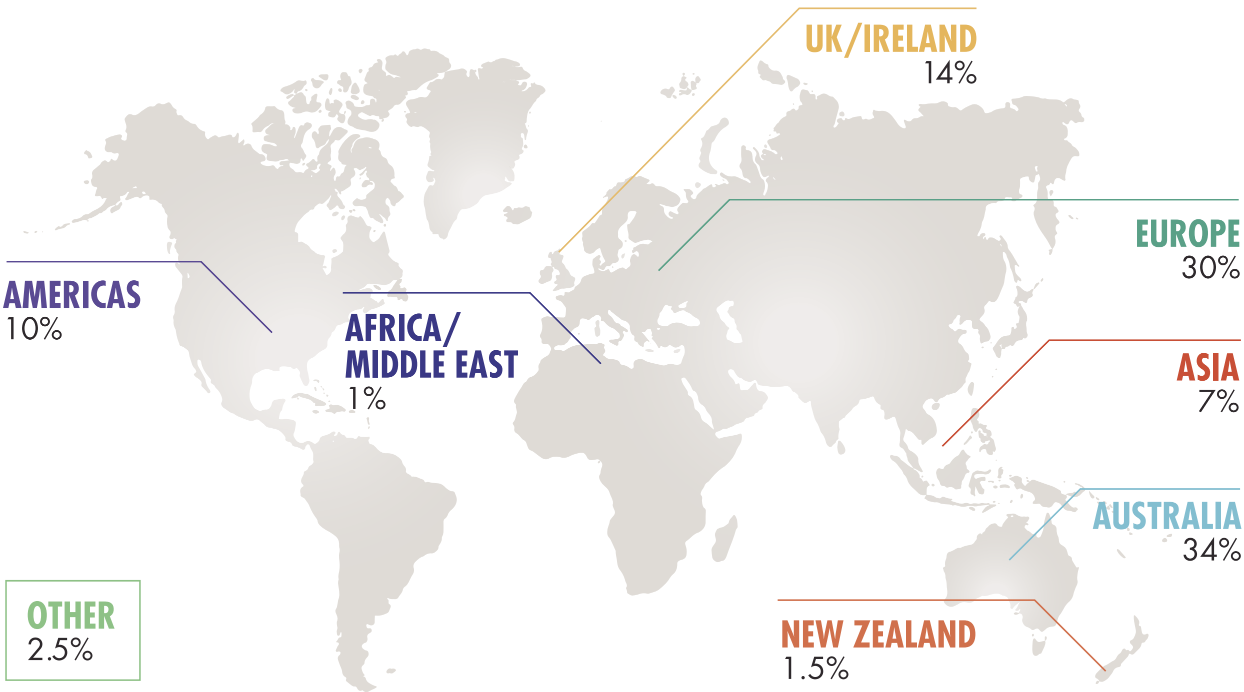
TWO THIRDS OF GUESTS WERE INTERNATIONAL VISITORS WHO STAYED IN AUSTRALIA DURING THE COVID-19 PANDEMIC (PICTURED: GUESTS AT SYDNEY HARBOUR YHA)

HOSTEL NETWORK

Regional hostels within close proximity to urban centres generally fared better than those in capital cities, which suffered from low visitation as major events were cancelled and travel in Australia was curtailed by State border closures. However, several regional properties were closed for significant parts of the year, including Fremantle Prison YHA, Murwillumbah YHA and Cape Byron YHA. A stand-out was Byron Bay YHA which remained open throughout, experiencing both high demand and high rates, reflecting the investment in this property in recent years with an extension and interior décor refresh.

In addition to hostels in key locations that are owned and/or operated by YHA, the network includes properties that are either: associates, run under lease, or owned but operated under Managed Service Agreements. During the year, regrettably, due to the COVID-19 crisis, the network contracted by 11 hostels as follows:
1. Glebe Point YHA, Sydney (sold by YHA for liquidity purposes); 2. Surfers Paradise YHA (lease expired and not renewed by YHA); 3. Coles Bay – Freycinet (licence terminated by Tasmanian government for indigenous cultural and environmental reasons); 4. Esperance (returned by YHA to WA government); and agreements ended with the following Associate hostels – 5. Kalgoorlie; 6. Walpole; 7. Bellingen; 8. Yamba; 9. Nimbin; 10. Magnetic Island – Bungalow Bay; 11. Darwin YHA – Melaleuca on Mitchell. At year end, YHA's network had reduced to 58 properties.

2020 OVERNIGHT STAYS BY COUNTRY OF ORIGIN



GROUPS

Groups accounted for 4% of overnight stays (11% the year prior), made up mainly of Australian educational, cultural and sporting groups on excursions. The number of groups hosted declined significantly as their trips were cancelled due to government advice, particularly impacting large city hostels.

Smaller regional hostels available for exclusive use through the Rent-a-YHA scheme proved more popular, as groups of families and friends sought socially distanced regional getaways.

QUALITY & SAFETY

YHA has rigorous systems in place to assure quality, ranging from customer ratings on yha.com.au to internal and external assessments. The minimum standards for YHA hostels in Australia provide ongoing quality assurance for guests. Additionally, Hostelling International (HI) coordinates a program known as HI Quality & Sustainability (HI-Q&S). In February 2020, fifteen major hostels in Australia were re-certified under this scheme, including three hostels that achieved the Sustainability certification, and another four hostels that received the Quality certification for the first time.

During the year, priority was placed on ensuring that all properties were COVID-Safe and compliant with government health directives, which included reduced occupancy in many dormitory style rooms. Pleasingly, despite restrictions put in place at hostels as part of COVID-19 containment efforts – including social distancing in communal areas and cancellation of most activities for guests – YHA continued to rate highly across all major booking and online review platforms.

DEVELOPMENT

At year end, a State Significant Development Application was lodged with the NSW Government, for the redevelopment of Railway Square YHA, Sydney, in partnership with technology company, Atlassian. A modern, high-rise building incorporating Atlassian's global headquarters and a youth hostel will be built above the historic Inward Parcels Shed and a YHA property currently occupied by YHA. This will form the anchor for a new 'Tech Central' Railway Square YHA precinct set to regenerate the area around Central Station upon opening in four years time and will increase YHA's presence in this well-located hub of the city.

RAILWAY SQUARE YHA IS SET FOR A MAJOR REDEVELOPMENT AS PART OF A NEW TECH CENTRAL PRECINCT

TEDx COUNTDOWN

In October 2020 YHA hosted an inaugural TEDx Countdown talk – #TEDxSydneyHarbourYHA – joining thousands of other purpose-driven organisations in counting down to the October 2021 UN Climate Change Conference.

Five experts from local, sustainably-focussed organisations joined YHA's Dean Grasselli at Sydney Harbour YHA to share their stories and approach to a carbon-zero future, including Dr Dave West from Repurpose; Louise Grace from The Bower; William Lee from Zenko and Darcy Small from Kua Coffee. The live talks were recorded, and videos re-played via Zoom at a virtual event and shared copiously on social media channels. YHA is embracing building a stronger purpose-focused community with suppliers and partners working together towards a zero emissions future.

HOSTEL STATISTICS

		2018	2019	2020
Number of hostels on 31 December				
Operated and/or owned		32	32	28
Associates		43	37	30
Total (includes all of YHA Australia)		71	69	58
Number of beds on 31 December				
Operated and/or owned		5,126	5,126	4,798
Associates		2,825	2,610	1,829
Total (includes all of YHA Australia)		7,951	7,736	6,627
Number of overnights on 31 December				
Operated and/or owned		1,094,419	1,127,532	539,137
Associates		539,133	468,977	185,725
Total (includes all of YHA Australia)		1,633,552	1,596,509	724,862
Overnights				
Australian		519,531	467,149	249,086
International	From HI countries	1,085,035	1,099,513	459,438
	From non HI countries	28,986	29,846	16,338
Total (includes all of YHA Australia)		1,633,552	1,596,509	724,862
Ratios – permanent only				
Beds per hostel		111	112	114
Avg overnights per hostel		21,781	23,138	12,498
Avg overnights per bed		196	206	109

THE RISE OF REMOTE WORKING

Remote working became a way of life for many of YHA's guests ('digital nomads'), members, office-based employees and Directors during COVID-19 lockdown periods. Like all challenges, this also brought an opportunity for invention and change, with meetings, workshops and regular 'CEO Chats' being run with the help of Zoom (aided on occasion by virtual post-it notes and whiteboards for extra collaboration). The 2020 Annual General Meeting was also successfully held virtually, with participation from across Australia.

