

# YHA LTD ANNUAL REPORT

2019



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ABN: 94 008 387 791  
ACN: 008 387 791

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

COVER: GRAMPIANS ECO YHA WON "BEST ACCOMMODATION IN AUSTRALIA" AT THE  
2019 AUSTRALIA & NEW ZEALAND ADVENTURE TOURISM AWARDS  
INSIDE COVER: LIGHT RAIL OPENED IN SYDNEY – WITH A STOP RIGHT OUTSIDE SYDNEY CENTRAL YHA

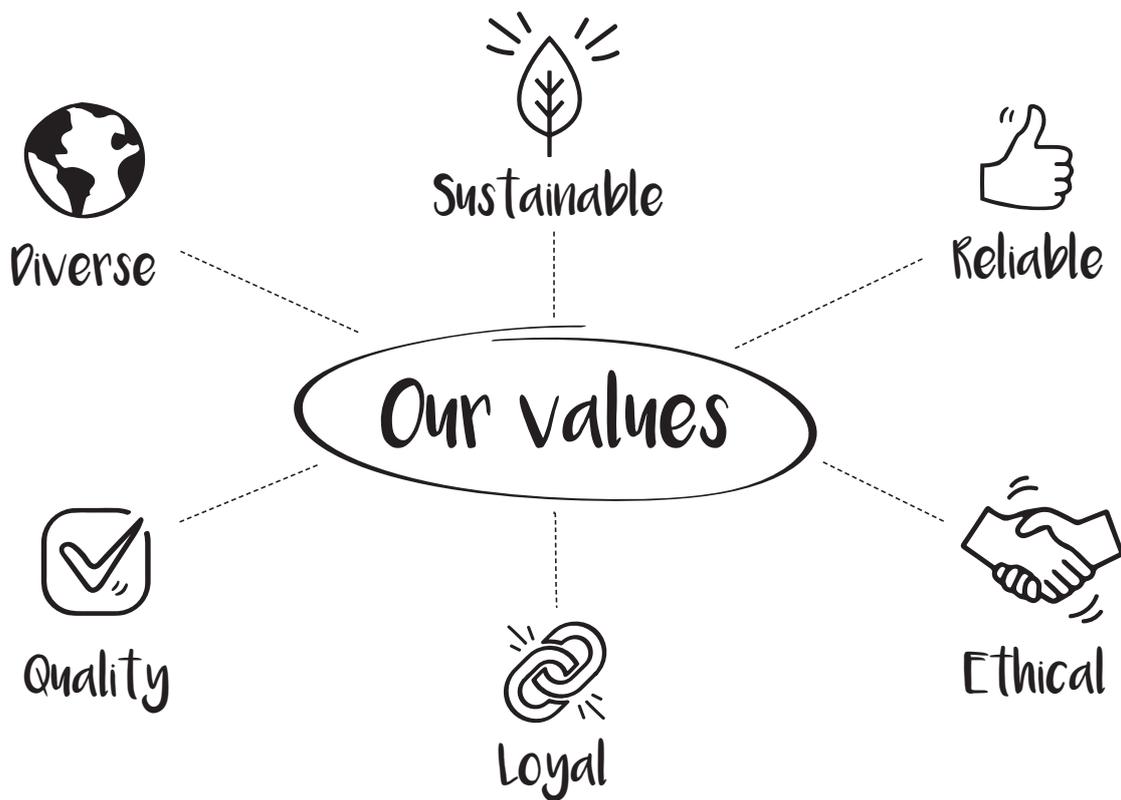
# OUR BRAND



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

## THE HOUSE AND TREE SYMBOL

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



## YHA IN AUSTRALIA

The first youth hostel was established in Germany in 1909. In 1932 Hostelling International (HI) was formed and now has member associations in 60 countries that are operating more than 3,000 hostels. There are 69 hostels in Australia, in urban and regional areas.

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

# INTRODUCTION

Dear Members & Friends

**In 2019, YHA Australia celebrated 80 years of providing a network of youth hostels across Australia. Our organisation was founded on the eve of World War II, in September 1939. To mark the anniversary, Directors, staff and members of YHA Bushwalking Victoria trekked to the site of the first hostel in Australia at Warrandyte (on the outskirts of Melbourne).**

From that original humble hostel, YHA has thrived and grown into a network of 69 unique places to stay across Australia, generating over 1.6 million overnight stays by guests from 180 countries last year.

In recognition of their high quality hospitality, several hostels were honoured at the 2019 Australia & New Zealand Adventure Tourism Awards, including Grampians Eco YHA winning 'Best Accommodation in Australia' (and Victoria); Hobart Central YHA winning for Tasmania, and Sydney Harbour YHA – located above Australia's largest urban archaeological site, dating back to the convict days – winning for NSW.

YHA continues to be proudly a not-for-profit organisation, owned by our members (who mostly become members by staying at the hostels). At year end, membership reached 402,815.

Financially, on a turnover of \$46.2 million, we recorded an operating deficit of \$6.1 million (2018 was a deficit of \$0.8 million). Earnings before interest, tax, depreciation and amortisation after adjusting for one-off disposals and impairments totalled \$6.1 million (2018: \$7.2 million). The results include some large non-cash expenses, including revaluation of derivative financial instruments totalling \$1.2 million (2018: \$0.3 million) and impairment of one hostel and of land for development of \$1.3 million (2018: Nil). Depreciation and amortisation expenses increased due to the adoption of AASB 16 Leases, which recognises amortisation of leased assets of \$1.2 million (2018: Nil). The normalised result was a deficit of \$4.6 million (\$2.4 million normalised deficit in 2018).



L TO R: EUAN PRENTICE (CHAIR) AND JULIAN LEDGER (CEO)

During the year we welcomed two new Directors to the Board – Brigita Bezjak and Tammy Marshall – whilst former Directors Matt McNeil and Rob McGuirk were respectively re-elected and re-appointed, joining five continuing Directors.

