

# YHA LTD YEAR IN REVIEW



# 2021





## Mission

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

# BACKGROUND TO YHA

## YHA IN AUSTRALIA

The first youth hostel was established in Germany in 1909. In 1932 Hostelling International (HI) was formed and now has member associations in 90 countries that are operating more than 4,000 hostels. There are 83 YHA hostels in Australia, including 62 in the ACT, NT, NSW, Queensland, South Australia and Victoria. The first YHA hostel in Australia was opened in 1939 in Warrandyte in Victoria. YHA hostels provide low cost short term accommodation for travellers. YHA hostels can be used by people, regardless of age, who are members of any of the Youth Hostels Associations throughout the world.

## YHA LTD

- Is a company limited by guarantee under the Corporations Act (2001)
- Is a not-for-profit organisation.
- Retains and reinvests all surpluses.
- Provides low cost accommodation for individual and group YHA members from the ACT, NSW, NT, Queensland, South Australia and Victoria, other Australian states and overseas.
- Has 36,092 individual and group members in the ACT, NSW, the NT, Queensland, South Australia and Victoria.

- Operates YHA Travel & Tours.
- Acts as co-ordinator for other providers of hostel accommodation operating as YHA associate hostels.
- Has no age limits, either minimum or maximum, on membership or hostel usage.
- Has affiliated regional activity groups which organise social and outdoor activity programs.
- Is a member organisation of YHA Australia which is affiliated with Hostelling International.



## THE HOUSE AND TREE SYMBOL

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

## CONTENTS

- 1 INTRODUCTION
- 2 2014 IN SUMMARY
- 3 FIVE YEAR COMPARISON
- 4 YHA ACCOMMODATION
- 7 QUALITY AND AWARDS
- 8 DIGITAL ENVIRONMENT
- 9 MEMBER SERVICES
- 11 CORPORATE AFFAIRS
- 12 GOVERNANCE
- 14 STRUCTURE OF THE ORGANISATION
- 15 HUMAN RESOURCES
- 18 STRATEGIC PLANNING AND OUTLOOK
- 20 RELATIONS WITH THE GOVERNMENT & OTHER ORGANISATIONS
- 21 YHA LTD HOSTELS
- 24 FINANCIAL SUMMARY
- 25 FINANCIAL REPORTS FOR THE YEAR ENDED 31 DECEMBER 2014

# INTRODUCTION

## DEAR MEMBERS AND FRIENDS

For YHA, 2014 was a year of consolidation, continuing modernisation of our IT systems and celebrations of the 75th Anniversary of the commencement of hostelling in Australia. We appointed a new President, the World and Olympic champion rower, James Tomkins, OAM. We continued to collect awards for our hostels and moved closer to achieving a single national organisation with the successful integration of YHA South Australia as from 1st January 2014.

We continued to provide a high quality network of hostels in NSW, Victoria, Queensland, South Australia, NT and the ACT. Our network of 62 hostels generated 1,331,867 overnight stays with our guests coming from 181 countries. The strong Australian dollar against the Euro and the occurrence of the FIFA World Cup competition in the middle of the year provided some pressure on the inflow of tourists to Australia and to our network. Domestic overnights increased which assisted us in maintaining our overall business. Management focused on distribution channels and yield management, and there was substantial growth in bookings via our web site, yha.com.au.

Membership continued to decline, as is the current trend with most membership organisations, but planning has been conducted during 2014 to review our membership system and refresh it in 2015-16. We currently have 36,092 individual and group members, and a further 18,768 international visitors who joined while travelling in Australia.

## FINANCE

There was a stronger financial result in 2014 than the previous year. This was due to higher bed rates, the containment of operating expenses and lower interest costs. The refinancing of YHA's bank debt on more favourable terms with a new bank, the ANZ, will assist in further lowering future borrowing costs.

Overall, the result was held back by lower than expected occupancy levels during the second half of the year. On an operating turnover of \$41.7 million we generated a surplus of \$867,254. We continued to retire a significant amount of debt, and in total, borrowings were reduced by \$4.1 million in 2014.

## NETWORK AND IT DEVELOPMENT

During the year, major remodelling and renovations took place at Melbourne Central YHA, increasing the accommodation available for guests and improving the reception and communal areas. Land was also purchased adjacent to Byron Bay YHA to enable future expansion. A Development Manager was employed to provide a focus on enhancing the quality and development of the network. At year-end, thanks in part to donations from members, the Small Hostels Development Fund reached \$0.44 million.

During the year a new version of the hostel-to-hostel onward booking system, eNights, was developed, and integrated with YHA's property management system.



L TO R: ROB MCGUIRK, CHAIR  
AND JULIAN LEDGER, CEO

## AWARDS AND 75TH ANNIVERSARY CELEBRATIONS

Several hostels were recognised with prestigious tourism awards, including Railway Square YHA winning gold for "Best Backpacker Accommodation" in NSW, Cairns Central YHA won "Best Hostel" in the Queensland Tourism awards, and Port Lincoln YHA won "Best Backpacker Accommodation" in South Australia's Tourism awards.

A series of events were held at YHA hostels across the country to celebrate 75 years since our founding in Australia. These included lighting up the Telstra Tower in Canberra in YHA's logo colours of green and orange, and hosting a function for life members in Melbourne, attended by YHA Ltd's new President.

## FUTURE FOCUS

Our strategic focus for 2015 will include continuing to merge YHA's operations in Australia, developing and implementing changes to our membership system, planning for future network development, improving the quality of our hostels and updating our IT infrastructure.

YHA proudly remains a not-for-profit organisation. Our ideals of providing opportunity for young people for education through travel, to bring about friendships and an understanding of the world, are timeless. We would like to thank all our members, guests, staff, volunteers and industry partners for their support of this mission.

**JULIAN LEDGER**  
CEO

**ROB MCGUIRK**  
Chair

# 2014 IN SUMMARY

## Highlights

- SUCCESSFUL MERGER AND INTEGRATION OF YHA SOUTH AUSTRALIA INTO YHA LTD
- PURCHASE OF LAND ADJACENT TO BYRON BAY YHA FOR FUTURE EXPANSION
- YHA HONoured WITH TOURISM AWARDS
- 75TH ANNIVERSARY CELEBRATIONS, INCLUDING EVENTS AND MEDIA COVERAGE
- RENOVATIONS AT MELBOURNE CENTRAL YHA, ADDING EXTRA CAPACITY AND GUEST AMENITIES
- NEW PRESIDENT APPOINTED, JAMES TOMKINS, OAM, OLYMPIC GOLD MEDALLIST

### YHA ACCOMMODATION

- 3,650 people accommodated each night in NSW, Victoria, Queensland, South Australia, NT and the ACT
- Better management of distribution channels and yield
- New onward booking system, eNights, integrated with property management system
- Employment of a Development Manager, to enable network growth
- Record year for yha.com.au with over \$17.3M worth of hostel bookings

### MARKETING AND MEMBER SERVICES

- New, national Marketing Plan adopted
- Strategic review of YHA membership and market research undertaken
- Railway Square YHA winning gold for "Best Backpacker Accommodation" in NSW, Cairns Central YHA won "Best Hostel" in the Queensland Tourism awards, and Port Lincoln YHA won "Best Backpacker Accommodation" in South Australia's Tourism awards

### FINANCE

- Total operating turnover of \$41.7M (\$41.9M in 2013)
- Earnings before interest, taxation, depreciation and amortisation (EBITDA) of \$9.9M (\$10.0M in 2013)
- Operating surplus of \$0.87M
- Total debt reduction of \$4.1M
- Refinancing of YHA's loans, moving to ANZ Bank with more favourable conditions
- Small Hostels Development Fund built up to \$0.44M

### GOVERNANCE AND ADMINISTRATION

- The Board of YHA Ltd operated with ten volunteer Directors and two sub committees, with meetings taking place in Adelaide, Brisbane, Melbourne and Sydney
- The Northern and Southern regional offices relocated to more efficient premises
- YHA sadly farewellled Kimberly Mutstchin, long-standing Regional Manager in Queensland, who passed away at a relatively young age.



### THE MANAGEMENT TEAM

L TO R: JULIAN LEDGER (CEO, YHA LTD); JANET MCGARRY (MARKETING MANAGER); JON KANE (NORTHERN REGION MANAGER); KIM FRANCIS (SOUTHERN REGION MANAGER); ROBERT HENKE (OPERATIONS/EASTERN REGION MANAGER); ANNA CORNELISSE (ACTING CENTRAL REGION MANAGER); MARIE SAHAGUN (ADMINISTRATION MANAGER); ROLF DUELKS (CEO - HOSTELLING INTERNATIONAL - HI - AUSTRALIA); STEPHEN LYNCH (CFO)

# FIVE YEAR COMPARISON

	2014 \$	2013 \$	% CHANGE	2012 \$	2011 \$	2010 \$
Before disposal / impairment of fixed assets						
Total revenue	41,757,479	41,961,333	(0.5)	41,586,971	41,655,635	42,371,692
Total expenses	41,036,435	42,363,934	3.1	43,348,631	43,219,502	43,398,425
(Deficit) / surplus before disposal of assets	721,044	(402,601)	279.1	(1,761,660)	(1,563,867)	(1,026,733)
Gain on disposal / return of mutual funds	221,212	3,527,291		758,730	2,581,816	848,940
(Loss) on disposal / (Impairment) of assets	(113,936)	(1,016,431)		(211,043)	-	-
Income tax expense	38,934	(235,640)		-	-	-
Surplus / (deficit) after tax	867,254	1,872,619	(53.7)	(1,213,973)	1,017,949	(177,793)
Earnings before interest tax depreciation & amortisation	9,999,865	10,009,945	(0.1)	9,431,041	8,858,718	9,937,624
Capital expenditure	4,328,495	1,246,305	247.3	2,048,567	13,561,395	1,237,825
Total assets	122,614,001	124,365,811	(1.4)	127,087,755	131,540,621	122,093,881
Total borrowing	75,000,000	77,248,543	(2.9)	83,067,293	86,191,932	80,509,864
Total equity	39,932,960	39,065,706	2.2	35,951,873	37,165,849	36,147,999
Gearing (note A)	0.65	0.66	(1.7)	0.70	0.70	0.69
Interest cover (note B)	2.23	2.47	(9.6)	1.85	2.02	1.77
Loan to value ratio (note C)	40.9%	44.8%	3.9	53.5%	56.3%	52.6%
Number of members (note D)	36,092	36,173	(0.2)	43,020	47,803	54,319
Number of hostels (note E)	62	69	(10.1)	72	74	76
Number of employees (note F)	229	248	(7.7)	258	n/a	n/a
Turnover per employee (note G)	182,347	169,199	7.8	161,190	n/a	n/a

**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 and depreciation.

**Note C:** Includes HI Australia HBAF loans for 2009-2012.

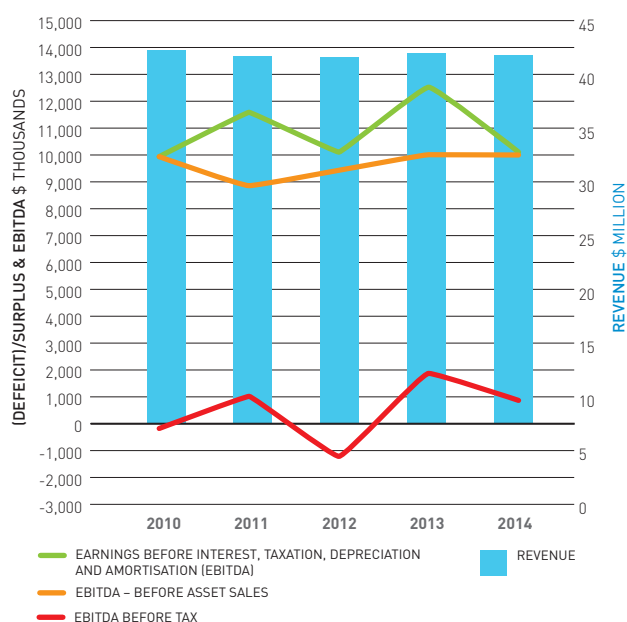
**Note D:** Includes adult, under 18, group and life Australian members.

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

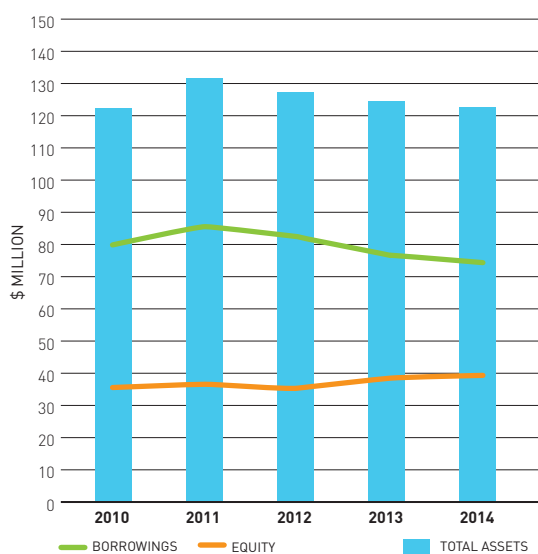
**Note F:** Full time and part time equivalent to full time employees employed by YHA - YHA SA employees included for 2013 and 2012.

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

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



## TOTAL ASSETS, EQUITY AND BORROWINGS



# YHA ACCOMMODATION

## SOURCES OF GUESTS

In 2014 international visitors made up 66% of hostel guests. This included Working Holiday Makers from over thirty countries. The number of guests from France, the Netherlands and the USA grew however there was a significant decline in the number of guests from key countries including the UK, Germany, Ireland, Korea and Taiwan. There was also a decline from Japan and some decline from China (after rapid growth the previous year). The decline in part could be attributed to the drop-off in the take up of Working Holiday Maker visas by young people from eligible countries; another possible cause could be the disruptive effect of the FIFA World Cup.

Domestic travellers make up 34% of guests. The majority of our members are Australians travelling overseas who take out membership to use the Hostelling International global network of over 4,000 hostels.

## RESULTS

In 2014, a total of 1,323,712 overnight stays were recorded at 62 hostels in the ACT, NSW, NT, Queensland, South Australia and Victoria (compared to 1,387,787 overnight stays in 2013). Out of all overnight stays, 363,400 (27%) were booked via yha.com.au.

## HOSTEL NETWORK

In addition to a network of hostels in gateway cities, YHA has regional hostels that play an important role in dispersing both Australian and international travellers throughout the country. During the year, YHA launched a new program, named 'Explore'. This gives an option for members and guests to travel widely in regional areas, by providing information and bookings for 'Explore' partner properties via yha.com.au. 'Explore' properties are not hostels, but are other types of accommodation, including for example, farm-stays or pub-stays, broadening options for YHA members travelling to locations where there is no YHA. Two properties in South Australia, in the Flinders Ranges and Port Kenny, became the first partners in the program.