As lockdowns eased and the need for time in virtual spaces became less of a necessity, individuals and organisations increasingly took the opportunity to use YHA's dedicated co-working and group facilities to reconnect – to get off Zoom and into a room!

OUR ORGANISATION

PEOPLE & CULTURE

WORKFORCE PROFILE

At year end, YHA had 245 employees (compared to 350 the prior year), coming from over 35 nations, and with a median age of 31 – creating rich diversity in the organisation's culture. YHA has a strong sense of family, camaraderie, and purpose amongst the team, who relate well to customers.

As part of YHA's commitment to the wellbeing of its people, flu vaccinations are offered to everyone on the team as a preventative measure, and Personal Protective Equipment (PPE) is provided as required for frontline team members. An external Employee Assistance Program (EAP) was introduced during the year, offering online help and phone support as required.

ORGANISATIONAL CHANGES

During the year, a restructure of the organisation took place, including rationalisation of corporate overheads to adapt to the COVID-19 crisis. Amidst this backdrop, YHA farewelled several long-standing employees who had made valuable contributions over a period of great growth and development of the organisation, including retiring Operations Manager, Rob Henke; Head of Marketing, Janet McGarry; Strategy & Digital Leader, Rolf Duelks; Northern Region Manager, Jonathan Kane, and others.

Upon the retirement of longstanding CEO, Julian Ledger, a welcome was extended to incoming CEO, Paul McGrath, and a rejuvenated Executive Leadership Team.

THANKS TO THE TEAM

The Board of Directors extends sincere thanks in recognition and appreciation of the personal sacrifices made by employees over the year, including reduced hours of work and remuneration.

YHA EXTENDS SINCERE THANKS TO ALL TEAM MEMBERS WHO ENDURED DIFFICULT CIRCUMSTANCES IN 2020 DUE TO THE COVID-19 CRISIS

CORPORATE AFFAIRS

HOSTELLING INTERNATIONAL

Hostelling International (HI) is a UK-based charity and the global Federation of National Youth Hostel Associations, with a network of over 3,000 youth hostels in 77 countries.

YHA Australia has a long history of active involvement with HI and its work to unite and expand the global network of hostels.

IN MEMORIAM

YHA extends condolences to the HI community on the passing of some trail-blazing colleagues, including former HI President, Edith Arnoult-Brill; former HI President Fredrich Muth; former Vice President, Ken Kilkenny, and former Directors and stalwart supporters, Dr Mamdooh Mandoor of the Egyptian Youth Hostels Association and Mongi Baklouti from the Tunisian Youth Hostel Association. Their legacy lives on in the enormous contribution they made to the HI movement over a long period of time.

ROB MCGUIRK WAS INDUCTED IN 2020 INTO THE 'ASSOCIATIONS HALL OF FAME'

THANKS TO ROB MCGUIRK

In September 2020, at the bi-annual HI Conference (which took place virtually) long-standing YHA Ltd Director, Rob McGuirk, retired as President of HI after serving a two-year term. Rob was the first Australian elected to the position of International President.

Rob also reached the milestone in 2020 of 31 years of voluntary service to YHA in Australia; and will reach his term limit as a Director and stand down from the YHA Ltd Board at the 2021 Annual General Meeting. Sincere thanks are extended to Rob for his extensive contribution and commitment to both HI and YHA over such a sustained period.

THANKS TO JULIAN LEDGER

Special recognition goes to former CEO, Julian Ledger, who retired in mid-2020 – thanks are extended for his long service, contribution and commitment to YHA spanning over four decades, being half of the organisation's existence in Australia.

At the 2020 Annual General Meeting, a vote of thanks was extended to Julian, noting that he had also been a leader in the wider youth tourism sector, and a proponent for high standards across the travel accommodation industry. His contribution to the tourism industry both in Australia and internationally was recognised, and in particular, he was thanked by the members for having provided opportunity for so many young people to have safe and high-quality travel experiences through YHA.

OUR FUTURE

STRATEGY & OUTLOOK

STRATEGY

Combined with a change in leadership at both the Board and Executive level, the COVID-19 crisis was a catalyst for transformation for YHA. A new perspective was brought to bear on the challenges of 2020, and the opportunity was taken for a wide-ranging review of YHA's business, organisational structure, and purpose.

Following the bushfires and commencement of COVID 19 lockdowns, Deloitte were engaged to conduct an Independent Business Review. This review assessed the risks of the COVID-19 impact on YHA and the tourism industry and included a Performance Improvement Plan and roadmap for YHA's survival and recovery, considering a pathway to a sustainable level of borrowings through asset sales.

Following an iterative process with input from Directors, employees, key stakeholders, members and potential customers, a new Vision & Mission was developed. It envisages a future beyond simply providing accommodation; expanding YHA's service offerings both horizontally and vertically, to meet the needs and expectations of tomorrow's travellers.

Flowing from this, a new Strategy 2020-2023 was developed with a central focus on the customer while adopting a mindset of innovation and embracing organisational change. In line with this, YHA partnered with Digital Creators to guide the organisation through accelerator sprints to create a culture of innovation and identify new business initiatives, with new revenue streams to be rolled out in 2021 and beyond.

At the same time, a comprehensive Capital & Property Investment Strategy was developed, including categorising YHA's properties into four key types being: Gateway; Tourist; Boutique/Eco, and Workers' accommodation. The aim is to holistically review YHA's current and future needs in terms of assets and finance, with a view to reinvesting in enhancing the brand promise and quality of the network.

As well as focusing on the bricks and mortar, a new emphasis was also placed on People & Culture, to build on and develop the Human Resources capability within the organisation, with a focus on the health, safety and wellbeing of YHA's team members.

The three key pillars of Customer Focus, Organisational Change, and People & Culture form a feedback loop and provide the framework for YHA's evolution into the next phase, as illustrated overleaf.

OUTLOOK

EXTERNAL ENVIRONMENT

With Australia's borders still firmly closed to international tourists after a full year due to the ongoing COVID-19 pandemic, YHA will continue to be impacted into 2021 and 2022. While Australia has succeeded in managing the crisis on the healthcare and economic fronts, the tourism sector continues to suffer the consequences of the prolonged border closure.

Prior to COVID-19, Australia's tourism sector had reached a record high of 9.5 million overseas visitor arrivals in 2019, spending $45 billion in total. Over $3.2 billion of this was spent by the longer-staying and wider-dispersing Working Holiday Makers, from over forty countries.

Positively, the International Monetary Fund (IMF) is forecasting a stronger economic recovery for the global economy than originally anticipated, with the Australian economy in particular continuing to bounce back. The global economy is now expected to recover by 6 per cent in 2021 and 4.4 per cent in 2022 - and for Australia, real GDP is expected to grow by 4.5 per cent in 2021 and 2.8 per cent in 2022. For YHA, usually reliant on international guests for 70% of visitation (making up over 1 million overnight stays pre-COVID-19) it is not just the state of Australia's economy, but also the situation in key source markets that will determine the organisation's pace of recovery.

As outlined in the 2021 Deloitte Access Economics Tourism & Hotel Market Outlook, international tourism is unlikely to return in a meaningful way until at least 2022 and to not recover to pre-COVID-19 levels until sometime in 2023. One green shoot is the 'travel bubble' between Australia and New Zealand from 19 April 2021, which may then open to parts of Asia before international borders fully open. Other green shoots include the scaling up of COVID-19 vaccine rollouts in Australia and key international source countries, along with the development of 'vaccine passports.' However, the tourism industry's recovery will be affected by various challenges, including aviation capacity and consumer confidence. Additionally, when international travel restrictions lift, Australia will face an extremely competitive tourism landscape.

OUTLOOK FOR YHA

YHA's occupancy halved in 2020 and rates were also under enormous pressure, therefore keen focus on both these levers will be paramount in 2021. In the short-term, any increase in visitation is likely to be driven by the domestic Australian market, particularly through groups resuming excursions, including through YHA offering additional services inhouse such as catering.

Although forecasts for international tourism are that it will take years to reach levels above 2019, YHA's traditional youth travellers are resilient and likely to be the first to return when Australia's borders re-open. During 2020, a close lens was cast over the importance of the cultural exchange Working Holiday Maker Program, with a Federal Parliamentary inquiry that made 14 recommendations for the long-term growth of this scheme, that YHA supports.