Together with the management team, our Board participated in a two-day Strategic Planning Conference held in Byron Bay – staying at the recently extended Byron Bay YHA, which has proved particularly popular with our guests. The strategic focus was on the opportunities and challenges for YHA to grow whilst still carrying out our mission of 'education through travel' into 2020 and beyond.

Thanks go to our Directors, staff, members and industry partners for their support over the past year.

Julian Ledger  
CEO

Euan Prentice  
Chair

# OUR HIGHLIGHTS



## Hostel staff, managers and Directors participated in a Strategic Planning Conference

### AWARDS

YHA honoured at the 2019 Australia & New Zealand Adventure Tourism Awards winning 'Best Accommodation' in the State for Sydney Harbour YHA (New South Wales), Hobart Central YHA (Tasmania) and Grampians Eco YHA (Victoria) – which also won the 'Best Accommodation in Australia' award.

### 80TH ANNIVERSARY

Celebrations to mark the organisation's founding in 1939 with a range of events including a bushwalk to the site of the first youth hostel in Australia (at Warrandyte, Victoria).

### MEMBERSHIP

Growth to 402,815 members under 'Simple Affordable Membership' model.

### STRATEGIC PLANNING

Conference held in Byron Bay to set YHA's strategy for 2020-2022.

## OUR HIGHLIGHTS

CONTINUED

### YHA ACCOMMODATION

An average of 4,374 people accommodated across Australia each night

Total number of overnight stays of 1,596,509 (1,633,532 in 2018) across the country

Growth in Food & Beverage revenue at key hostels including Sydney Central YHA, Sydney Harbour YHA, Melbourne Central YHA and Brisbane City YHA

Revenue increased over the prior year with improved results from Brisbane and Western Australian hostels, and stronger income from Byron Bay YHA (due to first full year of building extension) however overall lower average bed rates achieved due to competition in a flat market for international visitors

### FINANCE

Total operating turnover of \$46.2M (\$47.4M in 2018 or before one-off adjustments \$45.7M)

Earnings before interest, taxation, depreciation and amortisation (EBITDA) after adjustment for one-off disposals and impairments was \$5.99M (\$8.79M in 2018 or \$7.25M before one-off disposal of property)

Consolidated deficit after tax of \$6.07M (2018 deficit of \$0.82M) including some larger non-cash expenses, including revaluation of derivative financial instruments totalling \$1.25M (2018: \$0.33M) and impairment of one hostel and of land for development of \$1.27M (2018: Nil). Depreciation and amortisation expenses increased due to the adoption of AASB 16 Leases, which recognises amortisation of leased assets of \$1.21M (2018: Nil).

Normalised result of deficit of \$4.65M (\$2.03M normalised deficit in 2018)

### MARKETING AND DIGITAL

Further growth in hostel usage by Australian groups through direct marketing

Uptake of the YHA app, particularly to book regional hostels

Bronze award for YHA's Year in Review in the 2019 Australasian Reporting Awards

Extensive coverage in media, including social media through hosting 'influencer' events

### GOVERNANCE

The Board operated with nine Directors (including three appointed) and three sub committees, with meetings taking place in Melbourne and Sydney

Chair, Euan Prentice, re-elected to the role, and Tracey Powell elected as Vice Chair

Amendment to YHA's By-law to enable a simpler first past-the-post voting system for Director elections

# DIRECTORS' REPORT

The Directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'consolidated entity' or 'group') consisting of YHA Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 31 December 2019.

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

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

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

NAME	QUALIFICATIONS	EXPERIENCE	RESPONSIBILITIES	ELECTED
Brigita Bridget Bezjak	B.App.Sci (Speech Pathology), Dip Bus (Governance)	YHA member since 1999. Health professional.		April 2019 to April 2022
Bronwyn Teresse Dallow	M.International Management, Grad Dip Business, MAICD	YHA member since 2011. General Manager, business chamber.	Chair of Nominations & Remuneration Committee from April 2019. Chair of Election Committee from April to September 2019.	April 2017 to April 2020
Tammy Lea Marshall	BBus, Graduate Diploma in Business Administration, MBA, GAICD	YHA member since 2019. Managing Director / owner of Management Consulting business.		Appointed 13 June 2019 to April 2021
Ross Peter McDougall	BA, LLB, GAICD	YHA member since 2012. Solicitor.		April 2017 to April 2020
Robert Anthony McGuirk	BA, LLB, F Fin, GAICD	YHA member since 1990. Continuing member of YHA Victoria Board, held roles of Chair & Vice Chair. Former Chair of YHA Ltd. Current Hostelling International President (since October 2018) and former Vice President. Lawyer, Property Manager, IT Consultant.		Elected term expired 13 April 2019. Appointed from 13 April 2019 to April 2021
Matthew Craig McNeil	BArch (Hons), GAICD	YHA member since 1988. Architect and educator.		Elected term expired April 2019. Re-elected April 2019 to April 2022
Tracey Michelle Powell	BBus, GAICD	YHA member since 2000. Former member of YHA South Australia Board, held role of Chair. Director and Principal of Business & Marketing Consultancy.	Vice Chair from April 2019, Chair of Nominations & Remuneration Committee to April 2019. Chair of Election Committee to April 2019 and from September 2019.	April 2018 to April 2021
Euan Gordon Prentice	BCom, A Fin	YHA member since 2009. Owner of capital markets research business.	Chair.	April 2018 to April 2021
Simon Paul Spicer	BEc, CA, GAICD	YHA member since 2018. Finance and Strategy Consultant.	Chair of Audit & Risk Committee from April 2019.	Appointed 1 September 2018 to April 2020
Leonie Isabelle Clark	BCom, CPA, GIA (Cert), GAICD	YHA member since 2000. Former Treasurer YHA Queensland and Vice Chair of YHA Ltd. Finance and HR manager.	Chair of Audit & Risk Committee to April 2019.	Term ended April 2019
Michael James McPhail	BSc (Hons), GAICD	YHA member since 2011. Former Vice Chair. Former Vice Chair of YHA WA Inc. Management consultant.	Vice Chair to April 2019.	Appointed 1 September 2017 to April 2019

