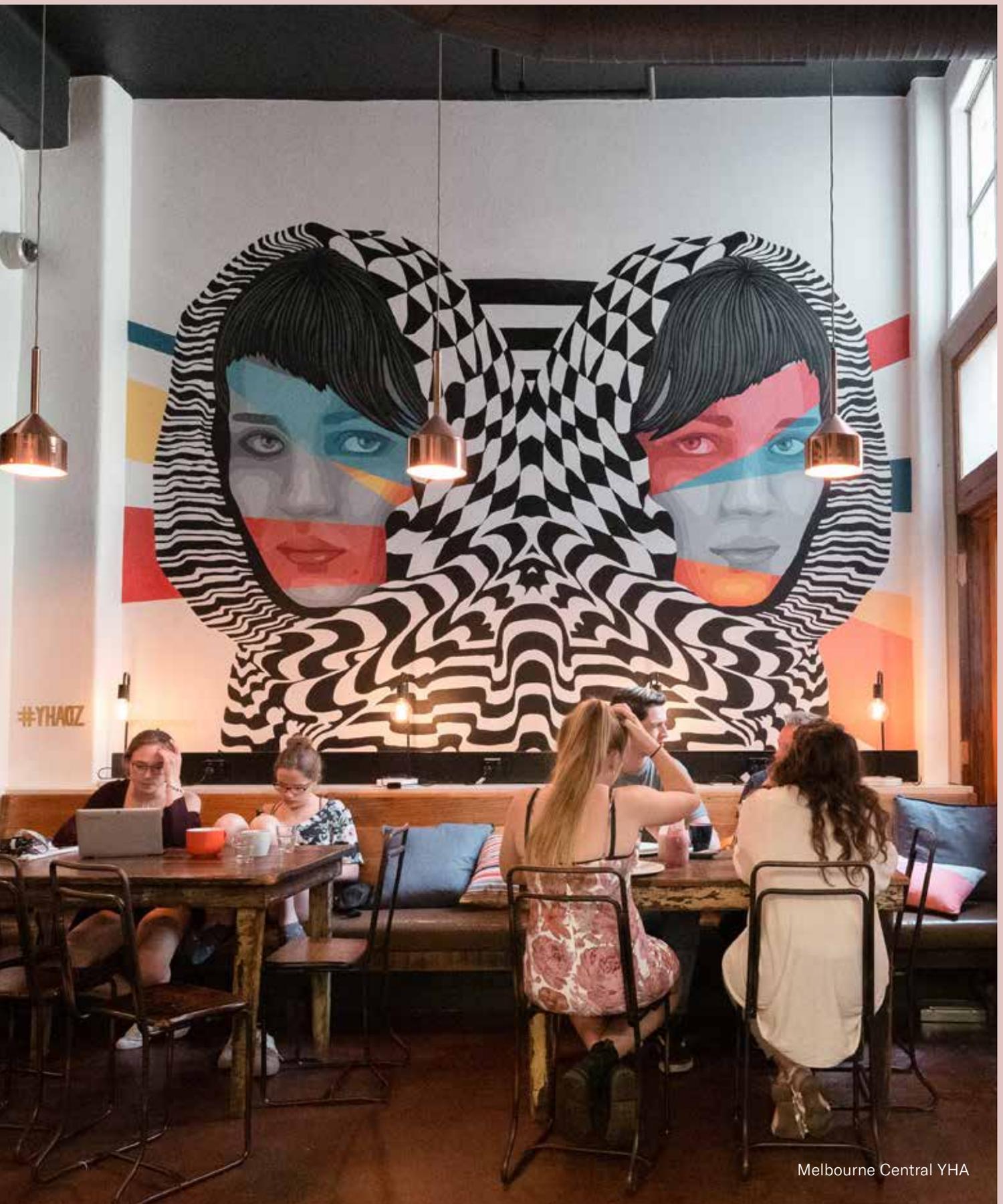




# YHA Ltd. Annual Report 2021



Always exploring



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

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## Acknowledgement of Country

We acknowledge the Traditional Custodians of the land and pay our respect to their Elders past and present.

Through our network of YHA properties across Australia, we have a responsibility to learn about First Nations peoples and cultures, and to share those learnings with our guests.



Apollo Bay Eco YHA



# Our background

## Our Organisation

For over 80 years, YHA Australia has been a for-purpose, membership-based community organisation, providing travellers of all ages with low cost, quality short-stay accommodation. YHA Ltd (trading as YHA Australia) currently has a network of 49 properties (owned and/or operated and Associates) across the country and is part of the global organisation Hostelling International (HI) – a network of over 3,000 unique places to stay in more than 70 countries.



## Our Origins

Over a hundred years ago, the origins of the global youth hostel movement were founded in rural Germany, when schoolteacher Richard Schirrmann took some students on an excursion to the countryside. The first permanent hostel (which is still operating today, at Altena Castle) was established soon after, in 1912. In 1932, the global network of not-for-profit youth hostel associations, Hostelling International (HI), was formed. Momentum grew, and the first YHA hostel in Australia opened in 1939 in Warrandyte, Victoria – a plaque marks the site of the humble beginnings of what has now become Australia's largest accommodation network for independent travellers.