When the recovery does come, YHA will need to be ready to meet demand. The loss of eleven YHA hostels to the network in 2020 and others subsequently in 2021 (including at Bondi Beach) has left significant gaps. YHA is therefore looking closely at opportunities to improve the quality of the existing properties, and to rebuild products and services to provide guests with better experiences than they ever had before. New unique spaces will be introduced where guests can enjoy a variety of food and beverages that they can share together; places where they can work or collaborate with others on projects or just hang out with other curious travellers, sharing stories about their adventures. YHA is evolving the brand with a more contemporary and relevant feel, and creating environments where guests want to stay, at an affordable low-cost price point that works for them.

YHA is in a strong position to ride out the COVID-19 crisis due to its strong asset base with over $140M worth of property in the portfolio above current borrowings. One option for potential future revenue-raising is through the issuance of mutual capital instruments (MCIs) - being considered at YHA's 2021 Annual General Meeting. In conclusion, although the road to recovery is rocky, YHA has a map to navigate out of it, and to not only survive but to thrive.

SUMMARY OF KEY RESULT AREAS

OUR GOVERNANCE

DIRECTORY OF THE ORGANISATION

AT 31 DECEMBER 2020

PATRON

The Governor-General of the Commonwealth of Australia, His Excellency General the Honourable David Hurley AC DSC (Retd)

PRESIDENT

James Tomkins, OAM

VICE PRESIDENTS

Leonie Clark

Helen Harms

Dr Tasha Prabhakar

Cameron Quinten

Ray Temperley

David Wardle

Jim Whitehead

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 leadership team.

COMMITTEES & WORKING GROUPS

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 & Human Resources (HR) 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.
A Working Group on Strategy & Innovation was also formed during the year.

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 & HR COMMITTEE

The purpose of the Nominations, Remuneration & HR Committee is to assist the Board in fulfilling its responsibilities regarding the nominations of Directors, and the human resources and remuneration strategies, policies, and practices of the organisation.

ELECTION COMMITTEE

The Election Committee is responsible for managing the Directors' interview process and familiarisation program, ensuring that candidates for the Board demonstrate the essential and desirable criteria required to ensure a diverse, skills-based Board made up of Directors with a range of expertise and experience. The Committee also has a role to ensure that Directors understand their obligations under the Corporations Act, and are aware of their fiduciary, strategic and risk management responsibilities.

STRATEGY & INNOVATION WORKING GROUP

The Working Group's purpose is to put innovation at the forefront of the organisation in terms of strategic thinking and strategy development, and to enable Directors to engage with management about re-imagining and transforming the business. The primary focus is on innovation, technology and strategy, both from the standpoint of the current situation, and also looking ahead two to five years, and even longer term.

DIRECTORS' REMUNERATION

Remuneration for Directors is fixed at an aggregate amount of $150,000 in any one year. Policies are in place to govern distribution of the remuneration pool amongst the Directors, and the reimbursement of direct expenses to attend meetings. Many Directors chose to forgo remuneration from April 2020 to assist with containing YHA's overheads during the COVID-19 crisis.

MEETINGS

The Board of Directors met 15 times between January and December 2020, including one face-to-face meeting held in Sydney, and the rest held virtually. This was an increase from seven meetings the prior year, due to additional oversight during the COVID-19 pandemic. In addition, the Audit & Risk Committee held six meetings, the Nominations and Remuneration Committee held six meetings, and the Election Committee held two meetings. The Strategy & Innovation Working Group held weekly, brief meetings.

BOARD MEMBERS

During the year, the Board was made up of eight 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 and gender. The Directors' Report on page 19 sets out their qualifications and experience.

FIFTEEN BOARD MEETINGS WERE HELD IN 2020 – AN INCREASE FROM 7 THE PRIOR YEAR – DUE TO ADDITIONAL OVERSIGHT DURING THE COVID-19 CRISIS (PICTURED: THE BOARD OF DIRECTORS & CEO, (L-R; MATT MCNEIL; TAMMY MARSHALL; ALISON MCDONAGH; PAUL MCGRATH (CEO); BRONWYN DALLOW (ON SCREEN); ROB MCGUIRK; SIMON SPICER; BRIGITA BEZJAK; TRACEY POWELL (CHAIR))

FINANCIAL SUMMARY

OVERVIEW

Total income for 2020 before sale of assets was $25.1M. This was significantly down on the previous year due to the COVID-19 crisis, with the closure of international borders and frequent closure of State borders within Australia. The net deficit was $10.146M, which includes a gain on the sale of the Glebe Point YHA ($6.0M) and impairment expense on property and land of $4.76M.

BORROWINGS

The cash advance facility with ANZ Bank was extended with a temporary liquidity facility of $5M to ensure that YHA could get across the first lockdown. This was reduced when the Glebe Point YHA property was sold, and proceeds applied to repayment of these funds.

Fixed interest SWAP contracts were terminated early to alleviate interest expense to the end of December 2020 and the break costs ($3.158M) of this termination were funded by the ANZ Bank facility. As the borrowings relate to the amount of property owned, the strategy for realisation of further funding from the portfolio is under active review.

CASH FLOW

Operating cash flows were lower than in 2019, with a decrease in receipts from customers and a decrease in payments to employees and suppliers. Finance costs paid were higher than in 2019 due to the interest expense break costs from terminating the fixed interest SWAP contracts.

Cash flows from investing activities included expenditure on existing hostels of $0.254M (2019: $2.7M). Proceeds from the sale of Glebe Point YHA of $7M were also received. Cash flows from financing activities were $8.158M, which was used to fund the repayment of the overdraft facility and the fixed interest contract break costs mentioned above.

Cash holdings were $1.846M (2019: $1.921M) which was similar to the previous year.

CAPITAL EXPENDITURE

Capital expenditure, other than development projects, was $0.18M, spent primarily in the first quarter of 2020, on maintaining the standards of major plant, bathrooms, communal kitchens, furniture and equipment of the hostels, with minimal expenditure since the international border closure.

FIVE YEAR COMPARISON

YHA LTD

		2020 $	2019 $	% Change	2018 $	2017 $	2016 $
Before disposal / impairment of fixed assets							
Total revenue		25,071,240	46,199,110	(45.7)	45,787,155	44,253,571	44,685,152
Total expenses		36,560,700	50,849,481	28.1	48,141,246	46,898,888	42,319,190
(Deficit) / surplus before disposal of assets		(11,489,460)	(4,650,371)	147.1	(2,354,091)	(2,645,317)	2,365,962
One off gains – integration or disposal of fixed assets		6,106,414	–		1,572,053	15,158,576	619,583
(Loss) on disposal of assets		–	(149,305)		(31,767)	(43,709)	(72,762)
(Impairment) expense		(4,763,667)	(1,268,868)		–	–	(900,000)
Income tax expense		–	–		(4,918)	(1,248,569)	(4,138)
(Deficit) / surplus after tax		(10,146,713)	(6,068,544)		(818,723)	(11,220,981)	2,008,645
Total assets		140,279,391	152,955,588	(8.3)	151,002,918	161,370,767	131,584,921
Total borrowing		92,543,495	89,143,848	3.8	88,237,000	96,237,000	80,000,000
Total equity		36,066,437	46,213,150	(22.0)	52,851,694	53,100,417	41,879,436
Gearing	(note A)	0.72	0.66	9.3	0.63	0.64	0.66
Capital expenditure		254,212	2,755,307	(90.8)	4,794,032	20,144,617	14,060,227
Earnings before interest tax depreciation & amortisation	(note B)	(351,079)	7,396,993	(104.7)	7,252,588	7,053,847	9,773,461
Interest cover	(note B)	(0.44)	1.76	(125.1)	2.05	2.11	2.95
Loan to value ratio	(note C)	39.4%	37.0%	(2.4)	36.5%	50.1%	43.3%
Number of members	(note D)	439,539	402,815	9.1	260,558	158,258	35,262
Number of hostels	(note E)	58	69	(15.9)	71	75	57
Number of employees	(note F)	157	237	(33.8)	237	233	225
Turnover per employee	(note G)	159,689	194,933	(18.1)	193,195	189,929	198,601

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 2015-2020 adjusted for gain on disposal. merging or integration and impairment expense. This calculation is not the same as the bank ICR which includes an FF&E deduction of 4% of hostel income.

Note C: Includes WA and Tasmania Hostels from 2017.

Note D: Includes all Australian and international existing and new members/guests who stayed from 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 2019
ABN 94 008 387 791

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 2020.