## COMPANY SECRETARY

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

# DIRECTORS' REPORT

CONTINUED

## 2. MEETINGS OF DIRECTORS

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

DIRECTOR	BOARD OF DIRECTOR MEETINGS		COMMITTEE MEETINGS	
	NUMBER HELD / ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER HELD / ELIGIBLE TO ATTEND	NUMBER ATTENDED
Brigita Bridget Bezjak	5	5	4	4
Bronwyn Teresse Dallow	7	6	8	7
Tammy Marshall	3	3	2	2
Ross Peter McDougall	7	7	6	6
Robert Anthony McGuirk	7	6	5	4
Matthew Craig McNeil	7	6	5	5
Tracey Michelle Powell	7	6	8	7
Euan Gordon Prentice	7	7	4	4
Simon Paul Spicer	7	7	6	6
Leonie Isabelle Clark	2	2	4	4
Michael James McPhail	2	2	1	1

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

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

# DIRECTORS' REPORT

CONTINUED

## 3. SHORT AND LONG TERM OBJECTIVES

The objects of the group are:

- a) represent the interests of the company and its Affiliated Entities internationally with Hostelling International and its Affiliated Entities;
- b) promote youth hostelling internationally, including fostering an appreciation of a range of cultural values;
- c) promote youth hostelling throughout Australia and its dependent territories, and to promote interstate and international friendship through the development of youth hostelling;
- d) provide educational opportunities in Australia for all people, but especially young people, to:
  - i) achieve personal development;
  - ii) foster friendship; and
  - iii) bring about a better understanding of others and the world around them;
- e) facilitate education by providing, operating and assisting others to provide and operate, hostels or similar accommodation in which there are no distinctions of race, nationality, colour, religion, gender, sexual orientation, class or political opinion;
- f) educate, by promoting and encouraging:
  - i) travel;
  - ii) healthy recreational activities;
  - iii) environmental awareness; and
  - iv) interstate and international friendships and understanding, particularly through the development and provision of facilities and services to assist travellers within and outside Australia;
- g) actively promote Australia as a prime holiday destination for the members of overseas organisations affiliated with Hostelling International; and
- h) provide information or advice to any government, company or any other organisation in relation to any of the foregoing.

## 4. STRATEGY FOR ACHIEVING OBJECTIVES

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

# DIRECTORS' REPORT

CONTINUED

## 5. PRINCIPAL ACTIVITIES

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

## 6. OPERATING RESULTS

The consolidated deficit after tax for the financial year ended 31 December 2019 was \$6,068,544 (2018 deficit of \$818,723). The number of member overnights for the year were consistent with the prior year, although in Sydney the average bed rates were lower and margins tightened as wages increased more than inflation and average bed rate growth. The deficit included some larger non-cash expenses including the revaluation of derivative financial instruments \$1,246,551 (2018: \$329,305) and the impairment of one hostel and land of \$1,268,868 (2018: Nil). Depreciation and amortisation expense has increased due to the adoption of AASB 16 leases, which recognises amortisation of leased assets of \$1,208,601 (2018: Nil). Other expenses are lower than last year as rent paid for lease assets (\$1,261,288) is now reported as a cash outflow for repayment of lease liability and interest expense.

The group uses occupancy percentage or utilisation of the hostel beds as a measure of performance together with quality ratings from guests. The hostel bed occupancy in 2019 for operated hostels was 63.9% (2018 64.2%), ratings were in the desired range and several hostels achieved consistently high ratings.

## 7. REVIEW OF OPERATIONS

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

Revenue increased over the prior year with some improved results from the Queensland and Western Australian hostels as well as stronger income from Byron Bay YHA. Lower average bed rates compared to prior year continued due to keen price competition in a flat market for international visitors including working holiday makers. Australian guest nights were higher than the previous year mostly from improvements in group stays. Development capital expenditure was lower for the year as cash flows eased off and YHA prepares for developments in Melbourne, Sydney and the Gold Coast. Two regional hostels at Alice Springs and Coffs Harbour changed to service contract operations.

## 8. DIVIDENDS

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

## 9. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Directors are not aware of any matter or circumstance not otherwise dealt with in this report or the financial report that has significantly or may significantly affect the operations of the group, the result of those operations or the state of affairs of the group for the year ended 31 December 2019.

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

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

# DIRECTORS' REPORT

CONTINUED

## 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 38.

## 16. ROUNDING OF AMOUNTS

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

Signed in accordance with a resolution of the Directors.



Euan Prentice  
Director  
22 February 2020



Simon Spicer  
Director  
22 February 2020

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTE	2019 \$	2018 \$
<b>Revenue</b>			
Revenue	3	46,183,739	45,735,229
Interest revenue		15,371	51,926
Other income	3	–	1,572,053
		46,199,110	47,359,208
<b>Expenses</b>			
Employee benefits expense	4	(21,145,416)	(20,580,943)
Depreciation & amortisation expense	4	(7,081,720)	(5,702,458)
Impairment expense	10	(1,268,868)	–
Finance costs	4	(4,965,644)	(3,904,221)
Other expenses	4	(17,806,006)	(17,985,391)
		(52,267,654)	(48,173,013)
<b>(Deficit) before income tax</b>		<b>(6,068,544)</b>	<b>(813,805)</b>
Income tax (expense)	5	–	(4,918)
<b>(Deficit) after income tax</b>		<b>(6,068,544)</b>	<b>(818,723)</b>
Other comprehensive income		–	–
<b>Total Comprehensive Income</b>		<b>(6,068,544)</b>	<b>(818,723)</b>