## DEVELOPMENT

A scheduled program of capital works was completed, including repairing the roof at Port Elliot YHA, refurbishing Mount Lofty YHA in the Adelaide Hills, and renovating rooms at Adelaide Central YHA. In Canberra, enhanced privacy was installed for visiting school groups. During the year, land was purchased adjacent to Byron Bay YHA, to allow for future expansion. A Development Manager was recruited to work on the strategic expansion of the hostel network in key locations.

A major remodelling project was completed at Melbourne Central YHA in November 2014, with a new reception, kitchen and communal areas opened on the ground floor of this heritage building. As a result, extra guest rooms were also added to upper levels of the building and a better atmosphere created in social areas on the ground floor level for guests to meet other travellers. The Southern Region Office was also re-located to Melbourne Central YHA, and the former office at Melbourne Metro YHA was converted to guest accommodation; in total, across both hostels, an additional 38 beds were created for guests.

## SMALL HOSTELS DEVELOPMENT FUND

YHA has established a Small Hostels Development Fund to assist with works at regional hostels. Over 120 members generously donated to this fund during the year. At the end of 2014, the balance of funds stood at \$0.44 million, to be used towards development projects at smaller hostels in regional areas.

## YHA TRAVEL & TOURS

YHA Travel & Tours (YTT) desks at hostels encourage guests to experience regional activities. Using a web-based booking system for domestic tours across the YHA operated network, it provides a simple booking process, reducing back office costs and providing staff with immediate access to information and bookings for tours across Australia. During the year the system was consolidated, and several associate hostels joined in using it. YHA also has alliances with key travel operators, focusing on industry leaders who share a common goal of providing affordable, quality travel services.

## GROUPS

Attracting groups to stay at hostels has been a major focus in recent years, through general and local marketing, as well as building alliances with major companies organising group itineraries. Group business is 11% of total overnights, made up mainly of domestic educational, cultural and sporting groups on excursions. Smaller regional hostels are also promoted through the Rent-a-YHA scheme offering exclusive usage. Group overnight stays increased 3% in 2014, with the most growth at the Sydney YHAs.





GUESTS ENJOY THE RENOVATED ROOMS AT ADELAIDE CENTRAL YHA



YHA TRAVEL & TOURS DESKS AT HOSTELS ENCOURAGE GUESTS TO EXPERIENCE REGIONAL AUSTRALIA

### MANAGERS' CONFERENCE

A successful Hostel Managers' Conference was held in Adelaide in May with 110 delegates from fifty-three hostels and regional offices. This was the first conference attended by representatives from every state in Australia, as well as having a representative from YHA NZ. A key speaker was the Lord Mayor of Adelaide, Stephen Yarwood – an Urban Futurist – who addressed the conference theme of '75 years and beyond'. The conference was preceded by a business planning workshop for key hostels and familiarisation visits to tourism locations in South Australia.

### REGIONAL MEETINGS

Regional meetings took place to strengthen relations between hostel managers in various parts of the network. Meetings were held in Canberra (NSW south coast); Hunter Valley YHA (Sydney Surrounds and NSW mid-north coast); Byron Bay (northern NSW & southern Queensland); Port Elliot (Victoria and South Australia) and Cairns (northern Queensland). These meetings covered topics such as standards, business efficiency and social media.

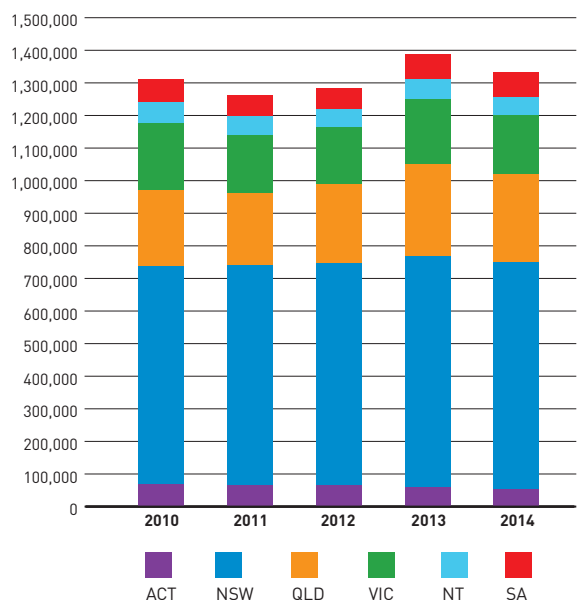
### ENVIRONMENTALLY FRIENDLY

YHA is committed to reducing its environmental impact and promoting the benefits of travelling lightly on the planet. During the year, as a major environmentally-friendly initiative to reduce YHA's carbon footprint, bottled water ceased to be offered for sale at key hostels, including in vending machines. Instead, chilled drinking water fountains were installed, and quality refillable water bottles offered for purchase.

### SUSTAINABLE HOSTELS

YHA operates a Sustainable Hostels Fund, to which guests can voluntarily contribute as part of the yha.com.au booking process that is used for environmental initiatives at hostels. Over a third of guests booking on YHA's website contributed to the fund, raising \$43,000 in 2014. During the year, several sustainability projects were undertaken to reduce carbon emissions including installing solar hot water at Cairns Central YHA, Glebe Point YHA in Sydney, Grampians Eco YHA, Melbourne Metro YHA and Pittwater YHA.

### TOTAL OVERNIGHTS BY STATE



### 2014 OVERNIGHTS BY COUNTRY OF ORIGIN





YHA SUPPORTED THE STAY AT ALICE SPRINGS YHA OF A GROUP FROM WARLPIRI YOUTH DEVELOPMENT ABORIGINAL CORPORATION

## SOCIAL RESPONSIBILITY

YHA places emphasis on social, as well as environmental, responsibility and throughout the year was involved in several projects to give back to the community. This included staff collecting rubbish for 'Clean-Up Australia Day' and sponsoring grass roots events. Earth Hour was observed in March at hostels by turning the lights out and organising candlelit activities for guests.

In September, YHA was proud to host a group of young women at Alice Springs YHA from the Warlpiri Youth Development Aboriginal Corporation. This organisation is dedicated to developing the strength, health, confidence and leadership of indigenous youth in the NT. YHA's support enabled the participants to be the only team from a remote community to take part in a 24-hour dance marathon as part of the Alice Desert Festival.

## KEY STATISTICS

	2012	2013	2014
<b>NUMBER OF HOSTELS</b> ON 31 DECEMBER			
Operated and/or owned	27	27	26
Associates	43	38	36
<b>Total</b>	<b>70</b>	<b>65</b>	<b>62</b>
<b>NUMBER OF BEDS</b> ON 31 DECEMBER			
Operated and/or owned	4,014	3,997	4,029
Associates	2,682	2,438	2,353
<b>Total</b>	<b>6,696</b>	<b>6,435</b>	<b>6,382</b>
<b>NUMBER OF OVERNIGHTS</b> ON 31 DECEMBER			
Operated and/or owned	977,863	1,014,743	946,762
Associates	305,560	373,044	385,105
<b>Total</b>	<b>1,283,423</b>	<b>1,387,787</b>	<b>1,331,867</b>
<b>OVERNIGHTS</b>			
By Australians	443,110	444,463	458,093
By non-Australians			
From HI countries	822,432	919,917	854,041
From non HI countries	17,881	23,407	19,733
<b>Total Overnights</b>	<b>1,283,423</b>	<b>1,387,787</b>	<b>1,331,867</b>
<b>RATIOS – PERMANENT ONLY</b>			
Beds per hostel	96	99	103
Overnights per hostel	18,335	21,351	21,482
Overnights per bed	192	216	209



# QUALITY AND AWARDS

YHA has rigorous systems in place to assure quality, ranging from customer ratings on yha.com.au to internal assessments. YHA also runs a mystery shopper program, providing valuable feedback from visits throughout the network.

Hostelling International (HI) which is based in the UK coordinates a program known as HI Quality (HIQ) and all major hostels are certified under this scheme. During the year, HI Quality & Sustainability (HIQ&S) was piloted, with Sydney Harbour YHA the first hostel in Australia to achieve certification, and one of the first in the world. Two hostels, Apollo Bay YHA and Grampians YHA, successfully passed ECO Certification audits conducted by Ecotourism Australia.

In 2014, YHA participated in a public event at Sydney's Circular Quay to celebrate 25 years of tourism awards in NSW. The CEO of YHA Ltd was also honoured with an 'ACES' award from the Accommodation Association of Australia (AAA). These awards are in recognition of outstanding contribution to the Australian accommodation industry and living the values of 'Attitude, Commitment, Enthusiasm and Service'. Winners must display achievements that have benefitted the industry; have a selfless attitude and a long-term commitment to tourism; show a proven commitment to raising both community and industry awareness, and have a record of high integrity.

YHA is generally acknowledged as having some of the highest quality hostels in Australia and the world, and the following awards were bestowed during the year.

## AWARDS 2014

### *Railway Square YHA*

**BEST BACKPACKER  
ACCOMMODATION**  
(NSW TOURISM  
AWARDS)



### *Cairns Central YHA*

**BEST BACKPACKER  
ACCOMMODATION**  
(TROPICAL NORTH QUEENSLAND  
TOURISM AWARDS)

**BEST BACKPACKER  
ACCOMMODATION** (QUEENSLAND  
TOURISM AWARDS)



### *Port Lincoln YHA*

**BEST BACKPACKER  
ACCOMMODATION**  
(SOUTH AUSTRALIAN  
TOURISM AWARDS)

**BEST ACCOMMODATION,  
SOUTH AUSTRALIA**  
(GOLDEN BACKPACK AWARDS)

**BEST ACCOMMODATION,  
SOUTH AUSTRALIA**  
(ADVENTURE TRAVEL AWARDS)



### *Nimbin Rox YHA*

**BEST BACKPACKER  
ACCOMMODATION**  
(NSW NORTH COAST  
TOURISM AWARDS)

### *Julian Ledger, CEO, YHA Ltd*

**ACES AWARD, ACCOMMODATION  
ASSOCIATION OF AUSTRALIA (AAA)**



### *Yan Ma, Duty Manager*

**YHA LTD EMPLOYEE OF THE YEAR  
SYDNEY CENTRAL YHA**

# DIGITAL ENVIRONMENT

## TECHNOLOGICAL ADVANCEMENTS

Information and communication technology is a major strategic issue for the organisation, and YHA regularly examines opportunities for future growth and efficiencies. In recent years, YHA has invested steadily in IT projects, and during the year work was undertaken to prepare for a major central infrastructure upgrade project.

A new version of YHA's hostel-to-hostel forward booking system, eNights, was launched in 2014 and integrated with YHA's property management system. Over two hundred front-desk personnel were trained in the system, and also on the importance of keeping customers loyal to the YHA network. A new business intelligence tool was also introduced that enables hostel managers and marketing staff to efficiently access statistics in real time, for proactive distribution channel and yield management.

During the year, an accounts payable workflow solution, Medius Flow, was implemented, creating greater automation and efficiencies. A new electronic time and attendance system, Rosterlive, was also rolled out to increase efficiencies in payroll, at all hostels operated by YHA. YHA's Privacy Policy and Collection Statement was reviewed to bring it up to date with the new Australian Privacy Principles legislation, and implemented across online and offline channels.

## E-COMMERCE

YHA was an early adopter of e-commerce, with yha.com.au being launched over fifteen years ago. As well as providing a platform for hostel bookings, yha.com.au provides a forum for online interaction with guests through user-generated content and customer ratings. YHA also works closely with third party Online Travel Agents, including Hostelworld and Booking.com.

## CONNECTIVITY

The technology used by young travellers is changing at a rapid pace that YHA endeavours to stay ahead of. In particular, the use of social media has grown exponentially, fuelled by ever-faster internet capability expected by guests. Internet access is offered to guests via 'YHA Connect' at hostels. During the year, trials offering free internet access took place at Sydney YHAs. Guest feedback was gathered before and during the trials to determine a preferred model for free internet access. The goal is to meet guests' desire for free internet, while still offering a paid option for premium services.



# MEMBER SERVICES

YHA provides a range of services to members to complement the guest experience at hostels. From travel and tour services to online magazines and electronic newsletters, YHA aims to build a community of connected travellers who can share their travel experiences.

## MEMBERSHIP TRENDS

There are 36,092 YHA members in the ACT, NSW, NT, Queensland, South Australia and Victoria, and a further 18,768 international members who joined while in Australia. During the year Australian membership decreased by 7.6% while group membership (taken out by educational, cultural and sporting organisations) decreased by 1.8%. International membership decreased by 9.8%. Over half of YHA's members (54%) join online and 27% renew online. YHA runs a coordinated campaign to encourage existing members to renew, using email as the primary means of communication.

## MARKETING TO MEMBERS

The first nationally integrated YHA marketing plan was developed, covering 2015-2017. During the year, a range of marketing activities was carried out including media liaison, brochure distribution, tactical campaigns and e-communications. State-based activities are complemented by national and international marketing carried out by YHA Australia, including coordination of the website, yha.com.au. Ongoing advertising, cooperative marketing and public relations with tourism partners also took place.

## YHA ONLINE

YHA's website – yha.com.au – records an average of 6,000 user sessions each day, with the typical user spending 5 minutes on the site. YHA guests are very active on posting hostel reviews on the site. YHA is also active in social media, particularly YouTube and Facebook, with over 70,000 followers in YHA's Facebook community.

## MEDIA COVERAGE

There was coverage of YHA in a range of Australian and international media, including The Huffington Post, Sydney Morning Herald, ABC and Channel 9. YHA also



## OVER HALF OF YHA'S MEMBERS JOIN ONLINE

hosted film crews and bloggers from around the world, including a Slovenian blogger exchanging places with an Australian blogger under Hostelling International's 'Big Blog Exchange'. YHA also hosted a Canadian blogger in South Australia as a winner of Tourism Australia's 'Best Jobs in the World' promotion, and three influential British vloggers and four Korean bloggers produced a series of videos on travelling around Australia and staying with YHA.

## COMMUNICATIONS

YHA's magazine, Backpacker Essentials, is available online every two months, in a digital flip version, or as an iPad App available free through the App Store. The magazine includes New Zealand content, and is also broadcast to YHA NZ members, as part of a shared-service arrangement. The online versions are accessed approximately 15,000 times per edition, whilst the iPad app has been loaded by 10,000 people, with each edition getting around 30,000 views. A major advantage of digital publications is that they can be accessed wherever YHA members are travelling.