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

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

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

NAME	QUALIFICATIONS	EXPERIENCE	RESPONSIBILITIES	ELECTED
Brigita Bridget Bezjak	B.App.Sci (Speech Pathology), Dip Bus (Governance). MAICD.	YHA member since 1999. Health professional.		April 2019 to April 2022
Bronwyn Teresse Dallow	M.International Management, Grad Dip Business, MAICD	YHA member since 2011. General Manager, business chamber.	Chair of Nominations, Remuneration & HR Committee from April 2019, Chair of Election Committee from April to September 2019 and from April 2020	Re-elected 18 April 2020 to April 2023
Tammy Lea Marshall	BBus, Graduate Diploma in Business Administration, MBA, GAICD	YHA member since 2019. Managing Director / owner of Management Consulting business.		Appointed 13 June 2019 to 17 April 2021
Alison Louise McDonagh	BCom (Marketing & Hospitality Management); Graduate Diploma (Urban & Regional Planning)	YHA member since 2018. Regional Development Manager, property developer.		18 April 2020 to April 2023
Ross Peter McDougall	BA, LLB, GAICD	YHA member since 2012. Solicitor.		April 2017 to 18 April 2020
Robert Anthony McGuirk	BA, LLB, F Fin, GAICD	YHA member since 1990. Continuing member of YHA Victoria Limited Board, held roles of Chair & Vice Chair. Former Chair of YHA Ltd. Hostelling International President (October 2018 to September 2020) and former Vice President. Lawyer, Property Manager, IT Consultant.		Appointed from 13 April 2019 to 17 April 2021
Matthew Craig McNeil	BArch (Hons), GAICD	YHA member since 1988. Architect & educator		April 2019 to April 2022
Tracey Michelle Powell	BBus, GAICD	YHA member since 2000. Former member of YHA South Australia Board, held role of Chair. Principal & Director, marketing consultancy.	Chair from April 2020, former Vice Chair, former Chair of Nominations & Remuneration Committee and former Chair of Election Committee	April 2018 to 17 April 2021
Euan Gordon Prentice	BCom, A Fin	YHA member since 2009. Owner of capital markets research business.	Chair to April 2020, former Vice Chair	Resigned 18 April 2020
Simon Paul Spicer	BEc, CA, GAICD	YHA member since 2018. Finance and Strategy Executive.	Chair of Audit & Risk Committee from April 2019	Re-appointed 18 April 2020 to April 2022

COMPANY SECRETARY

Julian Ledger held the role of Company Secretary from 23 April 2003 to 18 April 2020, Stephen Lynch was 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.

	BOARD OF DIRECTOR MEETINGS		COMMITTEE MEETINGS	
DIRECTOR	NUMBER HELD / ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER HELD / ELIGIBLE TO ATTEND	NUMBER ATTENDED
Brigita Bridget Bezjak	15	13	6	5
Bronwyn Teresse Dallow	15	15	6	6
Tammy Lea Marshall	15	15	6	5
Alison Louise McDonagh	12	11	5	5
Ross Peter McDougall	3	3	2	2
Robert Anthony McGuirk	15	15	6	6
Matthew Craig McNeil	15	14	6	6
Tracey Michelle Powell	15	15	8	8
Euan Gordon Prentice	3	3	3	3
Simon Paul Spicer	15	15	6	6

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

A company named YHA Travel to Learn Limited ACN 637 135 990 was registered as a company under the Corporations Act 2001 on 30 October 2019. It is a company limited by guarantee and a public company with YHA Ltd as its sole member. The company was registered with the Australian Charities and Not for Profits Commission and achieved deductible gift recipient status for its charitable purpose to enable opportunities for education through travel for those with limited means.

DIRECTORS' REPORT
CONTINUED

3. SHORT AND LONG TERM OBJECTIVES

The objects of the Group are:

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

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

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

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

DIRECTORS' REPORT
CONTINUED

5. PRINCIPAL ACTIVITIES

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

6. OPERATING RESULTS

The consolidated deficit after tax for the financial year ended 31 December 2020 was $10,146,713 (2019 deficit of $6,068,544). The number of member overnights for the year were significantly lower than the prior year due to the closure of the Australian border to international travellers, the average bed rates were lower also. Several hostels closed due to a lack of overnights. Other revenue and rent were also affected by the lockdowns of Sydney and Melbourne. The company was eligible for the JobKeeper subsidy, which assisted in sustaining operations for the April to December months. Significant cost reductions were implemented including the restructure of the support office teams and standdowns of hostel staff on JobKeeper work directions. The executive leadership team was also transitioned to a new structure including new leadership with the commencement of a new CEO.

The deficit included some large transactions including the gain on sale of Glebe Point YHA ($6,218,384) and the net loss on breaking fixed interest contracts $3,163,000, a gain in the fair value movement in derivative financial instruments $1,586,170 (2019: loss of $1,246,551) and the impairment of one hostel and land of $4,763,667 (2019: $1,268,868).

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 2020 for operated hostels was 34.9% (2019 63.9%), 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 Limited (dormant), YHA WA Pty Ltd (dormant) and YHA Travel to Learn Limited (YHA's charity).

Revenue decreased during the year from April onwards with the closure of the international border and the continued and intermittent closures of state and territory borders due to the COVID-19 pandemic. These disruptions for international arrivals and limitations on Australian travel movement significantly affected the larger cities of Sydney and Melbourne, whilst the smaller cities and regional areas were less affected under these restrictions. Whilst there were lower average bed rates in the cities, the regional areas were able to increase bed rates with spikes in demand during holiday periods. Cash containment was the focus for the year resulting in lower maintenance and capital expenditure. Two regional hostels at Pittwater and Coolangatta changed to a service contract operation.

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 2020.

DIRECTORS' REPORT
CONTINUED

10. SIGNIFICANT EVENTS SINCE THE END OF FINANCIAL YEAR

The lease of the office at Level 3, 9 Castlereagh Street was sublet from 1 March 2021 for the remainder of the term to April 2022. The registered address of the company was changed to 11 Rawson Place, Haymarket NSW 2000. The Perth City YHA, a hostel which was classified as held for sale at year end was contracted to be sold for a sale price of $5,500,000 on 17 February 2021.

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 54.

16. ROUNDING OF AMOUNTS

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

Signed in accordance with a resolution of the Directors.

TPowell

Tracey Powell
Director
17 February 2021

Simon Spicer
Director
17 February 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTE	2020 $	2019 $
Revenue			
Revenue	3	25,066,492	46,183,739
Interest revenue		4,748	15,371
Other income	3	6,106,414	–
		31,177,654	46,199,110
Expenses			
Employee benefits expense	4	(14,392,884)	(21,145,416)
Depreciation & amortisation expense	4	(6,719,589)	(7,081,720)
Impairment expense	11	(4,763,667)	(1,268,868)
Finance costs	4	(4,418,792)	(4,965,644)
Other expenses	4	(11,029,435)	(17,806,006)
		(41,324,367)	(52,267,654)
(Deficit) before income tax		**(10,146,713)**	**(6,068,544)**
Income tax (expense)	5	–	–
(Deficit) after income tax		(10,146,713)	(6,068,544)
Other comprehensive income		–	–
Total Comprehensive Income		(10,146,713)	(6,068,544)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	NOTE	2020 $	2019 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	2,512,678	2,345,990
Trade and other receivables	7	756,632	751,638
Inventories	8	58,014	62,730
Other current assets	9	875,653	1,015,268
Non-current assets classified as held for sale	10	10,476,405	–
Total Current Assets		14,679,382	4,175,626
Non-current Assets			
Property, plant and equipment	11	119,363,039	140,374,141
Lease assets	12	4,182,590	6,013,580
Intangible assets	13	2,054,380	2,392,241
Total Non-current Assets		125,600,009	148,779,962
TOTAL ASSETS		140,279,391	152,955,588
LIABILITIES			
Current Liabilities			
Trade and other payables	14	2,021,171	3,183,006
Lease liabilities	12	1,017,143	1,129,310
Borrowings	15	1,143,495	89,143,848
Derivative financial instruments	18	216,988	1,083,502
Provisions	16	1,781,527	2,266,436
Contract liabilities	17	2,361,261	3,293,199
Total Current Liabilities		8,541,585	100,099,301
Non-current Liabilities			
Trade and other payables	14	25,224	48,339
Lease liabilities	12	3,347,751	4,966,166
Borrowings	15	91,400,000	–
Derivative financial instruments	18	734,790	1,454,446
Provisions	16	163,604	174,186
Total Non-current Liabilities		95,671,369	6,643,137
TOTAL LIABILITIES		104,212,954	106,742,438
NET ASSETS		36,066,437	46,213,150
EQUITY			
Accumulated surplus		32,308,728	42,455,441
Revaluation reserve		3,757,709	3,757,709
TOTAL EQUITY		36,066,437	46,213,150