The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	NOTE	2019 \$	2018 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	2,345,990	2,053,494
Trade and other receivables	7	751,638	635,274
Inventories	8	62,730	52,452
Other current assets	9	1,015,268	957,679
<b>Total Current Assets</b>		<b>4,175,626</b>	<b>3,698,899</b>
<b>Non-current Assets</b>			
Property, plant and equipment	10	140,374,141	144,733,694
Lease assets	11	6,013,580	–
Intangible assets	12	2,392,241	2,570,325
Total Non-current Assets		148,779,962	147,304,019
<b>TOTAL ASSETS</b>		<b>152,955,588</b>	<b>151,002,918</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	3,183,006	3,789,763
Lease liabilities	11	1,129,310	–
Borrowings	14	89,143,848	–
Derivative financial instruments	17	1,083,502	429,070
Provisions	15	2,266,436	2,164,376
Contract liabilities	16	3,293,199	3,045,129
<b>Total Current Liabilities</b>		<b>100,099,301</b>	<b>9,428,338</b>
<b>Non-current Liabilities</b>			
Trade and other payables	13	48,339	45,192
Lease liabilities	11	4,966,166	–
Borrowings	14	–	88,237,000
Derivative financial instruments	17	1,454,446	862,327
Provisions	15	174,186	148,367
<b>Total Non-current Liabilities</b>		<b>6,643,137</b>	<b>89,292,886</b>
<b>TOTAL LIABILITIES</b>		<b>106,742,438</b>	<b>98,721,224</b>
<b>NET ASSETS</b>		<b>46,213,150</b>	<b>52,281,694</b>
<b>EQUITY</b>			
Accumulated surplus		42,455,441	48,523,985
Revaluation reserve		3,757,709	3,757,709
<b>TOTAL EQUITY</b>		<b>46,213,150</b>	<b>52,281,694</b>

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	REVALUATION RESERVE \$	ACCUMULATED SURPLUS \$	TOTAL EQUITY \$
<b>Balance at 1 January 2018</b>	3,757,709	49,342,708	53,100,417
Deficit after income tax	–	(818,723)	(818,723)
Other comprehensive income	–	–	–
<b>Balance at 31 December 2018</b>	3,757,709	48,523,985	52,281,694
Deficit after income tax	–	(6,068,544)	(6,068,544)
Other comprehensive income	–	–	–
<b>Balance at 31 December 2019</b>	3,757,709	42,455,441	46,213,150

The accompanying notes form part of these financial statements.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTE	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Receipts from members and customers		50,946,990	52,082,340
Other receipts		–	135,040
Payments to employees		(21,119,604)	(20,719,566)
Payments to suppliers		(22,969,889)	(25,022,497)
Income taxes paid		–	(1,253,487)
Interest received		15,371	51,926
Finance costs paid		(3,719,093)	(3,597,716)
<b>Net cash provided by operating activities</b>	23	3,153,775	1,676,040
<b>Cash flows from investing activities</b>			
Purchase of plant, equipment & software		(2,447,474)	(4,793,854)
Development of property		(307,833)	–
Proceeds from sale of property, plant & equipment		11,818	11,034,253
<b>Net cash (used in) / provided by investing activities</b>		(2,743,489)	6,240,399
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		482,305	2,000,000
(Repayment) of borrowings		–	(10,000,000)
Payments for the principal portion of lease liabilities		(1,024,638)	–
<b>Net cash (used in) financing activities</b>		(542,333)	(8,000,000)
<b>Net (decrease) in cash and cash equivalents</b>		(132,047)	(83,561)
<b>Cash and cash equivalents at the beginning of the year</b>		2,053,494	2,137,055
<b>Cash and cash equivalents at the end of the year</b>	6	1,921,447	2,053,494

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), as appropriate for Not-for-Profit orientated entities and the *Corporations Act 2001*.

The consolidated financial report of the group as at and for the year ended 31 December 2019 comprises YHA Ltd (the company) and its controlled entities which include Youth Hostels Association of Queensland, YHA Victoria Limited, YHA WA Pty Ltd (formerly YHA WA Inc) and YHA Travel to Learn Limited. YHA Ltd is a company limited by guarantee, incorporated and domiciled in Australia. The following is a summary of the material accounting policies adopted by YHA Ltd in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial statements were authorised for issue by the Directors on 22 February 2020.

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

The group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards and Interpretations that are not yet mandatory have not been early adopted. The following new accounting standards and interpretations are most relevant to the group:

- AASB 15: Revenue from Contracts with Customers
- AASB 1058: Income for Not-for-Profit Entities
- AASB 16: Leases

### **AASB 15 Revenue from Contracts with Customers**

AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. AASB 15 supersedes a number of previous revenue standards, including AASB 118 Revenue, AASB 111 Construction Contracts and associated Interpretations.

The group has adopted AASB 15 for the year ended 31 December 2019. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

### **AASB 1058 – Income for Not-for-Profit Entities**

This applies to transactions of not-for-profit (NFP) entities where the consideration to acquire an asset is significantly less than fair value principally to enable the entity to further its objectives. AASB 1058 supersedes the previous requirements in AASB 1004 Contributions.

Under the new income recognition model, an NFP first considers whether AASB 15 applies to a transaction or part of a transaction. Where AASB 15 does apply to a transaction or part of a transaction, the NFP applies the general AASB 15 principles to determine the appropriate revenue recognition. When AASB 15 does not apply to a transaction or part of a transaction, the NFP then considers whether AASB 1058 applies.

The group has completed its analysis of the impacts of adoption and have concluded that there is no material change to the presentation, recognition, and measurement of revenue as a result of the transition to AASB 15 and AASB 1058.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

## AASB 16 – Leases

This note explains the impact of the adoption of AASB 16 Leases on the group's financial statements.