## MEMBERSHIP STATISTICS AS AT 31 DECEMBER

ACT, NSW, NT, QLD, SA & VIC	2012	2013	2014	%
Youth	2,924	3,070	2,615	(15%)
Adult	25,933	24,534	22,207	(9%)
Life	10,313	10,358	10,201	(2%)
Group	1,125	1,089	1,069	(2%)
Individual & group membership	40,295	39,051	36,092	(8%)
Internationals	20,447	20,804	18,768	(10%)
Total Membership	60,742	59,855	54,860	(8%)

# MEMBER SERVICES



**TWO YHA TEAMS PARTICIPATED IN THE ULTIMATE RACE ORGANISED BY HOSTELWORLD AND DESTINATION NSW**

## EVENTS

YHA was promoted during the year at over fifteen 'O' week events on campuses in various locations, and at gap year and travel expos. Several familiarisation programs took place for hostel staff to experience Canberra early in the year, with fifty front-desk reception staff from Sydney and Melbourne staying at Canberra YHA and visiting a range of attractions, in order to be able to promote the nation's capital as a tourism destination to guests. Twenty staff from various hostels also participated in a familiarisation visit to Thredbo YHA, including excursions and an overnight stay in Canberra. Working with local tourism bodies is vitally important and Brisbane Visitor Information Centre Ambassadors visited Brisbane City YHA on a familiarisation visit.

## PARTNERSHIPS

YHA works with various partner organisations in the tourism, youth, cultural and educational fields. During the year, YHA participated in an event organised by Hostelworld and Destination NSW – the 'Ultimate Race' around Sydney – with eleven hostel teams (including two teams made up of YHA staff and guests) competing for a free Sydney Harbour BridgeClimb experience. YHA also undertook a range of co-operative marketing initiatives with Tourism NT including producing videos of travellers in the Northern Territory, and participating in a five-city South East Asian trade mission. Additionally, YHA promoted Australia at a travel show in partnership with Hostelling International in Taipei.

## 2014 INDIVIDUAL MEMBERS BY STATE



State	Members	Percentage
NSW	17,012	49%
VIC	7,886	22%
QLD	4,820	14%
ACT	2,430	7%
SA	2,439	7%
NT	436	1%



# 75TH ANNIVERSARY OF YHA IN AUSTRALIA

During the year, YHA celebrated 75 years since the first youth hostel was founded in Australia, at Warrandyte, Victoria, in 1939. Events took place around the country, including open days for the local community and events at key hostels for guests.

VIPs at the events included the Mayor of Cessnock, Councillor Bob Pynsent, who attended a re-opening event after renovations at Hunter Valley YHA; the NSW Minister for the Environment, The Hon. Rob Stokes, MP who kayaked himself to Pittwater YHA for a bush regeneration/anniversary celebration and YHA Ltd's President, James Tomkins, OAM, who attended a function supported by long standing members in Melbourne.

Other highlights included a Victoria Tourism Industry Council (VTIC) function held at Melbourne Metro YHA, and the Telstra Tower in Canberra lighting up in YHA's logo colours of orange and green for a tourism industry event. The 75th anniversary was positively covered by a range of print, online and broadcast media.

**L TO R: ROB MCGUIRK, CHAIR; JAMES TOMKINS, OAM, PRESIDENT; JULIAN LEDGER, CEO**

# CORPORATE AFFAIRS

## MERGER

YHA made another step towards becoming a national organisation when YHA South Australia merged with YHA Ltd from 1 January 2014. YHA Ltd also expanded shared services offered to YHA in WA and Tasmania, and continues to work towards a national merger.

## HOSTELLING INTERNATIONAL PARTNERS

YHA is proud to be a leader in the Hostelling International (HI) network, particularly in terms of the development of quality new hostels and its online developments. The 50th Hostelling International Conference was held in Bangkok in August, with the Chair of HI Australia (HI-A), Alex Zilkens, and Chair of YHA Ltd, Rob McGuirk, attending as delegates; the CEO of HI-A Rolf Duetks, and Directors of HI-A, Tracey Powell and Andrew West attended as observers, as did the CEO of YHA WA, Domenic Pimpinella, and CEO of YHA Ltd, Julian Ledger. There are term limits on the HI Board and there has been no member from Australia since Rob McGuirk finished his term as a Vice President in 2012. In 2014, Alex Zilkens successfully stood for one of the two Vice President positions.

In 2014, the CEO of YHA Ltd attended the annual HI CEO's meeting, held in Paris, and gave a presentation on the topic of online strategies and dealing with online travel agencies, that was the highest rated session at the conference. At year end, the Operations Manager, Robert Henke, participated in an HI Sustainability Coordinators meeting in Switzerland, sharing expertise, developing sustainability action plans and working to incorporate sustainability in the HI Quality (HIQ) program. YHA also works closely with YHA NZ, including having a reciprocal arrangement where each organisation sends a representative to the other's conference – in 2014, the Deputy Manager of Brisbane City YHA, Mitch Wilkins gave a presentation in New Zealand. YHA uses the same property management system in both Australia and New Zealand, and a steering committee was formed for closer collaboration, with the aim of sharing costs of future development.

## REGIONAL OFFICE RELOCATIONS

The Southern Region office relocated to Melbourne Central YHA, following renovations, achieving greater integration and savings. The Northern Region office also relocated to a more efficient, lower cost office during the year.

## ACKNOWLEDGEMENTS

Acknowledgement and thanks are extended to Richard Mussell, the former CEO of YHA South Australia. Richard was a strong supporter of the merger with YHA Ltd, and ensured a smooth transition when the merger came into effect. Richard's nine-year career with YHA included the opening of Port Elliot Beach House YHA, and the addition of the multi-award-winning Port Lincoln YHA to the network. Before moving to another not-for-profit organisation in South Australia, Richard also played a major role in the development of YHA Travel & Tours.



## IN MEMORIAM: KIMBERLY MUSTCHIN

It was with deep sadness that YHA farewelled Kimberly Mustchin (YHA's Northern Region Manager) in June 2014. Kimberly passed away after a short illness, and YHA was represented at her funeral in Brisbane by Julian Ledger, who gave a eulogy, and many other current and former YHA staff and Directors as well as YHA's immediate past President.

YHA paid respect to Kimberly for her tremendous contribution and inspiration to the organisation and her colleagues over many years. In her memory, a telescope has been installed on the rooftop of Brisbane City YHA, free of use, for guests to gaze upon the Brisbane River that Kimberly so loved kayaking upon.

## RETIRING DIRECTORS

At the Annual General Meeting (AGM) held in Sydney in April, YHA paid thanks to two long-standing Board members who were retiring. John Clancy was initially elected to the YHA NSW Board in 2005, held the role of Treasurer, then Chair of the Audit & Risk Committee, and was involved in the development of Sydney Harbour YHA. Janet Richardson was originally elected to the YHA Queensland Board in 2005, held the roles of Honorary Treasurer, and was involved in the redevelopment of Brisbane City YHA. YHA thanks both John Clancy and Janet Richardson for their contribution over the years.

# GOVERNANCE

## DIRECTORY OF THE ORGANISATION

### PATRON

Vacant

### HONORARY LIFE MEMBERS

Ms E Lyle OAM  
Mrs B Grant OAM  
Mr W King  
Mr T W Blunden  
Mr J M Cras  
Mr B Hansford  
Mr D Wardle  
Mr H Andrew  
Mr J Bowles  
Mr J Whitehead  
Mr K Grey  
Mrs G Grey  
Mr I Newson  
Mr A Schmidt  
Ms W Bell

### PRESIDENT

Mr James Tomkins, OAM

### VICE PRESIDENTS

Mr Greg Mortimer OAM  
Mr Hugh Andrew  
Mr Paul Page  
Mr David Wardle  
Ms Edna Lyle OAM  
Mr Ray Temperley  
Mr Jim Whitehead  
Mr Bruce Hart  
Mr Russell Thomson  
Ms Toinette Vincent

## THE BOARD OF DIRECTORS

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

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

The Board is committed to achieving the highest standards of corporate governance and has adopted a corporate governance framework comprising principles and policies that are designed to promote responsible management and assist the Board to discharge its corporate governance responsibilities on behalf of YHA members. Directors are required to declare pecuniary interests and a register is kept outlining disclosures, which is updated yearly or as a disclosure is made.

The Board delegates the implementation of strategic objectives, plans and budgets approved by the Board to the CEO and management. Management is accountable to the Board, and is required to provide the Board with information in a form, timeframe and quality that enables the Board to discharge its duties effectively. Directors are entitled to request additional information at any time that they consider appropriate.

The CEO is responsible for day to day management of the business, subject to policies and directions determined by the Board. The CEO is supported by an experienced and stable management team – an organisational structure is included in this report. The CEO reports to each meeting of the Board.

### Chairperson

Mr Rob McGuirk

### Vice Chairperson

Mr Euan Prentice

### Chief Executive Officer

Mr Julian Ledger

## NEW PRESIDENT

At the AGM held in Sydney in April, the new President of YHA Ltd James Tomkins, OAM was appointed. This is a ceremonial, voluntary role that James took over from retiring President, Bob Bimrose, who said that it had been a pleasure and honour to serve YHA. James is an Australian rower, and three-time Olympic gold medallist. He is Australia's most awarded oarsman, having made appearances at six Olympic Games, including being Australia's flag bearer at the Opening Ceremony of the Beijing 2008 Olympic Games. In 2012 James was elected to the International Olympic Committee (IOC) Athletes' Commission, to serve for eight years.

## PATRON

Until her retirement on 1 October 2014, the Patron of YHA Ltd (formerly YHA NSW), was the Governor of NSW, Her Excellency Professor The Honourable Dame Marie Bashir AD CVO. As YHA Ltd is no longer only a NSW based organisation, it has been decided to have the position remain vacant until such time as a national merger might take place. In the interim, should a figurehead be required for official events, the Patron of YHA Australia, the Governor-General of the Commonwealth of Australia could be approached.

## BOARD COMMITTEES

The Board has established two Committees to assist in the execution of its duties and responsibilities, and to allow detailed consideration of complex issues. The Board Committees are: Nominations and HR Committee, and Audit and Risk Committee.

Each Committee has a written Charter that sets out its role and responsibilities, composition, membership requirements, and the manner in which the Committee

is to operate. Each Committee chair provides reports to the full Board. Minutes of Committee meetings are presented at subsequent Board meetings. All Directors are permitted, within the Board meeting, to request information from the Chair or members of the Committees.

#### NOMINATIONS AND HR COMMITTEE

The objectives of the Nominations and HR Committee include ensuring that the YHA Board is skills based, shows diversity and is made up of Directors with a range of expertise and experience. The Committee is responsible for managing the Directors' Familiarisation Program, to ensure that candidates for the Board understand their obligations under the Corporations Act, and their financial, strategic, operational and risk management responsibilities. In addition, YHA Ltd is committed to continuing education and training for Directors. The Board recognises that regular reviews of its effectiveness and performance are critical to improvement of the governance of the organisation. Accordingly, the Board undertakes an annual review and evaluation of the Board and its Committees.

#### AUDIT AND RISK COMMITTEE

The Board recognises that risk management is an integral component of good corporate governance and is fundamental in achieving its strategic and operational objectives. The Board is ultimately responsible for identifying and assessing internal and external risks that may impact YHA. The Board is responsible for determining risk likelihood, overseeing the development and implementation of a risk management framework, and maintaining adequate monitoring and reporting.

#### BOARD MEETINGS

The Board of Directors met in person seven times between January and December 2014. In addition, the Nominations and HR Committee held seven meetings and the Audit and Risk Committee held six meetings throughout 2014, with both these committees undertaking detailed work on behalf of the Board.



THE BOARD OF DIRECTORS AND CEO, L TO R: LEONIE THIJSSSEN, ROSS MCDUGALL, CAMERON QUINTEN, DANA GHINZEL, MATTHEW MCNEIL, DAVID NEISH, ROB MCGUIRK (CHAIR), JULIAN LEDGER (CEO), TRACEY POWELL, EUAN PRENTICE (VICE-CHAIR), HELEN HARMS

#### BOARD MEMBERS

During 2014 the Board was made up of ten Directors with each Director normally serving a three-year term before deciding whether to stand again for re-election, with a third of the Board potentially changing each year. At the beginning of the year, as a part of the merger process, the Board co-opted the former Chair of YHA South Australia, Tracey Powell, to the Board until the 2015 AGM.

Directors have travelled extensively within Australia and overseas, and continue to use the YHA network on their travels. The composition of the Board embraces diversity – by skills, experience, age and gender. The Directors' Report on page 26 sets out their qualifications and experience.

### CORPORATE OBJECTIVES

To be the market leader in the provision of low cost, quality accommodation in the ACT, NSW, the NT, Queensland, South Australia and Victoria and to at least maintain current market share.

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

To be a dynamic market driven organisation responsive to change.

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

To achieve the most effective structure for YHA in Australia.

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

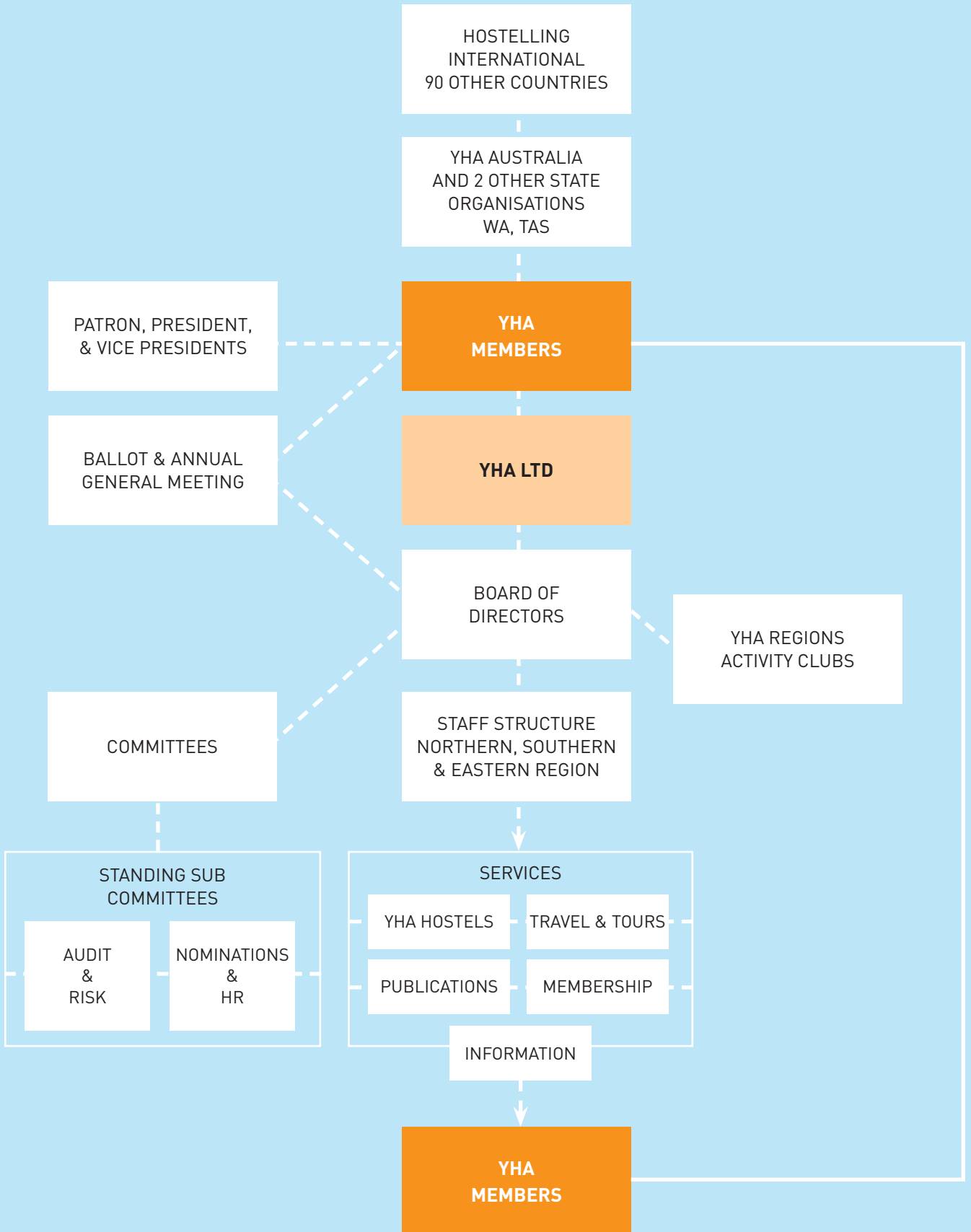
To continue to exercise the organisation's social, cultural, economic, educational and environmental responsibilities as a major international membership organisation.