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	REVALUATION RESERVE $	ACCUMULATED SURPLUS $	TOTAL EQUITY $
Balance at 1 January 2019	3,757,709	48,523,985	52,281,694
Deficit after income tax	–	(6,068,544)	(6,068,544)
Other comprehensive income	–	–	–
Balance at 31 December 2019	3,757,709	42,455,441	46,213,150
Deficit after income tax	–	(10,146,713)	(10,146,713)
Other comprehensive income	–	–	–
Balance at 31 December 2020	3,757,709	32,308,728	36,066,437

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTE	2020 $	2019 $
Cash flows from operating activities			
Receipts from members and customers		21,053,437	50,946,990
Receipts from government subsidies		4,712,900	–
Payments to employees		(14,964,845)	(21,119,604)
Payments to suppliers		(13,762,774)	(22,969,889)
Interest received		4,748	15,371
Finance costs paid		(6,042,562)	(3,719,093)
Net cash (used in) / provided by operating activities	24	(8,999,096)	3,153,775
Cash flows from investing activities			
Purchase of plant, equipment & software		(184,396)	(2,447,474)
Development of property		(69,816)	(307,833)
Proceeds from sale of property, plant & equipment		7,029,091	11,818
Net cash provided by / (used in) investing activities		6,774,879	(2,743,489)
Cash flows from financing activities			
Proceeds from borrowings		8,158,503	482,305
(Repayment) of borrowings		(5,000,000)	–
Payments for the principal portion of lease liabilities		(1,008,741)	(1,024,638)
Net cash provided by / (used in) financing activities		2,149,762	(542,333)
Net (decrease) in cash and cash equivalents		(74,455)	(132,047)
Cash and cash equivalents at the beginning of the year		1,921,447	2,053,494
Cash and cash equivalents at the end of the year	6	1,846,992	1,921,447

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 comprises YHA Ltd (the company) and its controlled entities which include Youth Hostels Association of Queensland, YHA Victoria Limited, YHA WA Pty Ltd (formerly YHA WA Inc) and YHA Travel to Learn Limited. YHA Ltd is a company limited by guarantee, incorporated and domiciled in Australia. The 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 17 February 2021.

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

In preparing the financial report, the Directors have an assessment of the ability of the Group to continue as a Going Concern, which contemplates the continuing of business operations, realisation of assets and settlement of liabilities in the ordinary course of business.

The spread of the Novel Coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The Australian Federal Government enacted its emergency plan on 29 February 2020, which has seen the closure of international borders since 20 March 2020. Increasing restrictions on Australians ability to travel within the country occurred during the period until the end of the year and these disruptions saw the release of a number of government stimulus packages to support individuals and businesses that were affected by not only health impacts but economic slowdown from the health responses.

For the year ended 31 December 2020, the COVID-19 pandemic has impacted the Group as follows:

- A number of hostels closed in Tasmania, Victoria, ACT, NSW, Queensland and Western Australia in response the immediate international border closure. Hostels other than Fremantle were opened by the end of the year.
- A liquidity facility of $5,000,000 was funded by the ANZ Bank to bridge the initial downturn in business, this was repaid in July when the Glebe Point YHA was sold.
- The fixed interest rate contracts were broken and the break interest costs were funded by the ANZ Bank to reduce the cash interest expense during the period April to December.
- The cash and cash equivalents reported as at 31 December 2020 are $2,512,679 and net assets are $36,066,437.
- The months March through to November 2020 were loss making and cash flows are being closely monitored with cash outflows being reduced.
- The Group participated in the JobKeeper wage subsidy programme and significant reductions in worked hours by employees has been ongoing since March 2020 and the support office was restructured to significantly reduce this cost.
- The Group obtained a waiver from the ANZ Bank in respect of its covenants testing for the 31 December 2020 testing period.
- The Group continues to work with the ANZ Bank, including consideration of financial performance and cash flows.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Going concern (continued)

The Directors have prepared projected cash flow information to March 2022 taking into consideration the estimation of the continued business impacts of the COVID-19 pandemic.

These forecasts indicate that the Group is expected to continue to operate, based on an assessment of forward earnings and occupancy and existing cash levels.

The forecasts include assumptions regarding the business, health and regulatory restrictions and in particular:

- The likelihood that international border restrictions will not be lifted in the coming 12 months and operations being largely restricted to an Australian only business.
- Base case forecasts assume customers will be from those within Australian markets only until December 2021 and YHA will be able to achieve average annual bed occupancy of 45% and average bed rate of $36.
- Continued government support through the JobKeeper wage subsidy until 28 March 2021.

The current conditions associated with the impact of the COVID-19 pandemic in the opinion of the Group's Directors creates a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

To address the risks associated with the uncertainty created by the COVID-19 pandemic and the impact on the Group, the Directors have undertaken the following initiatives:

- Ongoing divestment identified in the assets held for sale, which are expected to be released in 2021 to maintain adequate liquidity.
- Continued restructuring and cost savings initiatives to ensure cash profitability is achieved.
- Strategy and innovation transformation projects to adapt the business to 2021 and 2022 COVID-19 impacted market.
- Entered into discussions with Group's financier for continued support in response to COVID-19 impacts.

On this basis, no adjustments have been made to the financial report relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might be necessary should the Group not continue as a going concern. Accordingly, the financial report has been prepared on a going concern basis.

Should the COVID-19 pandemic and associated government responses result in further impacts on the operations of the Group then, the Group may, in the future, not be able to continue as a going concern and may be required to realise assets and extinguish liabilities other than in the ordinary course of business. This may result in the amounts realised being different from those disclosed in the financial report.

ACCOUNTING POLICIES

Trade and other receivables

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Property Plant & Equipment

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

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

Depreciation

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

The estimated useful lives are:

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

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

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.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Impairment of Non-Financial Assets

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

Cash and Cash Equivalents

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

Lease assets

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

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

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

Lease liabilities

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

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

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

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

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

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

Inventories

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

Intangibles

Liquor Licence

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

Software

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

Goodwill

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

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

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

Hostel Revenue

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

Membership Revenue

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

Travel and Tours Commission

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

Interest

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

Rent

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

Other revenue

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Government grants

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

Fair value measurement

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

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

Goods and Services Tax (GST)

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

Trade and other payables

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

Borrowings

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

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Borrowing costs

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

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

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

Business combinations

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

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

On the acquisition of a business, the 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.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Income tax

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

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

Current and deferred tax is recognised in profit or loss.

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

Employee benefits

i) Short-term obligations

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

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.

Contract liabilities

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

NOTE 2 – CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Allowance for expected credit losses

The allowance for expected credit losses assessment in relation to trade receivables requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include historical collection rates.

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 including:

- Bed occupancy % increasing over the year as vaccine rollout stabilises state and territory border closures in the range as from 30% up to 60% by the end of the year.
- Average bed rates increasing as demand from Australians strengthens and in the range of $25 in competitive locations with less demand and up to $60 in higher demand locations.
- No international travel until 2022.
- Discount rate in the range of 9-12% and capitalisation rates in the range from 6% to 12%.

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.

NOTE 2 – CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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.

Lease term

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

Incremental borrowing rate

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

NOTE 3 – REVENUE AND OTHER INCOME	2020 $	2019 $
Revenue with contracts with customers		
Hostel	17,253,009	39,549,500
Catering	372,767	1,265,051
Travel & tours commission	145,977	653,940
Other hostel revenue	761,345	2,017,335
Sundry revenue	390,701	689,814
Revenue from contracts with customers	18,923,799	44,175,640
All revenue from contracts with customers is recognised at a point in time		
Other revenue		
Membership	290,418	581,234
Government subsidies	5,274,864	–
Rent	577,411	1,426,865
Total other revenue	6,142,693	2,008,099
Total revenue	25,066,492	46,183,739
Other income		
Gain on disposal of property, plant & equipment	6,106,414	–
Other income	6,106,414	–

The property in Glebe Point was sold in June 2020 to mitigate liquidity risk caused by the closure of international borders. The company was eligible for the JobKeeper wage subsidy from April to December 2020 and received other government assistance to support business through the COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