The group has adopted AASB 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 1.

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.65%.

YHA had no leases previously classified as finance leases and thus there is no adjustment relating to these types of leases.

### i) Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review, there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

### ii) Measurement of lease liabilities

Operating lease commitments disclosed as at 31 December 2018	8,291,572
Discounted using the lessee's incremental borrowing rate of at the date of initial Application	(2,743,615)
(Less): short-term leases not recognised as a liability	(90,357)
Add/(less): adjustments as a result of a different treatment of extension and termination options	1,577,068
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	(204,333)
<b>Lease liability recognised as at 1 January 2019</b>	<b>6,830,335</b>

Of which are:

Current lease liabilities	918,534
Non-current lease liabilities	5,911,801

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

## Basis of Preparation

### *Reporting Basis and Conventions*

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

### *Going concern*

Notwithstanding the group's net deficiency of current assets, the financial report has been prepared on a going concern basis. The Directors believe that the group is a going concern and is able to pay its debts as and when they fall due. This is supported by cashflow forecasts and bank facilities currently in place. The net deficiency of current assets has been affected by the group's classification of borrowings as current, which is required by accounting standards as the group did not meet its facility interest cover ratio financial covenant for the year ended 31 December 2019. This has been reported to the ANZ bank and no action requiring the borrowings to be repaid within the next 12 months has been confirmed.

## Accounting Policies

### Trade and other receivables

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

The group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

### Property Plant & Equipment

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

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

### Depreciation

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

The estimated useful lives are:

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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

## **Financial Instruments**

### *Recognition*

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

### *Receivables*

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

### *Financial Liabilities*

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

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

### *Impairment*

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

## **Impairment of Non-Financial Assets**

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

## **Cash and Cash Equivalents**

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

## **Leases**

Until 31 December 2018 leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting AASB 16 leases.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

## **Lease assets**

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

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

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

## **Lease liabilities**

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

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

## **Inventories**

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

## **Intangibles**

### *Liquor Licence*

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

### *Software*

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

### *Goodwill*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

## Revenue recognition

*The group recognises revenue as follows:*

### Revenue from contracts with customers

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

### Hostel Revenue

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

### Membership Revenue

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

### Travel and Tours Commission

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

### Interest

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

### Rent

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

### Other revenue

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

## **Fair value measurement**

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

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

## **Goods and Services Tax (GST)**

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

## **Trade and other payables**

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

## **Borrowings**

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

## **Borrowing costs**

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

## **Business combinations**

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

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

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

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

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

## **Principles of consolidation**

### *Subsidiaries*

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

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

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

### **Income tax**

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

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

Current and deferred tax is recognised in profit or loss.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

## Employee benefits

### i) *Short-term obligations*

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

### ii) *Other long-term employee benefit obligations*

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

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

## Rounding of amounts

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

## Contract liabilities

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

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

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

### Allowance for expected credit losses

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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

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

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

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

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

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

## **Deferred Tax Assets**

### *Recovery of tax losses*

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

## **Lease term**

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

## **Incremental borrowing rate**

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 3 – REVENUE FROM CONTRACTS WITH CUSTOMERS	2019	2018
Revenue with contracts with customers	\$	\$
Hostel	39,549,500	39,176,776
Catering	1,265,051	976,509
Travel & tours commission	653,940	667,898
Other hostel revenue	2,017,335	2,245,376
Sundry revenue	689,814	650,613
Revenue from contracts with customers	44,175,640	43,717,172
All revenue from contracts with customers is recognised at a point in time		
Other revenue		
Membership	581,234	606,180
Rent	1,426,865	1,411,877
Total other revenue	2,008,099	2,018,057
Total revenue	46,183,739	45,735,229
Other income		
Gain on disposal of property, plant & equipment	–	1,572,053
Other income	–	1,572,053
The 2018 gain on disposal of property was from the sale of Melbourne Metro YHA, the hostel was leased back for 5 years.		
NOTE 4 – EXPENSES		
Salaries and wages	18,123,380	17,585,493
Superannuation	1,833,057	1,779,228
Other benefits	1,188,979	1,216,222
Employee benefits	21,145,416	20,580,943
Depreciation of property plant & equipment	5,415,523	5,301,833
Amortisation of software	457,596	400,625
Amortisation of lease assets	1,208,601	–
Depreciation and amortisation	7,081,720	5,702,458
Borrowing costs	3,114	43,755
Bank interest	3,477,928	3,531,161
Affiliated interest	1,401	–
Lease liability interest	236,650	–
Fair value loss on interest rate swaps	1,246,551	329,305
Finance costs	4,965,644	3,904,221
Cost of goods sold	883,533	973,915
Loss on disposal of property, plant & equipment	149,305	31,767
Operating expenses	8,209,831	7,814,068
Administration, marketing and insurance	6,086,030	5,611,999
Property expenses	2,477,307	3,553,642
Other expenses	17,806,006	17,985,391

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 5 – INCOME TAX	2019 \$	2018 \$
<b>a) Reconciliation of effective tax rate</b>		
Income tax expense using the domestic corporation tax rate of 27.5% (2018: 30%)	(1,668,849)	(245,617)
Add / (subtract) tax effect of:		
Income and expenses exempt under principle of mutuality	1,231,424	245,617
Recognition of previously unrecognised tax losses	–	–
Income tax losses not recognised as deferred tax asset	437,425	–
Assessable gain on disposal of property, plant and equipment	–	–
Income tax expense	–	–
<b>b) Principle of mutuality</b>		
The estimated amount of income subject to the mutuality principle is 95% (2018: 95%).		
<b>c) Unrecognised tax losses</b>		
The following tax losses from non-mutual income have not been brought to account as a deferred tax asset:		
YHA Ltd	13,829,596	11,919,071
YHA Queensland	2,864,546	2,541,771
YHA WA Pty Ltd	1,777,771	1,777,771
Tax losses	18,471,913	16,238,613
The consolidated entity does not regard it as appropriate to recognise in its financial statements any possible future income tax benefit arising from the aforementioned tax losses and other timing differences as there is no probability of recovery of this benefit.		
<b>NOTE 6 – CASH AND CASH EQUIVALENTS</b>		
Cash on hand	70,403	72,803
Cash at bank	2,241,128	1,920,339
Cash on deposit	34,459	60,352
	2,345,990	2,053,494
<b>a) Reconciliation to cash and cash equivalents at the end of the financial year</b>		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	2,345,990	2,053,494
Bank overdraft (per note 14)	(424,543)	–
Balance as per statement of cash flows	1,921,447	2,053,494