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

To manage risk through selected strategies and regular review.

# STRUCTURE OF THE ORGANISATION

At 31 December 2014





# HUMAN RESOURCES

At 31 December 2014

## WORKFORCE PROFILE

At the year end, YHA employed 315 people in the ACT, NSW, NT, Queensland, SA and Victoria. YHA Ltd employs over thirty-five different nationalities, showcasing the rich cultural diversity of employees. The median age of staff was 31 with 67% under 35 years old. The workforce profile was distributed between females (56%) and males (44%), with the number working either full-time or permanent-part time stable at 93% (94% in 2013), with 79% of those working in the hostels. YHA has a strong sense of community with staff working well together and supporting several local charities, fund-raising and awareness-raising events. In 2014, these included the Sydney City to Surf fun run; staff blood donations to the Australian Red Cross, and participating in 'Ride to Work Day'.

## TRAINING & DEVELOPING STAFF

Training and staff development are important components of YHA's recruitment and retention policy, with both in-house and external training provided. YHA conducts an induction program for new staff and provides ongoing training in sales and customer service, property management and customer database systems, and Business Planning courses tailored specifically for the organisation. YHA also supports its staff in gaining further qualifications relating to the business, by contributing up to 50% of tuition fees for approved courses.

YHA encourages exchanges between hostels and during the year several exchanges took place involving staff from Airlie Beach, Adelaide, Brisbane, Canberra, Cairns, Melbourne and Sydney. Additionally, YHA participates in university internships and student work experience programs, and during the year hosted a trainee from Japan YHA. During the year several staff members were promoted internally, including Jon Kane to Northern Region Manager; Dean Thexton to Manager, Airlie Beach YHA, and Christina Harris to Southern Region Marketing Coordinator. Anna Cornelisse was seconded to Acting Central Region Manager, and Tanya Schroeder to Acting Manager, Adelaide Central YHA.

## ONLINE INFORMATION & TRAINING

YHA's intranet, Egor, is an interactive resource centre of up to date documentation and information from around the network. In 2014, YHA focused on developing additional intranet-based resources, tools, and manuals to aid hostel staff in their day-to-day work. YHA is committed to training staff across the network consistently and effectively, and online training is delivered through an eLearning system, Trainee which is optimised for staff to use on portable devices. Seven eLearning modules are currently available, and over three hundred modules were completed by staff in 2014, with additional modules in development.

## EMPLOYEE ENGAGEMENT SURVEY

During the year, YHA Ltd conducted the organisation's second Employee Engagement Survey, with participation also from HI Australia. YHA NZ conducted exactly the same survey in the same time frame to allow benchmarking between the two organisations. YHA received a very high

response rate of 87% (278 out of 320 possible respondents), and achieved a positive 'agreement' average of 72.5% reflecting good staff engagement and a high level of interest in making a difference within the organisation. The results were loaded onto the intranet, and staff meetings were held to present the findings. Opportunities identified in the survey related to training; career progression; communication; rewards/recognition and performance management. Several initiatives were developed as a result of the feedback received.

## RECOGNISING STAFF

YHA recognises and rewards performance through an 'Employee of the Month' scheme, and the 2014 'Employee of the Year' prize was awarded to Yan Ma, Duty Manager at Sydney Central YHA. Several staff members also reached significant service milestones during the year. Congratulations to Susan Archer (Membership) who has worked for YHA for 30 years, and to Irene Tanoto (Accounts), Hetty Liu (Accounts), Bronwyn Adams (Melbourne Central YHA), Jamie Airs (Thredbo YHA), Dean Grasselli (Railway Square YHA), Moi Sae-Tang (Sydney Harbour YHA), and Ranko Radovanovic (Melbourne Central YHA) who have all achieved 10 years of service.

## ENTERPRISE AGREEMENT

The YHA Enterprise Agreement covers all 269 hostel staff, and runs from 2011 to 2015.

## EQUAL EMPLOYMENT OPPORTUNITY

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

## WORKPLACE HEALTH & SAFETY

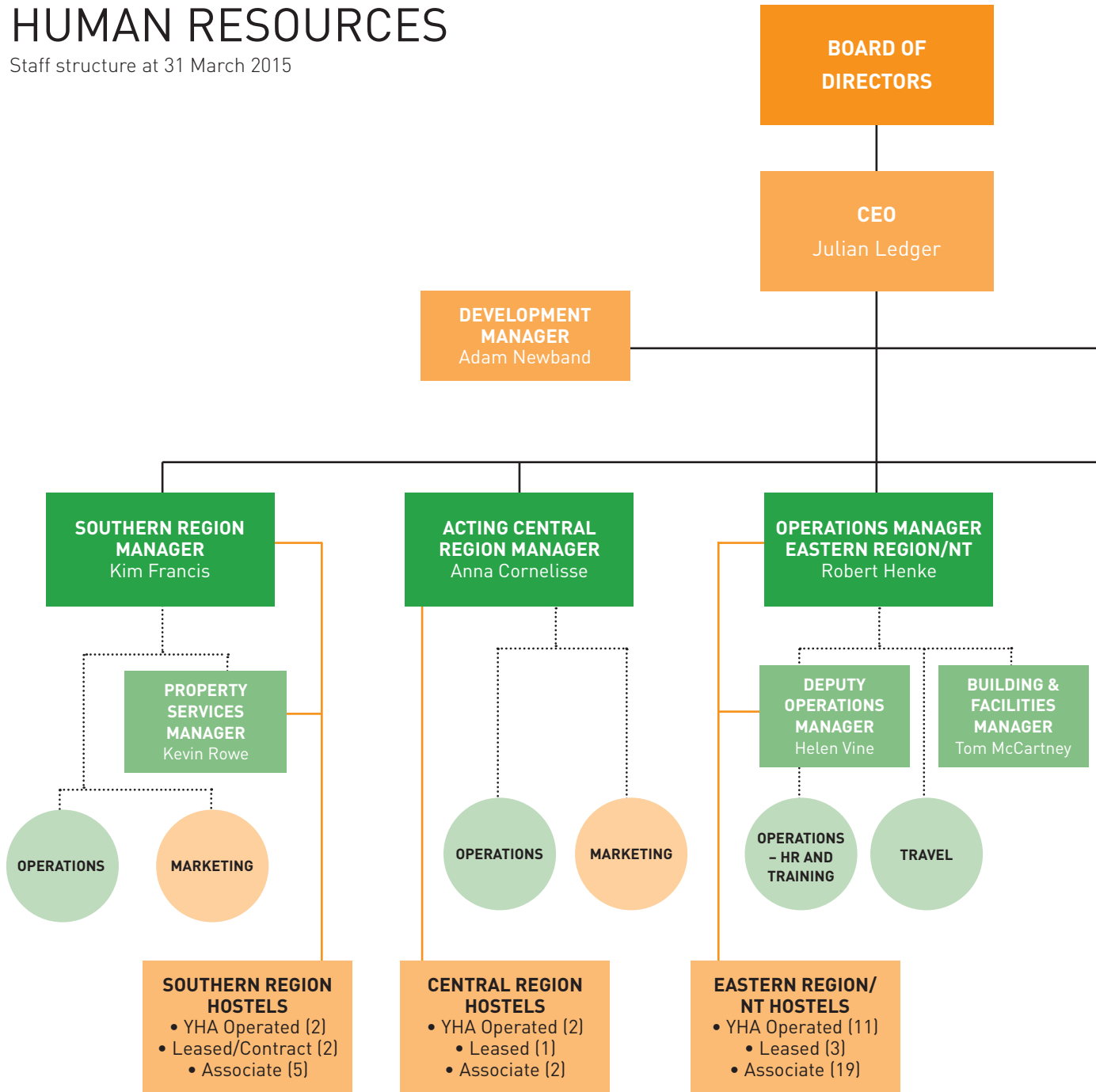
Safety is an important issue for YHA and the organisation has a very good record with workplace safety and injury management. Workplace health and safety best practice means that YHA and its employees are all responsible and accountable. The YHA Ltd Workplace Health & Safety Consultative Group consists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

## WELLBEING

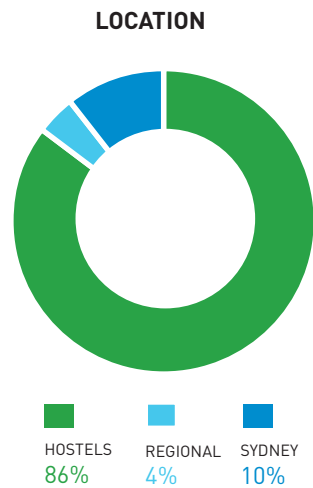
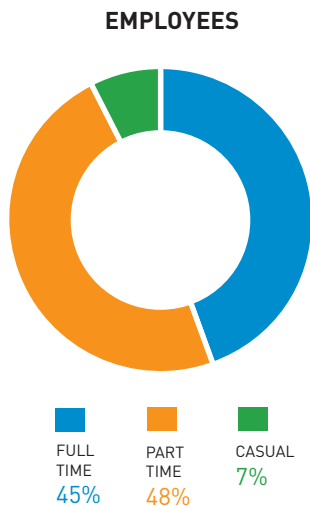
As part of its commitment to its people, YHA records staff sick leave against total hours worked. This allows YHA to monitor and react early to changes in staff wellbeing. Staff worked a total of 545,715 hours during the year and recorded 7,803 hours personal leave (sick leave and carers' leave), comprising 1.43% of total hours worked. This was the same ratio as the year before and low by external standards. Flu vaccinations are offered to staff as a preventative measure.

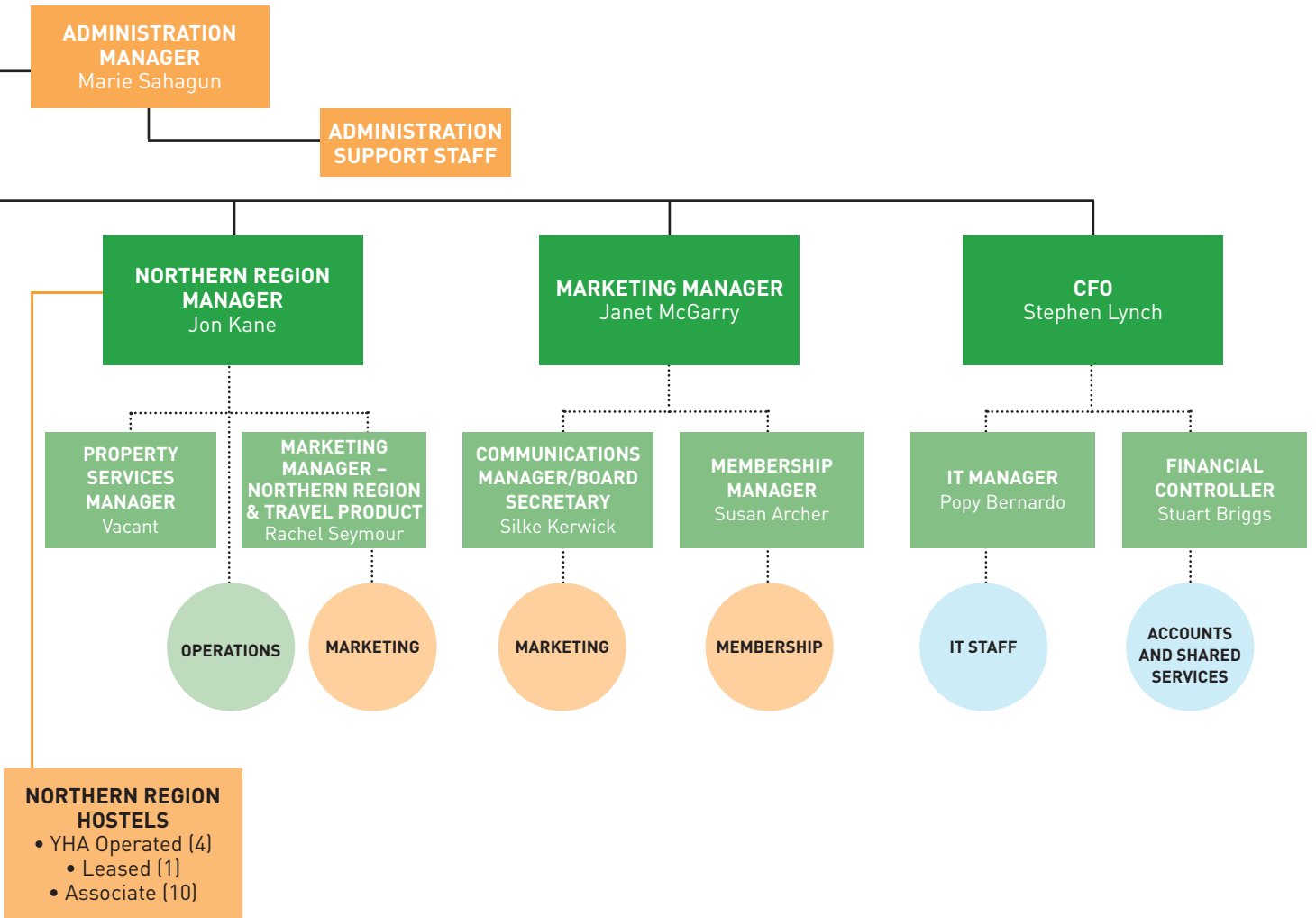
# HUMAN RESOURCES

Staff structure at 31 March 2015



## STAFF STATISTICS SNAPSHOT AS AT 31 DECEMBER 2014





**GENDER**



FEMALE 56%  
MALE 44%

**STAFF TURNOVER**



CONTINUING STAFF 65%  
NEW STAFF 35%

# STRATEGIC PLANNING & OUTLOOK

## STRATEGIC PLANNING

YHA has a national Strategic Plan to guide the organisation to 2018, and 2014 was the first year of working towards the plan's goals. The Strategic Plan is driven by four major themes: brand, network development, growth and governance, and by YHA's six core values.