NOTE 4 – EXPENSES	2020 $	2019 $
Salaries and wages	12,697,330	18,123,380
Superannuation	1,195,902	1,833,057
Other benefits	499,652	1,188,979
Employee benefits	14,392,884	21,145,416
Depreciation of property plant & equipment	5,238,218	5,415,523
Amortisation of software	372,222	457,596
Amortisation of lease assets	1,109,149	1,208,601
Depreciation and amortisation	6,719,589	7,081,720
Borrowing costs	95,000	3,114
Bank interest	2,550,902	3,477,928
Bank interest – fixed contract break costs	3,163,000	–
Insurance premium	12,793	1,401
Lease liability interest	183,267	236,650
Fair value (gain) loss on interest rate swaps	(1,586,170)	1,246,551
Finance costs	4,418,792	4,965,644
Cost of goods sold	238,968	883,533
Loss on disposal of property, plant & equipment	–	149,305
Operating expenses	4,341,170	8,209,831
Administration, marketing and insurance	4,662,782	6,086,030
Property expenses	1,786,515	2,477,307
Other expenses	11,029,435	17,806,006

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

NOTE 5 – INCOME TAX	2020 $	2019 $
a) Reconciliation of effective tax rate		
Income tax benefit using the domestic corporation tax rate of 26% (2019: 27.5%)	(2,638,145)	(1,668,849)
Add / (subtract) tax effect of:		
Income and expenses exempt under principle of mutuality	1,740,130	1,231,424
Income tax losses not recognised as deferred tax asset	898,015	437,425
Assessable gain on disposal of property, plant and equipment	–	–
Income tax expense	–	–
b) Principle of mutuality		
The estimated amount of income subject to the mutuality principle is 95% (2019: 95%).		
c) Unrecognised tax losses		
The following tax losses from non-mutual income have not been brought to account as a deferred tax asset:		
YHA Ltd	11,096,372	13,829,596
YHA Queensland	3,392,589	2,864,546
YHA WA Pty Ltd	–	1,777,771
Tax losses	14,488,961	18,471,913
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.		
NOTE 6 – CASH AND CASH EQUIVALENTS		
Cash on hand	40,427	70,403
Cash at bank	2,450,628	2,241,128
Cash on deposit	21,623	34,459
	2,512,678	2,345,990
a) Reconciliation to cash and cash equivalents at the end of the financial year		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	2,512,678	2,345,990
Bank overdraft (per note 15)	(665,686)	(424,543)
Balance as per statement of cash flows	1,846,992	1,921,447

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

NOTE 7 – TRADE & OTHER RECEIVABLES	2020 $	2019 $
Trade receivables	301,822	751,638
Provision for expected credit losses	(107,154)	–
	194,668	751,638
Government subsidies	561,964	–
	756,632	751,638

Allowance for expected credit losses

The consolidated entity has recognised a loss of $107,154 in profit or loss in respect of the expected credit losses for the year ended 31 December 2020.

NOTE 8 – INVENTORIES

Finished goods	58,014	62,730
	58,014	62,730

NOTE 9 – OTHER ASSETS

Current		
Prepayments	875,653	1,015,268
	875,653	1,015,268

NOTE 10 – NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Freehold Land and Building		
At cost	11,651,776	–
Less: Accumulated depreciation	(1,175,371)	–
Total non-current assets classified as held for sale	10,476,405	–

In response to the liquidity needs of the company as a result of the COVID-19 pandemic, a number of assets of the company have been held for sale, including Perth City YHA, Coffs Harbour YHA, Gold Coast land. Each of these properties is under an agent's agreement to sell, when an appropriate price and settlement arrangement can be negotiated.

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT	2020 $	2019 $
Freehold Land and Buildings		
At cost	105,606,846	123,456,956
Less: Accumulated depreciation	(30,468,735)	(30,662,848)
	75,138,111	92,794,108
Leasehold Land and Buildings		
At cost	50,226,176	50,211,497
Less: Accumulated depreciation	(12,953,847)	(11,773,198)
	37,272,329	38,438,299
Plant and Equipment		
At cost	19,975,979	21,581,450
Less: Accumulated depreciation	(13,472,527)	(13,179,340)
	6,503,452	8,402,110
Work in progress – at cost	449,147	739,624
Total Property, Plant and Equipment	119,363,039	140,374,141

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT		2020 $	2019 $
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:			
Freehold Land & Buildings			
Balance at the beginning of the year		92,794,108	95,882,287
Additions		222,671	586,937
Disposals		(406,158)	(33,556)
Transfers		18,111	101,378
Transfer to non-current assets held for sale		(10,296,715)	–
Impairment expense		(4,763,667)	(1,240,031)
Depreciation expense		(2,430,239)	(2,502,907)
Carrying amount at the end of the year		75,138,111	92,794,108
Leasehold Land & Buildings			
Balance at the beginning of the year		38,438,299	39,609,642
Additions		14,679	33,407
Transfers		–	(5,455)
Depreciation expense		(1,180,649)	(1,199,295)
Carrying amount at the end of the year		37,272,329	38,438,299
Plant & Equipment			
Balance at the beginning of the year		8,402,110	8,162,470
Additions		156,536	1,620,364
Disposals		(346,680)	(117,401)
Transfers		98,507	478,835
Transfer to non-current assets held for sale		(179,691)	–
Impairment		–	(28,837)
Depreciation expense		(1,627,329)	(1,713,321)
Carrying amount at the end of the year		6,503,452	8,402,110
Work in progress			
Balance at the beginning of the year		739,624	1,079,295
Additions		(174,038)	282,907
Transfers		(116,439)	(622,578)
Carrying amount at the end of the year		449,147	739,624
Total			
Balance at the beginning of the year		140,374,141	144,733,694
Additions		219,848	2,523,615
Disposals		(752,838)	(150,957)
Transfers from (to) intangibles	13	179	(47,820)
Transfer to non-current assets held for sale	10	(10,476,406)	–
Impairment expense		(4,763,667)	(1,268,868)
Depreciation expense	4	(5,238,218)	(5,415,523)
Carrying amount at the end of the year		119,363,039	140,374,141

NOTE 12 – LEASE ASSETS AND LEASE LIABILITIES

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

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

Leases pertain to properties leased for the provision of accommodation to members, the administration of the entity and IT infrastructure services. The leases typically run for periods up to 5 years with varying terms and renewal options except for Thredbo YHA (to 2057), Sydney Harbour YHA variable lease payments (to 2108) and Fremantle Prison YHA (to 2024). In 2019 the new accounting standard AASB 16 leases was adopted to recognise lease assets and lease liabilities.

	2020 $	2019 $
i) Amounts recognised in the statement of financial position:		
Carrying value of lease assets, by class of underlying asset:		
Land and buildings	4,182,590	6,013,580
Carrying amount at the end of the year	4,182,590	6,013,580
Reconciliation of the carrying amount of lease assets at the beginning and end of the year:		
Carrying amount at the beginning of the year	6,013,580	6,932,401
Additions	–	289,780
Disposals	(721,841)	–
Amortisation	(1,109,149)	(1,208,601)
Carrying amount at the end of the year	4,182,590	6,013,580
Lease liabilities		
Current	1,017,143	1,129,310
Non-current	3,347,751	4,966,166
	4,364,894	6,095,476
ii) Amounts recognised in the statement of comprehensive income:		
Interest expense (included in finance costs)	(183,267)	(236,650)
Expenses relating to short-term leases (included in property expenses)	(93,347)	(97,031)
Expense (income) relating to variable lease payments not included in lease liabilities (included in property expenses)	(84,985)	(210,459)
The total cash outflow for leases was:	(1,370,340)	(1,568,778)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

NOTE 13 – INTANGIBLE ASSETS	2020 $	2019 $
Licences – at cost	116,681	116,681
Licences	116,681	116,681

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

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

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

Computer software – at cost	4,317,492	4,293,131
Less: accumulated amortisation	(4,043,894)	(3,681,672)
	273,598	611,459
Total intangible assets	2,054,380	2,392,241

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	611,459	2,392,241
Additions	–	–	34,539	34,539
Transfers to property, plant and equipment	–	–	(179)	(179)
Amortisation charge (Note – 4)	–	–	(372,222)	(372,222)
Carrying amount at the end of the year	116,681	1,664,100	273,598	2,054,379

NOTE 14 – TRADE AND OTHER PAYABLES	2020 $	2019 $
Current		
Trade creditors	404,392	456,576
Accrued expenses	1,406,781	1,813,994
BAS payable	44,036	245,238
Other payables	165,962	667,198
	2,021,171	3,183,006
Non-current		
Rental bonds	25,224	48,339
	25,224	48,339

NOTE 15 – BORROWINGS

	2020 $	2019 $
Current		
Bank overdraft	665,686	424,543
Insurance premium funding	477,810	482,305
Bank loans	–	88,237,000
	1,143,496	89,143,848
Non-current		
Bank loans	91,400,000	–
Total Borrowings	92,543,496	89,143,848

1. The ANZ facility consists of a Cash Advance Facility of $91,400,000 for YHA Ltd borrowings which has two 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 $1,500,000 (2019: $1,500,000); 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. During the year an additional overdraft facility ($5,000,000) was established and drawn to bridge the initial impact of the COVID-19 pandemic. This overdraft extension was repaid and cancelled, when the proceeds from the sale of the Glebe Point YHA were received.
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 21 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.
3. The Group did not comply with the financial covenants of its borrowing facilities during the 2020 reporting period. The breach has been reported to ANZ Bank and a request for no action to be taken made and a waiver for the interest cover ratio financial covenant granted prior to year end. This waiver is the reason that the borrowings have been classified as non-current, as there is no requirement at the time of this report to repay these loans within the 2021 year.