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 7 – TRADE & OTHER RECEIVABLES	2019	2018
	\$	\$
Trade receivables	751,638	635,274
	751,638	635,274
<b>NOTE 8 – INVENTORIES</b>		
Finished goods	62,730	52,452
	62,730	52,452
<b>NOTE 9 – OTHER ASSETS</b>		
<b>Current</b>		
Prepayments	1,015,268	957,679
	1,015,268	957,679
<b>NOTE 10 – PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Freehold Land and Buildings</b>		
At cost	123,456,956	124,091,276
Less: Accumulated depreciation	(30,662,848)	(28,208,989)
	92,794,108	95,882,287
<b>Leasehold Land and Buildings</b>		
At cost	50,211,497	51,282,421
Less: Accumulated depreciation	(11,773,198)	(11,672,779)
	38,438,299	39,609,642
<b>Plant and Equipment</b>		
At cost	21,581,550	20,950,953
Less: Accumulated depreciation	(13,179,340)	(12,788,483)
	8,402,110	8,162,470
Work in progress – at cost	739,624	1,079,295
<b>Total Property, Plant and Equipment</b>	<b>140,374,141</b>	<b>144,733,694</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

## NOTE 10 – PROPERTY, PLANT AND EQUIPMENT (CONT)

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:

	2019 \$	2018 \$
<b>Freehold Land &amp; Buildings</b>		
Balance at the beginning of the year	95,882,287	97,278,902
Additions	586,937	1,388,520
Disposals	(33,556)	–
Transfers	101,378	(293,300)
Impairment expense	(1,240,031)	–
Depreciation expense	(2,502,907)	(2,491,835)
Carrying amount at the end of the year	92,794,108	95,882,287
<b>Leasehold Land &amp; Buildings</b>		
Balance at the beginning of the year	39,609,642	40,391,247
Additions	33,407	467,223
Transfers	(5,455)	–
Depreciation expense	(1,199,295)	(1,248,828)
Carrying amount at the end of the year	38,438,299	39,609,642
<b>Plant &amp; Equipment</b>		
Balance at the beginning of the year	8,162,470	6,811,249
Additions	1,620,364	2,130,872
Disposals	(117,401)	103,380
Transfers	478,835	678,140
Impairment	(28,837)	–
Depreciation expense	(1,713,321)	(1,561,171)
Carrying amount at the end of the year	8,402,110	8,162,470
<b>Work in progress</b>		
Balance at the beginning of the year	1,079,295	1,351,199
Additions	282,907	391,656
Disposals	–	(266,825)
Transfers	(622,578)	(396,735)
Carrying amount at the end of the year	739,624	1,079,295
<b>Total</b>		
Balance at the beginning of the year	144,733,694	145,832,597
Additions	2,523,615	4,378,271
Disposals	(150,957)	(163,445)
Transfers to intangibles	12 (47,820)	(11,895)
Impairment expense	(1,268,868)	–
Depreciation expense	(5,415,523)	(5,301,834)
Carrying amount at the end of the year	140,374,141	144,733,694

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

## NOTE 11 – LEASE ASSETS AND LEASE LIABILITIES

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

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

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

i) Amounts recognised in the statement of financial position:

	2019	1-Jan-19
	\$	\$
Carrying value of lease assets, by class of underlying asset:		
Land and buildings	6,013,580	6,932,401
Carrying amount at the end of the year	6,013,580	6,932,401
Reconciliation of the carrying amount of lease assets at the beginning and end of the year:	Land and buildings	Total
Carrying amount at 1 January 2019:	6,932,401	6,932,401
Additions	289,780	289,780
Amortisation	(1,208,601)	(1,208,601)
Carrying amount at 31 December 2019:	6,013,580	6,013,580
<b>Lease liabilities</b>		
Current	1,129,310	918,534
Non-current	4,966,166	5,911,801
	6,095,476	6,830,335
ii) Amounts recognised in the statement of comprehensive income:		
Interest expense (included in finance costs)	(236,650)	–
Expenses relating to short-term leases (included in property expenses)	(97,031)	–
Expense relating to variable lease payments not included in lease liabilities (included in property expenses)	(210,459)	–
The total cash outflow for leases was:	(1,568,778)	–