A major strategic goal was accomplished at year end, when YHA's loans were refinanced following a competitive tendering process. The new financing with ANZ Bank sets the organisation on a stronger path for financial growth to facilitate development.

After several years of consolidation, YHA is now on track for a new phase of network development, with the appointment of a new Development Manager, and the drafting of a Development Plan. A priority is extending Byron Bay YHA, aiming to increase capacity at this hostel to close to 200 beds. Other projects to be fully evaluated include the feasibility of expansions at existing hostels in Adelaide and Canberra, and possible new hostels on the Gold Coast and in Darwin, where YHA currently has leasehold premises.

A review of membership is also a priority under the Strategic Plan, and during the year national agreement was reached on a new model for YHA membership. Market research was undertaken ahead of these membership changes being introduced over 2015-2016.

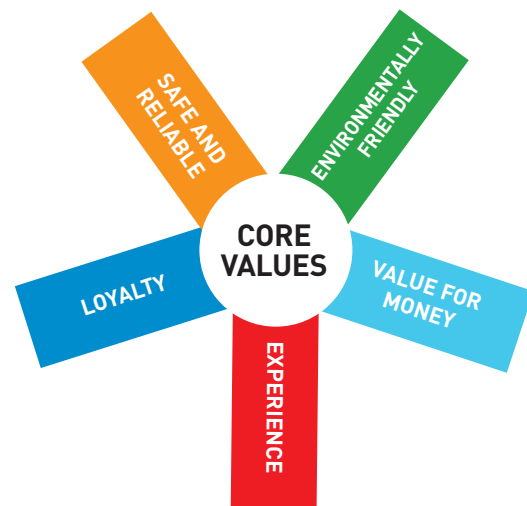
## OUTLOOK

### GENERAL OUTLOOK

#### Trends

Outbound travel from Australia has experienced strong growth for over a decade, increasing by 6% to over 9 million departures in 2014. Inbound visitation grew by 8% to 6.3 million visitors for the twelve months to the end of September 2014, and forecasts predict steady growth in 2015. The domestic market is also growing slowly after a decade of flat growth.

However, trading conditions for YHA were difficult in 2014 and occupancy was under pressure across all regions, particularly from mid-year. Although trending down, the Australian dollar remained strong against the Euro, leading to competitive pressure on hostel bed rates. Some of the demand pressure may be attributed to the disruptive effect of the FIFA World Cup, causing Europeans in particular to stay home, or to possibly switch their plans for long haul travel to the host country, Brazil. YHA increasingly needs to factor in major events such as the Olympics and FIFA World Cup when forecasting occupancy, and refine strategies to mitigate any impact.



#### Youth tourism

Overall, approximately 590,000 backpackers visited Australia in 2014, staying for an average of 80 nights, and spending around \$5,775 each while in Australia. Over the past decade there has been steady growth in Australia's Working Holiday Visa (WHV) program – both in the number of countries included (now thirty-one) and in the numbers utilising the visa. At any one time, there are nearly 180,000 working holiday makers in Australia. The numbers of working holiday makers coming to Australia was resilient following the Global Financial Crisis (GFC), however, at the end of 2014 there was a marked decline in the number of visas issued, with the high fee of \$420 a deterrent. For the first time, there was a drop in the number of visas issued to young people from Germany and France – markets that have continually grown since the visa was launched there.

Representation has been made by the industry to government to address the costs and conditions of visas, as well as the need for federal government focus if Tourism 2020 goals are to be achieved. There is also a need for Tourism Australia and state tourism bodies to allocate sufficient ongoing resources to promoting youth tourism. Positively, a new Work and Holiday Arrangement was developed as part of the China Australia Free Trade Agreement, under which Australia will grant visas for up to 5,000 Chinese work and holiday makers annually. The number of independent travellers from South East Asia continues to grow, from a variety of countries. Focusing on working holidays is an important strategy whilst the Australian economy remains relatively strong and casual work, including seasonal work such as harvesting, is available to young international visitors.

### **Airline capacity**

Travel into and around Australia is stimulated by increased airline capacity, competitive fares and the opening up of new routes. Asia in particular has the potential for growth in this area, with more direct flights from China connecting through from Europe, and Silk Air will commence a new Singapore to Cairns service in 2015. Domestically, the Adelaide to Alice Springs flight route will have competition for the first time in almost a decade due to a new Adelaide, Alice Springs, Darwin service being launched by Virgin Australia, while Virgin and Tourism Australia have also entered into a three-year \$20 million marketing partnership to attract overseas tourists.

### **Disruptive effects**

Of concern is the disruptive effect of the so-called 'sharing economy' channels for booking short term accommodation. YHA holds concerns that web booking platforms are facilitating a boom in unsafe, illegal accommodation across Australia, particularly in major cities, that the authorities are failing to address. In the past year, there has been exponential growth in accommodation listings on such websites. Issues identified include: breach of development approvals; breach of strata rules; breach of terms of strata and property insurance cover; breach of mortgage funding agreements; implications for change of use of buildings, certification and adequacy of fire safety systems; inadequate or non-existent public liability cover; implications for the collection of GST, implications for declaration of income for tax purposes, and implications for nearly 900,000 Australians directly or indirectly employed in tourism who may be negatively impacted. YHA supports the industry in monitoring and seeking to address these issues with relevant authorities.

### **Property trends**

The very strong residential property market is putting pressure on hostel operators, offering an alternative and possibly higher and better use of land and buildings. In addition, the demand for international student accommodation is creating another alternative use. These two factors are expected to cause a loss of hostel capacity.

### **OUTLOOK FOR YHA**

In 2015, the focus will be on growing YHA's occupancy whilst maintaining yield, and carefully managing booking channels. Online Travel Agents (OTAs) provide an important channel for YHA, however as smaller sites consolidate with larger ones, the trend is towards higher commissions due to market dominance. At year end, it was announced that the last major Australian OTA, Wotif, would be taken over by US-based Expedia. In 2014 YHA focussed on growing direct bookings through yha.com.au, and there is ongoing review of distribution channels to maximise their effectiveness.



**LAND WAS PURCHASED ADJACENT TO BYRON BAY YHA TO EXPAND THE HOSTEL**

The continuing low interest rate environment is enabling more debt to be retired, and increased network development to take place. YHA will also continue to develop IT capability, rationalising infrastructure and reducing risk. Continuing low interest rates, coupled with more competitive terms on YHA's borrowings, provide an excellent opportunity to maintain the focus on retirement of debt as a platform for the next round of investment in the hostel network.

YHA hostels are a major resource providing accommodation for school and other youth groups, especially in cities where good quality, safe and low cost options are in short supply. However some groups from disadvantaged areas cannot undertake excursions as parents are unable to meet the costs, and children miss out on this important opportunity. It is proposed to establish a new YHA charitable fund in 2015 to subsidise groups that meet specific criteria, and which will attract tax deductibility for donations.

Finally, YHA will continue to work towards completion of a national merger, building on shared services in accounting and IT already underway for YHA Tasmania and YHA WA. Plans are underway to integrate HI-Australia, incorporating the National Office, into YHA Ltd in 2015. In August 2015 national meetings will take place at the new Fremantle Prison YHA in WA, providing an opportunity for the YHA Ltd Board to meet with the local Board of YHA WA.

# RELATIONS WITH THE GOVERNMENT AND OTHER ORGANISATIONS

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

## COMMONWEALTH GOVERNMENT

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

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

## STATE, TERRITORY & LOCAL GOVERNMENTS

The Governor of NSW, Her Excellency Professor The Honourable Dame Marie Bashir AD CVO was Patron of the organisation until her retirement on 1 October 2014.

YHA Ltd is a not for profit company limited by guarantee under the Corporations Act (2001).

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

NSW Government Stores allow YHA to buy from them at contract prices. (Authorisation No: 7921000).

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

YHA leases land at modest rent from the Department of Natural Resources and Water in Queensland and leases property from the SA Department of Environment, Water & Natural Resources (DEWNR).

Throughout the course of the year, YHA ensured the NSW State Government, the ACT Government, the NT Government, the Queensland State Government, the South Australian State Government, the Victorian State Government and Local Government were kept informed of its role and activities.

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

## INDUSTRY REPRESENTATION

The Operations/Eastern Region Manager is the Secretary of the NSW Backpacker Operators' Association (BOA) – an industry body representing almost 100 organisations in the backpacking sector, including publishers, accommodation providers, travel agents and transport and tour operators. This group acts as a communication and lobby body for the industry in NSW and is steadily becoming more significant as the industry matures. The BOA Secretariat is based at the YHA office in Sydney and meetings are also convened in regional NSW to target local participation from operators in country areas.

The Southern Region Manager is a Director on the Board of the Victoria Tourism Industry Council (VTIC) and the Northern Region Marketing Manager was appointed to the committee of Adventure Queensland (AQ).

YHA is represented through the CEO on the Backpacker Youth Tourism Advisory Panel (BYTAP), a committee of the Australian Tourism Export Council (ATEC). BYTAP provides

leadership for industry representations to government on youth tourism, including marketing and development, traveller safety, raising accommodation standards and liberalisation of visas.

The CEO is also a member of the Tourism Visa Advisory Group of the Department of Immigration & Border Protection (DIBP).

## YHA is a member of the following organisations:

Accommodation Association of Australia (AAA)  
ACT & Region Chamber of Commerce & Industry  
Adventure Queensland  
Associations Forum Pty Ltd  
Australian Conservation Foundation  
Australian Federation of Employers & Industries  
Australian Institute of Management  
Australian Institute of Company Directors  
Australian Society of Association Executives  
Australian Society of Travel Writers  
Australian Sports Commission  
Australian Tourism Export Council (ATEC)  
Backpacker Operators Association of NSW (BOA)  
Backpacker Youth Tourism Advisory Panel (BYTAP)  
Blue Mountains Tourism Association  
Brisbane Marketing  
Byron Visitors Centre  
Central Australia Tourism Information Association (CATIA)  
Coffs Tourism  
ecoBiz Partner Program (DERM)  
Ecotourism Association of Australia  
Glebe Chamber of Commerce  
Gold Coast Tourism (GCT)  
Gold Coast Adventure Travel Group (GCATG)  
History Teachers' Association of NSW  
Museums Australia  
Nature Conservation Council of NSW  
National Parks Association of NSW  
National Trust of Australia (NSW)  
Newcastle City Tourist Association  
NSW Business Chamber  
Outdoor Recreation Industry Council of NSW  
Queensland Tourism Industry Council (QTIC)  
Records and Information Management (RIM)  
Professionals Australasia  
Southern Queensland Tourism  
Study Gold Coast  
Study Cairns Australia  
Sydney Convention & Visitors Bureau  
The Legendary Pacific Coast  
The Rocks Chamber of Commerce  
Thredbo Chamber of Commerce  
Travel Compensation Fund  
Tourism Snowy Mountains  
Tourism Top End  
Tourism Tropical North Queensland (TTNQ)  
Victorian Tourism Industry Council (VTIC)  
Victorian Employers' Chamber of Commerce and Industry (VECCI)  
Wilderness Society  
Women in Tourism (WIT)  
YHA Australia (HI Australia)  
Youth Action

# YHA LTD HOSTELS

YHA HOSTELS IN THE ACT, NSW, THE NT, QUEENSLAND, SA AND VICTORIA  
AS AT 31 DECEMBER 2014

	HOSTEL	MANAGED BY	BEDS	OWNERSHIP	STATUS	NOTES
ACT NSW	<b>CANBERRA CITY</b> 7 Akuna St, Canberra	Wim Hanse	284	O	F	Converted office block.
	<b>ALBURY</b> 372 Wagga Rd, Lavington	Jennie Butlin	24	A		Building in caravan park.
	<b>BATEMANS BAY</b> Cnr of Old Princes Hwy & South St	Francis McLaughlin & Brent Bruen	40	A		Converted building in caravan park.
	<b>BELLINGEN</b> 2 Short St	Matthew Sheldon	32	A		Converted commercial building with extensions.
	<b>BLUE MOUNTAINS</b> 207 Katoomba St, Katoomba	Bronwen Johnston	200	O	F	Converted guesthouse.
	<b>BLUE MOUNTAINS – HAWKESBURY HEIGHTS</b> 836 Hawkesbury Rd	Carolyn & John Beazley	12	O	L	Land leasehold; purpose built hostel owned by the organisation.
	<b>BONDI BEACHOUSE</b> Cnr Fletcher and Dellview St, Bondi Beach	Kati Farthing	94	A		Converted guesthouse.
	<b>BUNDANOON</b> 115 Railway Ave	Glenn Robinson & Alison Shaw	36	O	F	Leased to manager. Converted guesthouse.
	<b>BYRON BAY</b> 7 Carlyle St	Paul Cason	107	O	F	Purpose built hostel.
	<b>CAPE BYRON</b> Cnr Byron & Middleton Sts, Byron Bay	Todd Batston	130	A		Purpose built hostel.
	<b>COFFS HARBOUR</b> 51 Collingwood St	Brett Banwell	92	O	F	Leased to manager. Purpose built hostel.
	<b>CRONULLA BEACH</b> Level 1, 40-42 Kingsway, Cronulla	Michael Keogh	66	A		Converted commercial building with extensions.
	<b>GLEBE POINT</b> 262-264 Glebe Point Rd, Glebe	Craig Tester	151	O	F	Converted motel.
	<b>HUNTER VALLEY</b> 100 Wine Country Drive, Nulkaba	Nigel Worton	46	A		Purpose built hostel.
	<b>LENNOX HEAD</b> 3 Ross St	Graeme & Anna Dicker	42	A		Purpose built hostel.
	<b>MANLY SUMMER</b> 151 Darley Street, Manly	Daniel Robertson	23	A		Summer hostel facility in student accommodation at the International College of Tourism & Hotel Management.
	<b>MURWILLUMBAH</b> 1 Tumbulgum Rd	Tassie Duff	24	A		Private residence converted into hostel.
	<b>NAROOMA</b> 243 Princess Hwy	Darren Brass & Karli Walters	35	A		Holiday accommodation converted into hostel.
	<b>NEWCASTLE BEACH</b> 30 Pacific St, Newcastle	Damian Parkhouse	99	A		Converted heritage building.
	<b>NIMBIN ROX</b> 74 Thorburn St, Nimbin	Liam Brehme & Emily Hartley	28	A		Purpose built hostel.