The bank facilities as at the balance date are:	2020 $	2019 $
Credit facilities	93,100,000	89,937,000
Amount utilised	92,065,686	88,661,543
Amount unutilised	1,034,314	1,275,457

The unused credit facilities consist of cash advance development facility of $nil (2019: $nil), bank overdraft $834,314 (2019: $1,075,457) and corporate card facility $200,000 (2019: $200,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

NOTE 15 – BORROWINGS CONTINUED	2020 $	2019 $
Assets Pledged as Security		
The carrying amounts of assets pledged as security are:		
First mortgage and floating charges		
Total assets	131,893,824	142,766,382
Independent valuations of interest in Land & Buildings		
2019	4,000,000	4,000,000
2018	29,455,000	29,455,000
2017	200,705,000	205,805,000
2015	825,000	825,000
Total	234,985,000	240,085,000

The total independent valuation reports value of $234,985,000 representing 26 freehold and leasehold properties. A value for the hostel at Fremantle Prison YHA has been included. The written down value of these properties in the financial report is $128,941,767 and they are recorded at cost or deemed cost as at transfer date. Independent valuations required by the cash facility were deferred from 2020 to 2021 to save on the cash cost of the valuations as well as market uncertainty and volatility caused by the COVID-19 pandemic.

NOTE 16 – PROVISIONS

	2020 $	2019 $
Current		
Employee benefits	1,781,527	2,266,436
	1,781,527	2,266,436
Non-current		
Employee benefits	163,604	174,186
	163,604	174,186
Aggregate liability for employee benefits provision including on-costs:		
Employee benefits	1,945,131	2,440,622

	EMPLOYEE ENTITLEMENTS $
Movements in provisions	
Balance at the beginning of the year	2,440,622
Additions	1,360,608
Amounts utilised	(1,856,099)
Balance at the end of the year	1,945,131

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

NOTE 17 – CONTRACT LIABILITIES

	2020 $	2019 $
Current		
Bookings in advance	2,304,934	3,215,979
Deferred revenue	56,327	77,220
	2,361,261	3,293,199

NOTE 18 – DERIVATIVE FINANCIAL INSTRUMENTS

The group has the following derivative financial instruments:

	2020 $	2019 $
Current		
Interest rate swap contracts – non-hedging	216,988	1,083,502
Non-current		
Interest rate swap contracts – non–hedging	734,790	1,454,446
	951,778	2,537,948

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 2020 the fair value has been determined by reference to the ANZ Bank value of the interest rate swap agreements as at 31 December 2020. 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

	2020 $	2019 $
a. Capital commitments		
Capital expenditure commitments contracted for:		
Capital expenditure projects	335,627	724,646
	335,627	724,646

b. Other commitments

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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 22.

NOTE 21 – 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 the Executive Leadership Team, 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. The 2020 COVID-19 pandemic triggered the Company's most significant risk as it required the long term closure of the Australian border to international travellers and also closed internal state and territory borders to Australians and visitors who stayed in Australia. The mitigation of this risk is to manage cash reserves from careful control and reduction of cash costs and replenish cash reserves, if required from the sale of property. Some of these properties selected for this purpose are disclosed as assets held for sale.

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.

NOTE 22 – KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel include the Directors listed in the Directors' Report, the Chief Executive Officer, Head of Commercial, Business Administration Manager, Head of People and Culture, Head of Property Quality & Compliance, Chief Financial Officer, Area Managers, Financial Controller/Innovation & Transformation Manager and Chief Information Officer. It is noted that there was a key management restructure during the year including the CEO transition and the departure of a number of key management, costs relating to this restructure are included in the compensation figures. Total compensation is shown as follows:

Key management personnel – excluding directors	SALARY $	SUPERANNUATION $	TOTAL $
2020	2,116,063	137,480	2,253,543
2019	1,670,087	155,998	1,826,085

Directors	SALARY $	SUPERANNUATION $	TOTAL $
2020	43,833	3,187	47,020
2019	90,834	8,629	99,463

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

The Directors remuneration is $10,000 per annum plus superannuation per director and is paid pro-rata for Directors who join after the AGM. Additional remuneration of $2,500 plus superannuation is also paid to Directors who hold the office of Vice Chair and Committee Chairs. Additional remuneration of $5,000 plus superannuation for the Chair. (note: many Directors chose to forego the remuneration during the 9 months April to December 2020 to assist with cash management).

Key management personnel – including directors	SALARY $	SUPERANNUATION $	TOTAL $
2020	2,159,896	140,667	2,300,563
2019	1,760,921	164,627	1,925,548

NOTE 23 – PARENT ENTITY INFORMATION

	PARENT ENTITY	
	2020 $	2019 $
Set out below is the supplementary information about the parent entity.		
Statement of comprehensive income		
Surplus (deficit) after income tax	(1,206,143)	(2,953,470)
Total current assets	14,679,386	4,175,626
Total assets	134,658,081	138,375,592
Total current liabilities	8,544,064	100,074,474
Total liabilities	104,206,243	106,717,611
Equity		
Total equity	30,451,838	31,657,981

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2020.

Capital commitments

The parent entity had capital commitments for property, plant & equipment as at 31 December 2020 of $335,627 and 31 December 2019 of $724,646.

Significant accounting policies

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

Subsequent Events

The lease of the office at Level 3, 9 Castlereagh Street was sublet from 1 March 2021 for the remainder of the term to April 2022. The registered address of the company was changed to 11 Rawson Place, Haymarket NSW 2000. The Perth City YHA, a hostel which was classified as held for sale at year end, was contracted to be sold for a sale price of $5,500,000 on 17 February 2021.

NOTE 24 – RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2020 $	2019 $
Deficit after income tax	(10,146,713)	(6,068,544)
Non-cash flows in (deficit)		
Depreciation and amortisation	6,719,589	7,081,720
Impairment of property, plant & equipment	4,763,667	1,268,868
(Gain) loss on fair value adjustment to derivatives	(1,586,170)	1,246,551
(Profit) on sale of property, plant & equipment	(6,106,414)	–
Loss on sale or disposal of property, plant & equipment	–	149,305
Changes in assets and liabilities		
(Increase) in receivables	(4,994)	(116,364)
Decrease / (increase) in inventory	4,716	(10,278)
Decrease / (increase) in other assets	139,615	(159,656)
(Decrease) in payables	(1,354,963)	(613,776)
(Decrease) / increase in provisions	(495,491)	127,879
(Decrease) / increase in contract liabilities	(931,938)	248,070
Net cash (used in) / provided by operating activities	(8,999,096)	3,153,775

NOTE 25 – INFORMATION TO BE FURNISHED UNDER CHARITABLE FUNDRAISING ACTS

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

NOTE 26 – EVENTS AFTER REPORTING PERIOD

The lease of the office at Level 3, 9 Castlereagh Street was sublet from 1 March 2021 for the remainder of the term to April 2022. The registered address of the company was changed to 11 Rawson Place, Haymarket NSW 2000. The Perth City YHA, a hostel which was classified as held for sale at year end, was contracted to be sold for a sale price of $5,500,000 on 17 February 2021. No other matter or circumstance has arisen since 31 December 2020 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.

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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 2020, 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.

Melissa Alexander
Partner

Pitcher Partners
Sydney

17 February 2021

DIRECTORS’ DECLARATION

The Directors of YHA Ltd declare that:

1. The financial statements and notes, as set out on pages 24 to 53, 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 2020 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 2020;

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 2020 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.