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 12 – INTANGIBLE ASSETS	2019	2018		
	\$	\$		
Licences – at cost	116,681	116,681		
Licences	116,681	116,681		
<p>The recoverable amount of the Liquor Licence is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 10-year period with the period extending beyond five years extrapolated using an estimated growth rate.</p>				
Goodwill – at cost	2,064,101	2,064,101		
Goodwill – accumulated amortisation	(400,000)	(400,000)		
	1,664,101	1,664,101		
<p>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.</p>				
Computer software – at cost	4,293,131	4,021,640		
Less: accumulated amortisation	(3,681,672)	(3,232,097)		
	611,459	789,543		
Total intangible assets	2,392,241	2,570,325		
<p>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.</p>				
	LICENCES	GOODWILL	COMPUTER	TOTAL
	\$	SOFTWARE	\$	\$
	\$	\$	\$	\$
Carrying amount at the beginning of the year	116,681	1,664,101	789,543	2,570,325
Additions	–	–	231,692	231,692
Transfers from property, plant and equipment	–	–	47,820	47,820
Amortisation charge	–	–	(457,596)	(457,596)
Carrying amount at the end of the year	116,681	1,664,101	611,459	2,392,241
NOTE 13 – TRADE AND OTHER PAYABLES	2019	2018		
	\$	\$		
<b>Current</b>				
Trade creditors	456,576	494,769		
Accrued expenses	1,813,994	2,152,642		
BAS payable	245,238	352,910		
Other payables	667,198	665,303		
Deferred revenue	–	124,139		
	3,183,006	3,789,763		
<b>Non-current</b>				
Rental bonds	48,339	45,192		
	48,339	45,192		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 14 – BORROWINGS	2019 \$	2018 \$
<b>Current</b>		
Bank overdraft	424,543	–
Insurance premium funding	482,305	–
Bank loans	88,237,000	–
	89,143,848	–
<b>Non-current</b>		
Bank loans	–	88,237,000
Affiliated body loans	–	–
	–	88,237,000
Total Borrowings	89,143,848	88,237,000

- The ANZ facility consists of a Cash Advance Facility of \$91,137,000 for YHA Ltd borrowings which has three years until termination in January 2023. The facility allows prepayment and with any prepayment a permanent reduction in the facility. Prepayments are not required. The ANZ facility includes an overdraft of \$1,500,000 (2018: \$750,000); a facility for corporate credit cards of \$200,000, a facility for electronic payments (\$500,000) and bank guarantees (\$700,000) for security of leasehold hostel and office properties. The undrawn development facility (2018: \$3,000,000) was cancelled during the year and an increase in overdraft was made.
- The bank facilities are secured by a first ranking fixed and floating charge over all the assets of the group and first ranking mortgages over 23 hostel properties. The covenants within the bank borrowings require the group to maintain the loan to value ratio at less than or equal to 55% and an interest cover ratio of earnings before interest, tax, depreciation and amortisation (EBITDA) less provision for capital expenditure of 4% of hostel revenue over interest expense greater than or equal to 1.4 times.
- The group complied with the financial covenants of its borrowing facilities during the 2018 reporting period and most of the 2019 reporting period until the last month when a slowing of trade caused a breach in the interest cover ratio. The breach has been reported to ANZ Bank and a request for no action to be taken made. This breach is the reason that the borrowings have been classified as current, though there is no requirement at the time of this report to repay these loans within the 2020 year.

The bank facilities as at the balance date are:	2019 \$	2018 \$
Credit facilities	89,937,000	92,187,000
Amount utilised	88,661,543	88,237,000
Amount unutilised	1,275,457	3,950,000

The unused credit facilities consist of cash advance development facility of \$nil (2018: \$3,000,000), bank overdraft \$1,075,457 (2018: \$750,000) and corporate card facility \$200,000 (2018: \$200,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 14 – BORROWINGS (CONT)	2019 \$	2018 \$
<b>Assets Pledged as Security</b>		
The carrying amounts of assets pledged as security are:		
First mortgage and floating charges		
Total assets	142,766,382	151,002,918
Independent valuations of interest in Land & Buildings		
2019	4,000,000	–
2018	29,455,000	29,455,000
2017	205,805,000	206,405,000
2016	–	4,200,000
2015	825,000	825,000
Total	240,085,000	240,885,000
<p>The total independent valuation reports value of \$240,085,000 representing 27 freehold and leasehold properties and including the 2019 update for land at the Gold Coast and 2018 updates for the Byron Bay YHA, Newcastle Beach YHA, Pittwater YHA, Thredbo YHA, Alice Springs YHA and Airlie Beach YHA. A value for the hostel at Fremantle Prison YHA has been included. The written down value of these properties in the financial report is \$138,667,406 and they are recorded at cost or deemed cost as at transfer date.</p>		
<b>NOTE 15 – PROVISIONS</b>		
<b>Current</b>		
Employee benefits	2,266,436	2,164,376
	2,266,436	2,164,376
<b>Non-current</b>		
Employee benefits	174,186	148,367
	174,186	148,367
Aggregate liability for employee benefits provision including on-costs:		
Employee benefits	2,440,622	2,312,743
		EMPLOYEE ENTITLEMENTS \$
<b>Movements in provisions</b>		
Balance at the beginning of the year		2,312,743
Additions		2,052,409
Amounts utilised		(1,924,530)
Balance at the end of the year		2,440,622

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 16 – CONTRACT LIABILITIES	2019	2018
	\$	\$
<b>Current</b>		
Bookings in advance	3,215,979	3,045,129
Deferred revenue	77,220	–
	3,293,199	3,045,129
NOTE 17 – DERIVATIVE FINANCIAL INSTRUMENTS	2019	2018
	\$	\$
The group has the following derivative financial instruments:		
<b>Current</b>		
Interest rate swap contracts – non-hedging	1,083,502	429,070
<b>Non-current</b>		
Interest rate swap contracts – non-hedging	1,454,446	862,327
	2,537,948	1,291,397
<p>The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. This classifies them as Level 2 financial instruments. In 2019 the fair value has been determined by reference to the ANZ Bank value of the interest rate swap agreements as at 31 December 2019. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.</p> <p>Derivatives are classified as held for trading and accounted for at fair value through the Statement of Profit or Loss and Other Comprehensive Income unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.</p>		
NOTE 18 – COMMITMENTS		
<b>a. Capital commitments</b>		
Capital expenditure commitments contracted for:		
Capital expenditure projects	724,646	356,455
	724,646	356,455
<p>Commitments for capital expenditure projects will be payable not later than 1 year.</p>		
<b>b. Operating leases</b>		
Payable not later than 1 year	–	1,253,788
Later than 1 year but not later than 5 years	–	3,720,675
Later than 5 years	–	3,317,109
	–	8,291,572
<b>c. Other commitments</b>		
<p>The Company has a Lease Agreement with the Property NSW (formerly Sydney Harbour Foreshore Authority) to operate a Youth Hostel and Education Centre in The Rocks, Sydney. The lease requires a contribution to a sinking fund to be used for the maintenance of The Rocks Big Dig archaeology site which the hostel sits over. This sinking fund is capped at \$605,000 and increases annually by CPI adjustment as does the contribution per overnight since 2009.</p>		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