# YHA LTD HOSTELS

YHA HOSTELS IN THE ACT, NSW, THE NT, QUEENSLAND, SA AND VICTORIA  
AS AT 31 DECEMBER 2014

HOSTEL	MANAGED BY	BEDS	OWNERSHIP	STATUS	NOTES
<b>PITTWATER</b> Via Halls Wharf, Morning Bay	Michael Doherty & Sarah Polomka	32	0	F	Leased to manager. Converted residence.
<b>PORT MACQUARIE</b> 36 Waugh St	Richard Bock	68	A		Private homes extended into hostel.
<b>PORT STEPHENS</b> Frost Rd, Anna Bay	Mark & Sandy Munday	31	A		Purpose built hostel.
<b>RAILWAY SQUARE</b> 8-10 Lee St, Sydney	Dean Grasselli	280	0	L	Leasehold from Rail Corporation NSW. Converted parcels office.
<b>SYDNEY BEACHOUSE</b> 4 Collaroy St, Collaroy Beach	James Dakin	214	A		Purpose built hostel.
<b>SYDNEY CENTRAL</b> 11 Rawson Place, Sydney	Jennifer Palmer	556	0	F	Converted heritage office building.
<b>SYDNEY HARBOUR</b> 110 Cumberland St, The Rocks	Ross Lardner	354	0	L	Leased from Sydney Harbour Foreshore Authority. Purpose-built hostel raised above archaeological remnants, with onsite education centre.
<b>TAMWORTH</b> 169 Marius St	Carol Hobden	43	A		Converted commercial building.
<b>THREDBO</b> 8 Jacks Adam Pathway	Nadia Fadel	48	0	S	Land sub-leased from Kosciuszko Thredbo Pty Ltd, on lease from National Parks & Wildlife Service.
<b>WOLLONGONG</b> 75-79 Keira St	Mary Sparks	32	A		Purpose built hostel, serviced apartments and student complex.
<b>YAMBA</b> 26 Coldstream St	Shane & Justin Henwood	90	A		Purpose built hostel.
<b>NT ALICE SPRINGS</b> Cnr Parsons St & Leichhardt Tce	Roger Wileman	108	0	F	Converted open air cinema.
<b>DARWIN</b> 97 Mitchell St	David Boyce	168	0	S	Sub-leased from Globies P/L
<b>QLD AIRLIE BEACH</b> 394 Shute Harbour Rd	Dean Thexton	86	0	F	Converted motel.
<b>BRISBANE CITY</b> 392 Upper Roma St	Peter Miller	373	0	F	Two lots amalgamated. Purpose built hostel.
<b>CAIRNS CENTRAL</b> 20-26 McLeod St, Cairns	Courtney Preo	225	0	F	Purpose built hostel.
<b>CAPE TRIBULATION</b> 152 Rykers Rd	Matthew Isabella	132	A		Purpose built cabins within rainforest.
<b>COOKTOWN</b> 9 Boundary St	Scott Orchard	66	A		Converted motel.
<b>COOLANGATTA</b> 230 Coolangatta Road, Bilinga	Warren Nicholas	82	0	L	Owned by organisation and leased to manager. Purpose built hostel.
<b>HERVEY BAY</b> 820 Boat Harbour Dr	Karen Inglis	100	A		Purpose built hostel also offering cabins and camping.
<b>MAGNETIC ISLAND</b> 40 Horseshoe Bay Rd	Brett & Janelle Flemming	120	A		Purpose built, offering cabins and camping.
<b>MISSION BEACH</b> 49 Porter Promenade	Richard & Anthea Gilroy	30	A		Purpose built hostel.



HOSTEL	MANAGED BY	BEDS	OWNERSHIP	STATUS	NOTES
<b>NOOSA</b> 2 Halse Lane, Noosa Heads	Drew Pearson	95	A		National Trust Heritage listed building with additional purpose built hostel.
<b>PORT DOUGLAS</b> Port St	Tom Quealy	120	A		Converted motel.
<b>ROCKHAMPTON</b> 60 MacFarlane St	Auzen Mercader	62	A		Purpose built hostel.
<b>ROCKHAMPTON OUTBACK</b> 1591 Baralaba-Rannes Rd, Baralaba	Lyn Eather	39	A		Purpose built hostel within a cattle station.
<b>STRADBROKE ISLAND</b> 132 Dickson Way, Point Lookout	James Griffith	62	A		Purpose built hostel with dive centre.
<b>SURFERS PARADISE</b> Mariners Cove, 70 Seaworld Drive, Main Beach	Nathan McGregor	100	O	S	Sub-leased from Raptis. Converted office.
<b>SA ADELAIDE CENTRAL</b> 135 Waymouth St, Adelaide	Tanya Schroeder	230	O	F	Converted office building.
<b>KANGAROO ISLAND</b> 33 Middle Terrace, Penneshaw	Bill & Sally Ulstrup	48	A		Converted motel.
<b>MT LOFTY</b> Cleland Conservation Park	Managed via Adelaide Central YHA	10	O	L	Stone cottage leased from SA Department of Environment, Water & Natural Resources (DEWNR).
<b>PORT ELLIOT</b> 13 The Strand	Anthea & Richard Gilroy	60	O	F	Leased to Manager. Converted guest house.
<b>PORT LINCOLN</b> 26 London St	Debi & Robert Forster	71	A		Converted sporting facility.
<b>WIRRABARA</b> Forest Rd	Managed via Adelaide Central YHA	20	O	L	Former schoolhouse on Crown land. Closed during 2014 due to bushfires in area.
<b>VIC APOLLO BAY</b> 5 Pascoe St	John & Gail Affleck	72	O	F	Management service contract. Purpose built hostel.
<b>BALLARAT</b> Magpie St	Neil Robbins	12	A		Converted worker's cottage.
<b>FOSTER</b> 40 Station Rd	Mohya & John Davies	10	A		Converted worker's cottage.
<b>GRAMPIANS/HALLS GAP</b> Cnr Grampians and Buckler Rd	Stuart & Rebecca Usherwood	64	O	F	Management service contract. Purpose built hostel.
<b>MELBOURNE CENTRAL</b> 562 Flinders St	Bronwyn Adams	240	O	F	Converted heritage hotel building.
<b>MELBOURNE METRO</b> 78 Howard St, North Melbourne	Dooshyant Jhowry	360	O	F	Purpose built hostel.
<b>PHILLIP ISLAND</b> 10-12 Phillip Island Tourist Rd, Newhaven	Larson Henderson	104	A		Purpose built hostel.
<b>PORT FAIRY</b> 8 Cox St	Alison & Kadir Zehir	50	A		Converted heritage building.
<b>SORRENTO</b> 3 Miranda St	Evonne Yanez	21	A		Purpose built hostel.

**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

# FINANCIAL SUMMARY

## OVERVIEW

Total income for 2014 before sale of assets was \$41.76M, which was \$0.2M below the previous year. The net surplus was \$0.867M and includes income from the sale of remaining Heritage Floor Space Rights at Sydney Central YHA. The economic background for 2014 showed a strong travelling trend in the first half from traditional markets followed by a slower second half and some slowing of growth from Asia. Domestic overnights were similar to 2013 and increased their share of the guest mix. The Australian dollar exchange rate compared to both the UK pound and US dollar further reduced and is approaching more normal ranges from the highs reached in 2011 and 2012; this continues to improve the buying power of international travellers, although it is still the case that Australia is a destination of higher expense.

## BORROWINGS

A tender for the finance of YHA's borrowings was conducted during the year and ANZ won the business from Westpac. ANZ had a competitive proposal that will lower the yearly interest expense and give flexibility for some development over the four-and-a-half year term. Appreciation for Westpac's long standing support of YHA over many decades over growth is acknowledged, particularly during the recent mergers and the development of Sydney Harbour YHA and Melbourne Central YHA.

## CASH FLOW

Operating cash flows were lower than 2013 with one-off receipts not repeated in 2014. On a like-for-like basis, cash flows were similar to 2013. Finance costs were higher in 2014 as the borrowings were refinanced and a number of one-off costs related to the refinance were paid. Lower interest expense was achieved as interest rates remained at low levels for the whole year. Cash flows from investing activities were higher as development projects for the ground floor reception relocation added more beds into Melbourne Central YHA, and land adjacent to Byron Bay YHA was acquired for expansion of bed capacity. Cash flows from financing activities included repayment of loans to Westpac for \$4.10M. An advance of \$1.45M was made from Westpac to acquire the Byron Bay land and proceeds of \$75.0M were received from ANZ, of which \$74.60M was repaid to Westpac to settle the Cash Advance Facility Agreement.

Cash holdings were lower at the end of the year compared to the previous year as funds in 2013 were being held in preparation for repayment of YHA South Australia borrowings in early 2014 of \$1.67M.

## CAPITAL EXPENDITURE

Capital expenditure other than the Melbourne Central YHA development was \$1.90M; spent primarily on maintaining the standards of plant, furniture and equipment of the hostels, as well as an investment in systems and sustainability initiatives.

## HOSTEL DIVISION

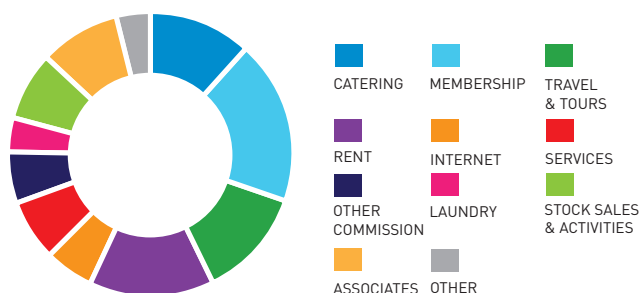
Operated hostel overnights decreased by 10.7% from international guests and there was 1.6% positive growth from domestic visitation, including an increase in group travel of 3.4%. The year was affected by interest in travel to other parts of the world influenced by events such as the FIFA World Cup being held in South America, and the strengthening of the European economic climate. Working holiday makers declined in number, with the high visa fee an issue.

There was a decrease in total YHA guest overnights from the UK and other European countries of 7.0% or 43,000 overnights (2013, increased 13.4%). Overnights from Asia decreased by 11.8% or 21,000 overnights (2013 increase 17.7%) but maintained their share at 11.7% of YHA's overnight mix.

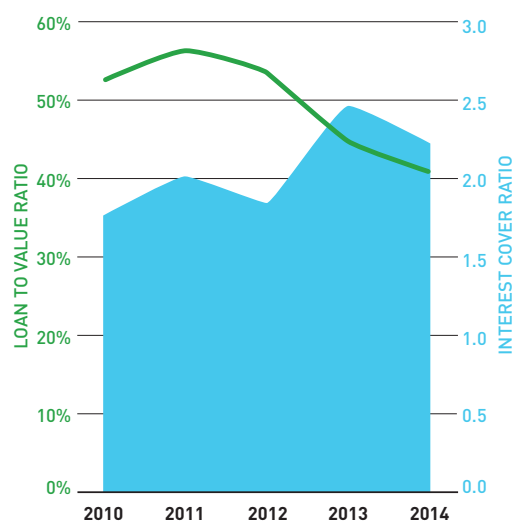
## MEMBERSHIP DIVISION

Australian memberships decreased by 8.0% for the year whilst international membership sales also declined with fewer visitors. Income from membership sales decreased accordingly.

## SOURCE OF OTHER OPERATING INCOME



## LOAN TO VALUE AND INTEREST COVER RATIO



# FINANCIAL CONTENTS

<b>26</b>	DIRECTORS' REPORT
<b>30</b>	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
<b>31</b>	STATEMENT OF FINANCIAL POSITION
<b>32</b>	STATEMENT OF CHANGES IN EQUITY
<b>32</b>	STATEMENT OF CASH FLOWS
<b>33</b>	NOTES TO THE FINANCIAL STATEMENTS
<b>33</b>	NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES
<b>35</b>	NOTE 2 – CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
<b>36</b>	NOTE 3 – REVENUE
<b>36</b>	NOTE 4 – EXPENSES
<b>37</b>	NOTE 5 – INCOME TAX
<b>37</b>	NOTE 6 – CASH AND CASH EQUIVALENTS
<b>37</b>	NOTE 7 – RECEIVABLES
<b>37</b>	NOTE 8 – INVENTORIES
<b>37</b>	NOTE 9 – OTHER ASSETS
<b>38</b>	NOTE 10 – PROPERTY, PLANT AND EQUIPMENT
<b>40</b>	NOTE 11 – INTANGIBLE ASSETS
<b>40</b>	NOTE 12 – TRADE AND OTHER PAYABLES
<b>41</b>	NOTE 13 – BORROWINGS
<b>42</b>	NOTE 14 – PROVISIONS
<b>42</b>	NOTE 15 – OTHER LIABILITIES
<b>43</b>	NOTE 16 – COMMITMENTS
<b>43</b>	NOTE 17 – RELATED PARTY DISCLOSURES
<b>43</b>	NOTE 18 – FINANCIAL INSTRUMENTS
<b>44</b>	NOTE 19 – KEY MANAGEMENT PERSONNEL COMPENSATION
<b>44</b>	NOTE 20 – PARENT ENTITY INFORMATION
<b>45</b>	NOTE 21 – RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES
<b>45</b>	NOTE 22 – EVENTS AFTER REPORTING PERIOD
<b>45</b>	NOTE 23 – NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE
<b>46</b>	AUDITOR'S INDEPENDENCE DECLARATION
<b>47</b>	DIRECTORS' DECLARATION
<b>48</b>	INDEPENDENT AUDITOR'S REPORT TO MEMBERS

# DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on 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 2014.

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

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

NAME	QUALIFICATIONS	EXPERIENCE	RESPONSIBILITIES	ELECTED TO
John Derry Clancy	BBus, SA Fin, CPA	YHA member since 1979. Elected to the YHA NSW Board in 2005, held role of Treasurer. Former Chair of Audit & Risk Committee. Public Sector employee in corporate finance and policy.	YHA Ltd delegate to National Board to Apr 2014	Apr 2014
Dana Denise Ghinzel	BCom, CPA	YHA member since 1983. Accountant with public sector.		Apr 2017
Helen Margaret Harms	BSc, MBA, GAICD	YHA member since 2007. Elected to YHA NSW Board in 2007. General Manager IT, Financial Services company.		Apr 2015
Ross Peter McDougall	BA, LLB	YHA member since 2012. Solicitor.		Apr 2017
Robert Anthony McGuirk	BA LLB, FFin, GAICD	YHA member since 1990. Former member of YHA Victoria Board, held roles of Chair, Vice Chair. HI Vice President. Lawyer, Property Manager, IT Consultant.	Chair from Apr 2014, YHA Victoria Limited delegate to National Board	Apr 2016
Matthew McNeil	BArch(Hons)	YHA member since 1988. Architect.		Apr 2016
David John Neish	BArch(Melb) FRAIA, BA	YHA member since 1976. Former member of YHA Qld Board. Architect.		Apr 2017
Tracey Michelle Powell	BBus, MAICD	YHA member since 2011. Held role of Chair of YHA SA Inc. Director and Principal of Business & Marketing Consultancy.	YHA Ltd delegate to National Board from Apr 2014	Appointed Jan 2014 to Apr 2015
Euan Gordon Prentice	BCom, A Fin	YHA member since 2009. Partner in investor relations consulting firm.	Vice Chair from Apr 2014. YHA Queensland delegate to National Board from Apr 2014	Apr 2015
Cameron James Quinten	BEd(Sec), BSc(Hon), Grad Dip AppSci, DipBus, Dip Sustainability, Cert IV Train & Assess, AIMM	YHA member since 1995. Former member of YHA Victoria Board, held role of Chair. Enterprise Manager in the Vocational Training and Education sector.	Chair Nominations & Human Resources Committee from Apr 2014	Apr 2015
Janet Eliza Richardson	M HlthSc, BAppSc(Hon), BAppSc(OHS), EMBA, GAICD	YHA member since 1995. Elected to the YHA Qld Board in 2005, held role as Hon Treasurer. Public sector employee in safety, risk and emergency management.	YHA Queensland delegate to National Board to Apr 2014	Apr 2014
Leonie Isabelle Thijssen	BCom, CPA, GIA (Cert), GAICD	YHA member since 2000. Elected to YHA Qld Board in 2008. Held roles of Treasurer YHA Qld and Vice Chair of YHA Ltd. Specialist in tax and compliance.	Chair Audit & Risk Committee from Oct 2011	Apr 2016

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

## 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, and Nominations and Human Resources.

DIRECTOR	BOARD OF DIRECTOR MEETINGS		COMMITTEE MEETINGS	
	NUMBER HELD / POSSIBLE TO ATTEND	NUMBER ATTENDED	NUMBER HELD / POSSIBLE TO ATTEND	NUMBER ATTENDED
John Clancy	1	1	2	2
Dana Ghinzel	7	6	4	3
Helen Harms	8	7	6	4
Ross McDougall	7	6	0	0
Robert McGuirk	8	8	7	7
Matthew McNeil	8	8	5	5
David Neish	8	6	7	6
Tracey Powell	8	7	0	0
Euan Prentice	8	7	13	11
Cameron Quinten	8	7	7	6
Janet Richardson	1	1	0	0
Leonie Thijssen	8	8	6	6

The above meeting attendance is for YHA Ltd. Youth Hostels Association of Queensland (YHA Queensland) also held 2 board meetings and YHA Victoria Limited held 1 meeting during the year. These were held on the same days at the same time and location as the above meetings reported for YHA Ltd.