TPowell

Tracey Powell
Director
17 February 2021

Simon Spicer
Director
17 February 2021

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

Report on the Financial Report

Opinion

We have audited the financial report of YHA Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, 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 2020 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.*

Additionally, in our opinion, the financial report gives a true and fair view with the provisions of the *Charitable Fundraising Act 1991 (NSW).*

Basis for Opinion

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1b) Going Concern in the financial report, which indicates that the Coronavirus pandemic has created uncertainty as to when the Group may recommence full operations. As stated in Note 1b) Going Concern these events or conditions, along with other matters set forth in Note 1b) Going Concern, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

Melissa Alexander

Melissa Alexander
Partner

Pitcher Partners

Pitcher Partners
Sydney

17 February 2021

YHA AUSTRALIA HOSTELS

AS AT 31 DECEMBER 2020

HOSTEL	MANAGED BY*	BEDS	OWNERSHIP	STATUS	NOTES
ACT					
Canberra City 7 Akuna St, Canberra	Michelle Palmer	264	O	L	Converted office block.
NSW					
Albury 372 Wagga Rd, Lavington	Kerrie Day & Craig Richardson	18	A		Building in caravan park.
Batemans Bay Cnr of Old Princes Hwy & South St	Krystie and Steve Gibbs	30	A		Converted building in caravan park.
Blue Mountains 207 Katoomba St, Katoomba	Kylie McInerney	200	O	F	Converted guesthouse.
Blue Mountains - Hawkesbury Heights 836 Hawkesbury Rd	Carolyn Beazley	12	O	L	Land leasehold; purpose-built hostel owned by the organisation.
Bondi Beachouse Cnr Fletcher and Dellview St, Bondi Beach	David Avidan	94	A		Converted guesthouse.
Byron Bay 7 Carlyle St	Paul Cason	199	O	F	Purpose-built hostel.
Cape Byron Cnr Byron & Middleton Sts, Byron Bay	Louie O'Riordan	134	O	F	Purpose-built hostel.
Coffs Harbour 51 Collingwood St	Daniel Myers	96	O	F	Leased to manager. Purpose-built hostel.
Hunter Valley 100 Wine Country Drive, Nulkaba	Nigel Worton	38	A		Purpose-built hostel.
Murwillumbah 1 Tumbulgum Rd	Tassie Duff	17	A		Private residence converted into hostel.
Newcastle Beach 30 Pacific St, Newcastle	Damian Parkhouse	92	O	F	Converted heritage building. Management contract.
Pittwater 37 Bona Crescent, Morning Bay	Katie Brady & Bergia Kalmer	32	O	F	Leased to manager. Converted residence.
Port Macquarie 36 Waugh St	Richard Bock, Mathilde Boudrieres	59	A		Private homes extended into hostel.
Port Stephens Frost Rd, Anna Bay	Mark & Sandy Munday	37	A		Purpose-built hostel.
Railway Square 8-10 Lee St, Sydney	Dean Grasselli	281	O	L	Leasehold from Rail Corporation NSW. Converted parcels office.
Sydney Beachouse 4 Collaroy St, Collaroy Beach	Drew Fearnes	214	A		Purpose-built hostel.
Sydney Central 11 Rawson Place, Sydney	Sam Badans	563	O	F	Converted heritage office building.
Sydney Harbour 110 Cumberland St, The Rocks	Danny Avis	354	O	L	Leased from Property NSW. Purpose-built hostel raised above archaeological remnants, with onsite education centre.
Tamworth 169 Marius St	Carol Hobden	18	A		Converted commercial building.
Thredbo 2 Buckwong Place	Bianca Bott	53	O	S	Land sub-leased from Kosciuszko Thredbo Pty Ltd, on lease from National Parks & Wildlife Service.
NT					
Alice Springs Cnr Parsons St & Leichhardt Tce	Alex Schneider & Anna-Lena von Hohenegg-Quittek	108	O	F	Converted open air cinema.
QLD					
1770 52 Captain Cook Drive, Agnes Waters	Will Boothby	56	A		Purpose-built hostel also offering motel and apartments.
Airlie Beach 394 Shute Harbour Rd	Nathan McGregor	82	O	F	Converted motel. Management service contract.
Brisbane City 392 Upper Roma St	Sam Owen	387	O	F	Two lots amalgamated. Purpose-built hostel.
Cairns Central 20-26 McLeod St, Cairns	Martin Greenhalgh	234	O	F	Purpose-built hostel.

HOSTEL	MANAGED BY*	BEDS	OWNERSHIP	STATUS	NOTES
Coolangatta 230 Coolangatta Road, Bilinga	Ebonie Tate	76	O	L	Land leased from Department of Resources, Mines and Energy, Queensland. Building owned by organisation and leased to manager. Purpose-built hostel.
Hervey Bay 820 Boat Harbour Dr	Karen Inglis	88	A		Purpose-built hostel also offering cabins and camping.
Mission Beach 76 Holland St, Wongaling Beach	Richard & Anthea Gilroy	94	A		Purpose-built hostel.
Noosa 2 Halse Lane, Noosa Heads	Wade Batty	99	A		National Trust Heritage listed building with additional purpose-built hostel.
Port Douglas Port St	Diana Hamelink	117	A		Converted motel.
Rockhampton 60 MacFarlane St	Auzen Mercader	20	A		Purpose-built hostel.
Stradbroke Island 132 Dickson Way, Point Lookout	Dan Fitzgerald	55	A		Purpose-built hostel with dive centre.
SA					
Adelaide Central 135 Waymouth St, Adelaide	Anna Cornelisse	232	O	F	Converted office building.
Mount Lofty Cleland Conservation Park	Managed via Adelaide Central YHA	10	O	L	Stone cottage leased from SA Department of Environment, Water & Natural Resources.
Port Elliot 13 The Strand	Jill & Graham Baggs	61	O	F	Management service contract. Converted historic guest house.
Port Lincoln 26 London St	Debi & Robert Forster	68	A		Converted sporting facility.
TAS					
Hobart Central 9 Argyle St, Hobart	Nadia Fadel	118	O	F	Converted factory.
Bridport Seaside Lodge 47 Main Street, Bridport	Murray Saunders	26	A		Motel.
Coles Bay - Esplanade Reserve Road, Coles Bay	John O'Donnell & Sharon Johnson	12	A		Purpose-built hostel within a caravan park.
VIC					
Apollo Bay 5 Pascoe St	John & Gail Affleck	72	O	F	Management service contract. Purpose built hostel.
Grampians/Halls Gap Cnr Grampians and Buckler Rd	Kellie Soule & Gary Hampson	64	O	F	Management service contract. Purpose-built hostel.
Melbourne Central 562 Flinders St	Mark Hussien	244	O	F	Converted heritage hotel building.
Melbourne Metro 78 Howard St, North Melbourne	Jonathan McHenry	341	O	L	Purpose-built hostel. Leased from CDPL Australia Pty Ltd.
Phillip Island 10-12 Phillip Island Tourist Rd, Newhaven	Larson Henderson	140	A		Purpose-built hostel.
Port Fairy 8 Cox St	Alison & Kadir Zehir	77	A		Converted heritage building.
WA					
Albany 49 Duke St	Jennie Halliman	55	A		Historic house converted to hostel.
Broome 9a Bagot St	Jen Bird	72	A		Purpose-built hostel.
Bunbury 14 Wellington St	Ian & Sarah Upton	29	A		Former guest house converted into a hostel.
Denmark 17 Price St	Mark Basson	17	A		Heritage mill cottage converted into a purpose-built hostel.
Dunsborough 201 Geographe Bay Rd, Quindalup	Andrew Ingle	68	O	F	Leased to manager. Former schoolhouse.
Exmouth 561 Murat Rd	Kym James	40	A		Purpose-built hostel (part of resort).
Fremantle 6A The Terrace	Ebony Thompson (Acting)	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.
Kalbarri 51 Mortimer St	Joe Goodwin	64	A		Purpose-built hostel.
Lancelin 10 Hopkins St	Matt Hall & Karen Stokke	54	A		Purpose-built hostel.
Margaret River 66 Townview Tce	Jules Ashton	39	A		Two residential houses converted into hostel.
Pemberton 7 Brockman St	Troy Della Franca	10	A		Cottage converted into hostel.
Perth City 300 Wellington St, Perth	Domenic Pimpinella and Melanie Hiller	229	O	F	Converted heritage building.

OWNERSHIP KEY: O = Owned and/or operated by YHA A = Associate hostel – privately owned

STATUS KEY: F = Freehold owned by YHA L = Leasehold S = Sub-lease

*as at 31 March 2021

YHA.COM.AU

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THE ROAD WAS ROCKY IN 2020, HOWEVER YHA HAS A ROADMAP OUT OF IT!