## NOTE 19 – RELATED PARTY DISCLOSURES

All transactions between the company and its controlled entities are eliminated on consolidation. There were no other related party transactions occurring during the year. The directors of the company are all directors of the controlled entities. Directors are reimbursed for expenses incurred in attending meetings in accordance with directors' expense policy and from the April 2018 Annual General Meeting have been remunerated, in accordance with the constitution. Disclosures relating to key management personnel are set out in Note 21.

## NOTE 20 – FINANCIAL INSTRUMENTS

### Financial risk management objectives

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

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

### Interest rate risk

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

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

### Liquidity risk

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

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

### Foreign currency risk

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

### Price risk

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

### Credit risk

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

## NOTE 21 – KEY MANAGEMENT PERSONNEL COMPENSATION

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

Key management personnel – excluding directors	SALARY	SUPERANNUATION	TOTAL
	\$	\$	\$
2019	1,670,087	155,998	1,826,085
2018	1,621,969	152,327	1,774,296
<b>Directors</b>			
2019	90,834	8,629	99,463
2018	54,792	5,205	59,998

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

The directors remuneration is \$10,000 per annum plus superannuation per director and is paid pro-rata for Directors who join after the AGM. Additional remuneration of \$2,500 plus superannuation is also paid to Directors who hold the office of Vice Chair and Committee Chairs. Additional remuneration of \$5,000 plus superannuation for the Chair. (note: one Director chose to forego the remuneration to December 2019).

### Key management personnel – including directors

2019	1,760,921	164,627	1,925,548
2018	1,676,761	157,532	1,834,293

## NOTE 22 – PARENT ENTITY INFORMATION

	PARENT ENTITY	
	2019 \$	2018 \$
Set out below is the supplementary information about the parent entity.		
<b>Statement of comprehensive income</b>		
Deficit after income tax	(2,953,470)	(18,491,155)
Total current assets	4,175,626	3,625,260
Total assets	138,375,592	133,302,300
Total current liabilities	100,074,474	9,397,917
Total liabilities	106,717,611	98,693,180
<b>Equity</b>		
Total equity	31,657,981	34,609,120

### Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2019.

### Capital commitments

The parent entity had capital commitments for property, plant & equipment as at 31 December 2019 of \$724,646 and 31 December 2018 of \$356,455.

### Significant accounting policies

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

## NOTE 23 – RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	CONSOLIDATED ENTITY	
	2019 \$	2018 \$
<b>Deficit after income tax</b>	(6,068,544)	(818,723)
<b>Non-cash flows in (deficit)</b>		
Depreciation and amortisation	7,081,720	5,702,280
Impairment of property, plant & equipment	1,268,868	–
Fair value adjustment to derivatives	1,246,551	329,305
(Profit) on sale of property, plant & equipment	–	(1,572,053)
Loss on sale or disposal of property, plant & equipment	149,305	31,767
<b>Changes in assets and liabilities</b>		
(Increase) in receivables	(116,364)	(23,475)
(Increase) / decrease in inventory	(10,278)	1,680
(Increase) in other assets	(159,656)	(96,490)
(Decrease) in payables	(613,776)	(822,976)
(Decrease) in provision for income tax payable	–	(1,248,569)
Decrease / increase in provisions	127,879	(120,186)
Increase in contract liabilities	248,070	313,479
Net cash provided by operating activities	3,153,775	1,676,040

## NOTE 24 – INFORMATION TO BE FURNISHED UNDER CHARITABLE FUNDRAISING ACTS

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

## NOTE 25 – EVENTS AFTER REPORTING PERIOD

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

In relation to the independent audit for the year ended 31 December 2019, to the best of my knowledge and belief there have been:

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

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



M A Alexander  
Partner

Pitcher Partners  
Sydney

22 February 2020

# DIRECTORS' DECLARATION

The Directors of YHA Ltd declare that:

1. The financial statements and notes, as set out on pages 7 to 37, are in accordance with the *Corporations Act 2001*, and:
  - a. Comply with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b. Give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. *Charitable Fundraising Act 1991 (New South Wales (NSW))*

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

- i. the financial report shows a true and fair view of the financial results of fundraising appeals for the year ended 31 December 2019;
- ii. the financial report and associated records have been properly kept during the year in accordance with the Act;
- iii. money received as a result of fundraising appeals conducted during the year ended 31 December 2019 has been properly accounted for and applied in accordance with the Act; and
- iv. as at the date of this statement there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

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

On behalf of the Directors.



Euan Prentice  
Director  
22 February 2020



Simon Spicer  
Director  
22 February 2020

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

**Report on the Financial Report**

**Opinion**

We have audited the financial report of YHA Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors declaration.

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

- a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

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

**Basis for Opinion**

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

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

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

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Directors Report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

### **Responsibilities of the Directors for the Financial Report**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Report**

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

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

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

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



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

*Melina Alexander*

M A Alexander  
Partner

22 February 2020

*Pitcher Partners*

Pitcher Partners  
Sydney



## OUR MISSION

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



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HOBART CENTRAL YHA WON "BEST ACCOMMODATION IN TASMANIA" AT THE  
2019 AUSTRALIA & NEW ZEALAND ADVENTURE TOURISM AWARDS