## 3. SHORT AND LONG TERM OBJECTIVES

The objects of the company are:

- (a) to provide educational opportunities in Australia for all people, but especially young people, to:
  - (1) achieve personal development;
  - (2) foster friendship; and
  - (3) bring about a better understanding of others and the world around them;
- (b) to facilitate education by providing, operating and assisting others to provide and operate, hostels or similar accommodation;
- (c) to educate, by promoting and encouraging:
  - (1) travel;
  - (2) healthy recreational activities;
  - (3) environmental awareness; and
  - (4) interstate and international friendships and understanding, particularly through the development and provision of facilities and services to assist travellers within and outside Australia; and
- (d) to provide information or advice to any government, company or any other organisation in relation to any of the foregoing.

# DIRECTORS' REPORT continued

## 4. STRATEGY FOR ACHIEVING OBJECTIVES

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

## 5. PRINCIPAL ACTIVITIES

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

## 6. OPERATING RESULTS

The consolidated surplus for the financial year ended 31 December 2014 was \$867,254 (2013 surplus of \$1,872,619). This included the gain on disposals of assets of \$221,212 (2013 \$691,949). 2013 included income for the return of mutual funds from HI Australia Hostel Reserve Fund (HRF) of \$2,835,342 and a revaluation of South Australian hostel assets of \$1,241,212.

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 for 2014 for operated hostels was 65.4% (2013 69.9%), 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) and YHA Victoria (property owner). The 2013 comparative of the annual report includes the operations reported for the entity YHA South Australia Inc. which was merged into YHA Ltd on 1 January 2014.

Revenue was affected negatively with decreases in international travellers and a decline in guest nights from several countries. Domestic and group guest nights were similar to last year. Membership sales to Australians and internationals slowed.

Land adjacent to the Byron Bay YHA was acquired for the purpose of redeveloping into an expanded hostel.

## 8. DIVIDENDS

YHA Ltd is a not for profit company limited by guarantee and does not pay dividends.

## 9. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Directors of the group 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 2014.

#### **10. SIGNIFICANT EVENTS SINCE THE END OF FINANCIAL YEAR**

The Directors of the Company are not aware of any other 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.

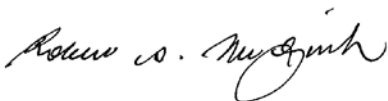
#### **14. PROCEEDINGS ON BEHALF OF THE COMPANY**

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 46.

Signed in accordance with a resolution of the Directors.



**ROBERT MCGUIRK**  
DIRECTOR  
21 February 2015



**LEONIE THIJSEN**  
DIRECTOR  
21 February 2015

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 \$	2013 \$
<b>REVENUE OR OTHER INCOME</b>			
Rendering of services		41,245,594	41,658,736
Other income		733,097	3,829,888
	3	<b>41,978,691</b>	<b>45,488,624</b>
<b>EXPENSES</b>			
Employee benefits expense	4	(16,588,180)	(16,442,208)
Depreciation & amortisation	4	(4,561,637)	(5,019,032)
Impairment expense	10	–	(943,963)
Finance costs	4	(4,717,184)	(5,393,514)
Other expenses	4	(15,283,370)	(15,581,648)
		<b>(41,150,371)</b>	<b>(43,380,365)</b>
<b>SURPLUS BEFORE INCOME TAX</b>		<b>828,320</b>	<b>2,108,259</b>
Income tax expense	5	38,934	(235,640)
Surplus after income tax		867,254	1,872,619
Other comprehensive income		–	–
Revaluation of land and buildings		–	1,241,212
Total Comprehensive Income		<b>867,254</b>	<b>3,113,831</b>

The accompanying notes form part of these financial statements.



# STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

	Note	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	1,766,758	3,494,127
Trade and other receivables	7	479,189	375,327
Inventories	8	101,541	94,235
Other current assets	9	864,327	637,314
<b>Total Current Assets</b>		3,211,815	4,601,003
<b>Non-current Assets</b>			
Property, plant and equipment	10	117,839,164	118,232,992
Intangible assets	11	1,563,022	1,531,816
<b>Total Non-current Assets</b>		119,402,186	119,764,808
<b>TOTAL ASSETS</b>		122,614,001	124,365,811
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	2,621,739	3,345,174
Borrowings	13	–	77,248,543
Provisions	14	1,818,771	1,716,594
Other liabilities	15	2,752,105	2,589,827
<b>Total Current Liabilities</b>		7,192,615	84,900,138
<b>Non-current Liabilities</b>			
Trade and other payables	12	213,448	92,287
Borrowings	13	75,000,000	–
Provisions	14	152,565	129,964
Other liabilities	15	122,413	177,716
<b>Total Non-current Liabilities</b>		75,488,426	399,967
<b>TOTAL LIABILITIES</b>		82,681,041	85,300,105
<b>NET ASSETS</b>		39,932,960	39,065,706
Accumulated surplus		34,474,614	33,607,360
Revaluation reserve		5,458,346	5,458,346
<b>TOTAL EQUITY</b>		39,932,960	39,065,706

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Note	Revaluation Reserve \$	Accumulated Surplus \$	Total Equity \$
<b>Balance at 1 January 2013</b>		4,217,134	31,734,741	35,951,875
Total Comprehensive Income for the year		1,241,212	1,872,619	3,113,831
<b>Balance at 31 December 2013</b>	10	5,458,346	33,607,360	39,065,706
Total Comprehensive Income for the year		–	867,254	867,254
<b>Balance at 31 December 2014</b>		5,458,346	34,474,614	39,932,960

The accompanying notes form part of these financial statements.

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Receipts from members and customers		50,838,109	50,682,763
Return of mutual funds		–	2,835,342
Other receipts		213,030	1,018,665
Payments to employees		(15,772,722)	(16,404,898)
Payments to suppliers		(24,693,309)	(24,205,871)
Income taxes paid		(196,706)	–
Interest received		22,938	22,056
Finance Costs		(5,589,536)	(5,460,351)
<b>Net cash provided by operating activities</b>	21	4,821,804	8,487,706
<b>Cash flows from investing activities</b>			
Purchase of plant, equipment & software		(2,910,558)	(1,246,305)
Purchase of property		(1,417,937)	–
Transfer acquisition of property – YHA Ltd		(7,616,436)	–
Proceeds from transfer of property – YHA South Australia Inc.		7,616,436	–
Proceeds from sale of property, plant & equipment		27,865	125,893
<b>Net cash (used in) investing activities</b>		(4,300,630)	(1,120,412)
<b>Cash flows from financing activities</b>			
Proceeds (Advance) of borrowings – Internal		–	93,452
(Repayment) of borrowings – HI Australia		–	(2,550,000)
(Repayment) of borrowings – bank refinance		(74,600,000)	–
(Repayment) of borrowings – bank		(4,098,543)	(3,268,750)
Proceeds of borrowings – bank		76,450,000	–
<b>Net cash (used in) provided by financing activities</b>		(2,248,543)	(5,725,298)
Net (decrease) increase in cash and cash equivalents		(1,727,369)	1,641,996
Cash and cash equivalents – beginning of period		3,494,127	1,852,131
Cash and cash equivalents – end of period	6	1,766,758	3,494,127

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 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 (including Australian Accounting Interpretations) and the Corporations Act 2001. The consolidated financial report of the group as at and for the year ended 31 December 2014 comprises the company and its controlled entities which include Youth Hostels Association of Queensland, YHA Victoria Limited and YHA South Australia Inc (merged on 1 January 2014). YHA Ltd as an entity 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.

### BASIS OF PREPARATION

#### Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

### ACCOUNTING POLICIES

#### Property Plant & Equipment

Property, plant and equipment are brought to account at cost, less, where applicable, any accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 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.

### Impairment

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

### Impairment 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.

### Employee Benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. The liability for annual leave has been measured at the amount expected to be paid when the liability is settled including on-costs. The liability for long service leave represents the present value of the estimated future cash outflow to be made in respect of services provided by employees to balance date. Contributions are made by the group to employee superannuation funds and are charged as expenses when incurred.

### Cash and Cash Equivalents

Cash and cash equivalents include deposits at call which are readily convertible to cash on hand 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

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

### Inventories

Inventories are measured at the lower of cost and net realisable value, using the First In First Out basis.

### Liquor Licence

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

### Software

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

### Goodwill

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

## **Revenue**

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

## **Membership Revenue**

The Annual Membership Year runs from the month of Membership purchase for 1 year. Fees are payable yearly in advance or can be purchased for 2, 3 or life terms also. Only those Membership Fees that are attributable to the current year are recognised as revenue. Fees that relate to future periods are shown in the Statement of Financial Position under the heading Current Liabilities – Other or Non-Current Liabilities – Other.

## **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.

## **Comparative Figures**

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## **NOTE 2 – CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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

### **Estimation of useful lives of assets**

The Company 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 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 Company 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 Company 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## NOTE 3 – REVENUE

	<b>2014</b> <b>\$</b>	<b>2013</b> <b>\$</b>
Hostel	34,829,874	35,172,182
Catering	816,170	751,795
Other hostel	2,458,902	2,500,104
Membership	1,297,304	1,377,113
Travel & tours commission	850,165	917,125
Rent	993,179	940,417
Rendering of services	41,245,594	41,658,736
Sundry income	481,218	265,903
Gain from disposal of assets	221,212	691,949
Return of mutual income	–	2,835,342
Interest	30,667	36,694
Other Income	733,097	3,829,888
Total revenue and other income	41,978,691	45,488,624

The Gain from disposal of assets for 2014 was for the proceeds from the sale of the remaining Heritage Floor Space Rights at Sydney Central YHA and 2013 was for the remaining proceeds from the sale of the Mt Buller YHA in Victoria. The return of mutual funds in 2013 was the net amount received from the wind up of the Hostel Reserve Fund (HRF) formerly the HBAF (Hostel Building Assistance Fund) of HI Australia due to YHA Ltd, YHA Victoria Limited, YHA Queensland and YHA South Australia Inc.

## NOTE 4 – EXPENSES

	<b>2014</b> <b>\$</b>	<b>2013</b> <b>\$</b>
Salaries and wages	14,424,388	14,357,351
Superannuation	1,375,600	1,301,077
Other benefits	788,192	783,780
Employee benefits	16,588,180	16,442,208
Depreciation of property plant & equipment	4,505,049	4,957,097
Amortisation of software	56,588	61,935
Depreciation and amortisation	4,561,637	5,019,032
Borrowing costs	186,692	300,495
Bank interest	4,530,492	5,076,251
Affiliated interest	–	16,768
Finance costs	4,717,184	5,393,514
Cost of goods sold	909,451	791,105
Loss on disposal of assets	113,936	72,468
Operating expenses	6,194,851	6,620,691
Administration and marketing	5,453,550	5,402,868
Property expenses	2,549,736	2,626,071
Audit	61,846	68,445
Other expenses	15,283,370	15,581,648

## NOTE 5 – INCOME TAX

The income tax expense (2014: adjustment benefit of \$38,934) relates to the favourable adjustment for income tax payable arising from the capital gains tax liability provided for in the accounts of YHA South Australia Inc (2013: expense of \$235,640). The capital gains tax arose due to the transfer of hostel property assets from YHA South Australia Inc to YHA Ltd. The adjusted tax payable of \$196,706 was paid in 2014.

The calculation of income tax payable by the group is based on the principle of mutuality which in broad terms means that income which is contributed by members will be excluded from assessable income. Similarly, expenditure which relates directly to the revenue received from members will not be allowed as a deduction. Remaining expenditure may be apportioned against mutual and non-mutual income. The Australian Taxation Office has agreed in principle with the method of apportionment adopted. The Australian Taxation Office has granted a private ruling that income from members and visiting international members of Hostelling International is mutual income. Each controlled entity of the group is required to lodge an income tax return if the non-member income exceeds the statutory limit of \$416. Under the self-assessment legislation, the lodgement of a tax return is deemed to be an assessment and until or unless a tax audit is carried out there can be no official confirmation that the income tax return has been accepted without alteration. For the 2013 taxation year, each controlled entity in the group lodged a tax return and in total the tax losses were \$1,024,405 (2012: tax losses of \$757,301) which increased the 2013 carried forward tax losses to \$8,488,179 (2012: \$7,463,774). Losses for YHA Victoria Limited have been adjusted to only carry forward losses from after the merger date of 1 January 2012.

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

## NOTE 6 – CASH AND CASH EQUIVALENTS

Cash on hand  
Cash at bank  
Cash on deposit

2013 \$	2012 \$
72,593	70,263
1,620,207	3,353,343
73,958	70,521
1,766,758	3,494,127

## NOTE 7 – RECEIVABLES

Trade receivables  
Other receivables

360,407	358,317
118,782	17,010
479,189	375,327

## NOTE 8 – INVENTORIES

Finished goods

101,541	94,235
101,541	94,235

## NOTE 9 – OTHER ASSETS

### Current

Prepayments  
Deferred expenditure

439,331	469,747
424,996	167,567
864,327	637,314

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

### Freehold Land and Building

	2014 \$	2013 \$
At cost	95,535,966	92,872,132
Less: Accumulated depreciation	(24,473,820)	(22,458,457)
	71,062,146	70,413,675

### Leasehold Land and Buildings

At cost	47,554,172	47,550,409
Less: Accumulated depreciation	(6,883,378)	(6,009,852)
	40,670,794	41,540,557

### Plant and Equipment

At cost	17,657,411	17,610,078
Less: Accumulated depreciation	(11,551,187)	(11,331,318)
	6,106,224	6,278,760

### Total Property, Plant and Equipment

	117,839,164	118,232,992
--	-------------	-------------

Independent valuations of interest in Land & Buildings

– 2014	173,960,000	–
– 2013	–	63,870,000
– 2012	–	97,450,000
– 2010	6,100,000	8,000,000
– 2006	1,100,000	1,100,000
– 2004	2,090,000	2,090,000
Total	183,250,000	172,510,000

In 2014 fourteen hostels were revalued in Queensland, Melbourne, Sydney, Adelaide & Canberra for the purpose of first mortgage security with ANZ.



## NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

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.

### RECONCILIATIONS

#### Freehold Land & Buildings

	2014	2013
	\$	\$
Balance at the beginning of year	70,413,675	72,336,056
Additions	2,641,139	257,838
Disposal	–	(129,711)
Transfers	22,694	38,400
Revaluation	–	1,241,212
Impairment	–	(943,963)
Depreciation expenses	(2,015,362)	(2,386,157)
Carrying amount at the end of year	71,062,146	70,413,675

#### Leasehold Land & Buildings

Balance at the beginning of year	41,540,557	42,557,960
Additions	155,729	5,408
Transfers	–	700
Depreciation expenses	(1,025,492)	(1,023,511)
Carrying amount at the end of year	40,670,794	41,540,557

#### Plant & Equipment

Balance at the beginning of year	6,278,760	6,998,132
Additions	1,518,839	930,987
Disposal	(125,119)	(65,040)
Transfers	(102,062)	(39,100)
Depreciation expenses	(1,464,194)	(1,546,219)
Carrying amount at the end of year	6,106,224	6,278,760

#### Total

Balance at the beginning of year	118,232,992	121,892,147
Additions	4,315,707	1,194,233
Disposal	(125,119)	(194,751)
Transfers	(79,368)	–
Revaluation	–	1,241,212
Impairment	–	(943,963)
Depreciation expenses	(4,505,048)	(4,955,886)
Carrying amount at the end of year	117,839,164	118,232,992

#### Revaluation Reserve

The hostel land and buildings of YHA Victoria Limited was adjusted to independent market value over the years 2000 to 2010 and the net balance of the revaluation reserve for these changes is \$1,700,637. The hostel land and buildings of YHA South Australia Inc. was adjusted to independent market value over the years 2000 to 2013 and the net balance of the revaluation reserve for these changes is \$3,757,709. These revaluation reserve now totals \$5,458,346.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## NOTE 11 – INTANGIBLE ASSETS

	2014 \$	2013 \$
Liquor licence – at cost	116,681	116,681
Travel licences – at cost	–	10,000
Licences	116,681	126,681
Goodwill – at cost	1,378,965	1,378,965
Less: accumulated amortisation	(78,965)	(78,965)
	1,300,000	1,300,000
Computer software – at cost	888,951	791,157
Less: accumulated amortisation	(742,610)	(686,022)
	146,341	105,135
Total intangible assets	1,563,022	1,531,816

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

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

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

	Licences	Goodwill	Computer Software	Total
Carrying amount at the beginning of year	126,681	1,300,000	105,135	1,531,816
Additions	–	–	18,426	18,426
Disposals	(10,000)	–	–	(10,000)
Transfers	–	–	79,368	79,368
Amortisation charge	–	–	(56,588)	(56,588)
Carrying amount at the end of year	116,681	1,300,000	146,341	1,563,022

## NOTE 12 – TRADE AND OTHER PAYABLES

	2014 \$	2013 \$
<b>Current</b>		
Trade creditors	311,584	548,141
Accrued expenses	1,521,257	1,468,731
BAS payable	203,495	435,081
Other payables	521,814	584,463
Deferred revenue	63,589	73,118
Income tax payable	–	235,640
	2,621,739	3,345,174
<b>Non-current</b>		
Rental bonds	65,359	59,325
Sustainability fund	79,774	–
Small hostels development fund	68,315	32,962
	213,448	92,287

## NOTE 13 – BORROWINGS

### Current

	2014 \$	2013 \$
Bank loans	–	77,248,543
	–	77,248,543

### Non-current

Bank loans	75,000,000	–
	75,000,000	–
<b>Total Borrowings</b>	<b>75,000,000</b>	<b>77,248,543</b>

1. The Westpac Cash Advance Facility Agreement dated 13 January 2012 had a final repayment date of 31 December 2014 and YHA Ltd refinanced this facility with ANZ on 5 December 2014. The Westpac borrowings have been repaid and Westpac security removed from all property.
2. The ANZ facility consists of a Cash Advance Facility of \$75,000,000 for YHA Ltd borrowings for a term of four and a half years to June 2019. The facility allows prepayment and with any prepayment a permanent reduction in the facility. An additional 12 month facility for development was also financed amounting to two million dollars though this is not drawn as at the balance date. Prepayments are not required. The ANZ facility includes an overdraft of \$750,000 though this is only available during the slower trading months from March to October each year.
3. 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 14 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%. As well as a covenant to maintain an interest cover ratio of earnings before interest, tax, depreciation and amortisation (EBITDA) less provision for capital expenditure of 4% of hostel revenue over interest expense greater than or equal to 1.4 times. The group currently complies with the borrowing covenants.

The bank facilities as at the balance date are:

	2014 \$	2013 \$
Credit facilities	77,850,000	78,162,000
Amount utilised	75,000,000	77,248,543
	2,850,000	913,457

The unused credit facilities consist of cash advance facility of \$2,000,000 (2013 \$1,750,000) and bank overdraft \$750,000 (2013 \$750,000) and corporate card facility \$100,000 (2013 \$85,000).

### Assets Pledged as Security

The carrying amounts of assets pledged as security are:

– First mortgage and floating charges

Total assets	122,614,001	124,365,811
--------------	-------------	-------------

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## NOTE 14 – PROVISIONS

### Current

Employee benefits

2014 \$	2013 \$
1,818,771	1,716,594
1,818,771	1,716,594

Non-current

Employee benefits

152,565	129,964
152,565	129,964

Aggregate liability for employee benefits provision including on-costs

Employee benefits

1,971,336	1,846,558
-----------	-----------

### Movements in provisions

Balance at the beginning of year

Employee Entitlements	Total
1,846,558	1,846,558
1,592,616	1,592,616
196,667	196,667
(1,664,505)	(1,664,505)
1,971,336	1,971,336

Additions

Transfers

Amounts used

Balance at the end of year

## NOTE 15 – OTHER LIABILITIES

### Current

Bookings in advance

2,569,434	2,380,066
34,857	39,973
147,814	169,788
2,752,105	2,589,827

Unexpired life membership income

Unexpired other membership income

### Non-current

Unexpired life membership income

Unexpired other membership income

71,817	98,426
50,597	79,290
122,414	177,716

## NOTE 16 – COMMITMENTS

### a. Capital commitments

Capital expenditure commitments contracted for:

– Capital expenditure projects

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

### b. Operating leases

Payable not later than 1 year

Later than 1 year but not later than 5 years

Later than 5 years

	2014 \$	2013 \$
– Capital expenditure projects	251,412	179,240
	251,412	179,240
Payable not later than 1 year	1,280,757	1,050,145
Later than 1 year but not later than 5 years	1,783,281	1,826,995
Later than 5 years	3,560,272	3,691,331
	6,624,310	6,568,471

Operating leases pertain to properties leased for the provision of accommodation to members, the administration of the entity and IT infrastructure services. The leases typically run for periods up to 5 years with varying terms and renewal options except for Thredbo YHA (to 2057) and Sydney Harbour YHA (to 2108). An annual payment is included in the above figures for Thredbo to 2057.

### c. Other commitments

The Company entered into a Lease Agreement with the Sydney Harbour Foreshore Authority to develop and operate a Youth Hostel and Education Centre in the Rocks, Sydney. The lease requires a contribution to a sinking fund to be used for the maintenance of The Rocks Big Dig archaeology site which the hostel sits over. This sinking fund is capped at \$500,000 with annual CPI adjustments to the contribution per overnights from 2009.

## NOTE 17 – RELATED PARTY DISCLOSURES

Three directors of the parent entity are also directors of an affiliated body HI Australia which provides goods and services on terms and conditions no more favourable than those applying to any other affiliated bodies.

## NOTE 18 – 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 hedge certain interest rate risk exposures. These contracts are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and cash flow forecasting for liquidity risk.

Risk management is carried out by senior management, finance executives ('finance') and 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 hedges 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. Borrowings issued at variable rates expose the consolidated entity to interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value interest rate risk. The policy is to maintain approximately 63% to 75% of borrowings at fixed rate using interest rate swaps to achieve this when necessary.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## Liquidity risk

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

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

## Foreign currency risk

The company is not exposed to any significant foreign currency risk.

## Price risk

The company is not exposed to any significant price risk.

## Credit risk

The company is not exposed to any significant credit risk.

## NOTE 19 – KEY MANAGEMENT PERSONNEL COMPENSATION

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

Key management personnel include the Directors listed in the Directors' Report, the Chief Executive Officer, Operations (Eastern Region) Manager, Chief Financial Officer, Northern Region Manager, Southern Region Manager, Central Regional Manager and Marketing Manager.

	Salary \$	Superannuation \$	Total \$
2014	1,086,118	103,181	1,189,299
2013	1,045,071	89,367	1,134,438

## NOTE 20 – PARENT ENTITY INFORMATION

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

Statement of comprehensive income	Parent Entity	
	2014 \$	2013 \$
Surplus / (deficit) after income tax	949,459	1,105,844
	949,459	1,105,844
Total current assets	2,978,046	4,225,936
Total assets	83,752,671	75,257,898
Total current liabilities	7,039,121	53,216,900
Total Liabilities	55,786,547	53,591,525
<b>Equity</b>		
Total equity	27,966,124	21,666,373

## Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2014.

## Capital commitments

The parent entity had capital commitments for property, plant & equipment as at 31 December 2014 of \$251,412 and 31 December 2013 of \$179,240.

## Significant accounting policies

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

## NOTE 21 – RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated Entity	
	2014	2013
	\$	\$
<b>Surplus after income tax</b>	867,254	1,872,619
<b>Non-cash flow in surplus</b>		
Depreciation and amortisation	4,561,637	5,019,032
Impairment of property, plant & equipment	–	943,963
(Profit) on sale of property, plant & equipment	–	(7,762)
Loss on sale or disposal of property, plant & equipment	101,615	76,834
<b>Changes in assets and liabilities</b>		
(Increase) decrease in receivables	(103,862)	364,596
(Increase) decrease in inventory	(7,306)	61,384
(Increase) decrease in other assets	(227,013)	182,850
(Decrease) increase in payables	(366,634)	(255,251)
(Decrease) increase in provision for income taxes payable	(235,640)	235,640
Increase (decrease) in provisions	124,778	(68,941)
Increase (decrease) in other liabilities	106,975	62,742
Net cash provided by operating activities	4,821,804	8,487,706

## NOTE 22 – EVENTS AFTER REPORTING PERIOD

No other matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## NOTE 23 – NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of Australian accounting standards have been issued or amended and are applicable to the group but not yet effective. There are none having any material effect requiring disclosure.

# AUDITOR'S INDEPENDENCE DECLARATION

## **AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF YHA LTD AND CONTROLLED ENTITIES.**

As lead auditor of YHA Ltd for the year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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



**Faizal Ajmat ca**

Registered Company Auditor  
Melbourne, 21 February 2015  
ABN 12 977 693 143  
PO Box 718  
BALWYN VIC 3103




# DIRECTORS' DECLARATION

The Directors of YHA Ltd declare that:

1. The financial statements and notes, as set out on pages 30 to 45, are in accordance with the Corporations Act 2001:
  - a. Comply with Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - b. Give a true and fair view of the financial position as at 31 December 2014 and of the performance for the year ended on that date of the group and company.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**ROBERT MCGUIRK**

Director

21 February 2015



**LEONIE THIJSEN**

Director

21 February 2015

# INDEPENDENT AUDIT REPORT

to the members of YHA LTD

## REPORT ON THE FINANCIAL REPORT

I have audited the attached financial report of YHA Ltd (the company) and YHA Ltd and Controlled Entities (the group) which comprises the Statement of Financial Position as at 31 December 2014, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

## DIRECTORS' RESPONSIBILITY 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 (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## INDEPENDENCE

In conducting my audit, I have complied with the independence requirements of the Corporations Act 2001. I confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of YHA Ltd would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

## AUDITOR'S OPINION

In my opinion, the financial report of YHA Ltd is in accordance with the Corporations Act 2001, including:

- a. giving a true and fair view of the group's and company's financial position as at 31 December 2014 and their performance for the year ended on that date; and
- b. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.



**Faizal Ajmat CA**

Registered Company Auditor

Melbourne, 21 February 2015

ABN 12 977 693 143

PO Box 718

BALWYN VIC 3103

# YHA LTD HOSTEL LOCATIONS

At 31 December 2014



This Year in Review is printed on 100% recycled paper using vegetable-based inks

Printing by Focus Print Group

Design and layout by Alison Hall  
design@20three.me

## OUR MISSION

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



HANGING OUT AT THE NEWLY RENOVATED MELBOURNE CENTRAL YHA

### **YHA Ltd**

Level 3, 9 Castlereagh Street  
Sydney NSW 2000

Tel: (02) 9261 1111  
Fax: (02) 9261 1969  
Email: [yha@yha.com.au](mailto:yha@yha.com.au)  
Web: [yha.com.au](http://yha.com.au)

ABN: 94 008 387 791  
ACN: 008 387 791

### **Northern Region office**

Level 3, Bowman House,  
276 Edward Street  
Brisbane, Queensland 4000  
Tel: (07) 3236 4999  
Fax: (07) 3236 1702

### **Southern Region office**

562 Flinders Street  
Melbourne, Victoria 3000  
Tel: (03) 9670 3802  
Fax: (03) 9670 9840

### **Central Region office**

135 Waymouth St  
Adelaide, South Australia 5000  
Tel: (08) 8414 3000  
Fax: (02) 8414 3014

### **Solicitors**

Whitehead Cooper  
Williams

### **Auditor**

Faizal Ajmat

### **Bankers**

Australia and New Zealand  
Banking Group Limited

### **Insurance Brokers**

Insurance Advisernet  
Australia Pty Ltd