## Our Story

YHA has always fostered inclusion and diversity by welcoming everyone and removing barriers to travel so humanity can thrive. Consistently providing access and opportunities to travellers from all around the world. This provides our guests with opportunities to experience more of what Australia has to offer while inspiring their personal growth through travel.

Our aim is to make travel easy and affordable, leaving more time and money for different experiences. That's why all our properties aim to provide our guests diverse spaces with just the right amount of modern comfort in a safe, nurturing environment, but with the freedom to explore.

Our range of properties offers different experiences for every type of traveller. From the hustle and bustle of the city to thriving tourist destinations and off-the-beaten-path locations only accessible by ferry, you can always find a place for you at YHA, whether you live here or are just visiting.

Our 80-year history has enabled us to open our doors to some of Australia's most iconic spots. "Great places in greater places" – is our promise to you. When it comes to affordable accommodation, YHA doesn't believe 'one size fits all.' That's why you can pick and choose the rooms and arrangements you want at our properties. Our private rooms and co-living rooms have all been designed with our guests in mind, so that everyone can enjoy a comfortable and safe stay. We have facilities such as kitchens, pools, or even a rooftop BBQ overlooking the Opera House (we told you we had great locations!). Plus, we're constantly adding new stuff.

Finally, our YHAs wouldn't exist if it weren't for our team. Our team are hosts, guides, and most importantly, local friends, that create connections between our guests and the place, ensuring you can feel part of the local community and don't miss out on anything.

# Brand framework

<b>Purpose</b>	An open and accommodating world where life flourishes				
<b>Mission</b>	To create a community in diverse spaces, by connecting the curious, inspiring personal growth and creating genuine local experiences, in a sustainable way.				
<b>Values in action</b>	Work together	Give our best	Put our guests first	Have fun	Think differently
<b>Social Impact</b>	<b>Environmental Sustainability</b> Leader in Regenerative Tourism		<b>Diversity, Acceptance &amp; Equality</b> Making travel available to all		
<b>Value Proposition</b>	Fun, affordable, safe, sustainable, quality accommodation, a place to go, a place to connect				
<b>Positioning</b>	Always Exploring				
<b>Drivers</b>	A place with purpose-social conscience - Sustainable actions	Enabling inspiring travel & experiences	Access amazing places & spaces	Low-cost, quality accommodation choices	



# Introduction

## Message from our Chair & CEO

For YHA, 2021 was a year of reassessing, repositioning, and renewing the organisation. The adversity of the COVID-19 pandemic also came as an opportunity to set new foundations and rejuvenate our organisation.

The year started positively, buoyed by groups returning to our properties. However, extended shutdowns in Victoria and New South Wales, combined with closed international and state borders, resulted in a sharp decline in occupancy and revenue. This necessitated the temporary closure of some properties and the sale of several assets to ensure financial sustainability.

We were still able, though, throughout the year, to accommodate 1,117 guests each night on average across our network of 24 owned and operated properties, resulting in 407,743 total overnight stays. Our total revenue was \$18.88M (2020: \$25.1M) resulting in a consolidated deficit after tax of \$10.53M (2020: \$10.14M).

Considering the evolving situation, we set our Strategic Plan 2022-2024, setting a roadmap to guide us out of the pandemic. We implemented an innovative technology platform, including a Property Management System (PMS), an integrated revenue management system and reputation management tools that provide access to guest feedback from multiple channels. We introduced a modern working platform across our organisation to facilitate flexible work. We adopted an innovative approach to our challenges and ran innovation accelerator sprints to create ideas for alternative revenue streams, leading to the piloting of Y-Hive, a member-based co-working space (launching in 2022).

The redevelopment of Railway Square YHA in Sydney, in conjunction with Atlassian, entered a new phase in 2021 with the addition of Dexus as a joint venture partner and project developer. Work continued with the design concepts for a brand new YHA property over five floors within the 39 storey Atlassian global head office, with the project due for completion mid-2026. This will set a new benchmark for YHA and low-cost accommodation in Australia.

We continued to engage with our 279,409 members throughout 2021, encouraging Australians to explore their own backyard with YHA.

Whereas 2020 was a year of organisational restructuring for YHA, 2021 established the foundations and positioned the business for future growth. Refinancing the organisation was achieved in December; this has ensured financial security providing capital for investment to maintain and enhance our properties. This will also support new initiatives, including expanded Food & Beverage offerings and working capital for the next 3-4 years, to see us out of the pandemic.

At year-end, we also welcomed the news that fully vaccinated Working Holiday Makers (WHM), and international students could arrive back in Australia from 15 December 2021. Working Holiday Makers are critical to the recovery of tourism. They stay longer, travel further, spend more than any other international tourists, and contribute to the casual workforce.

We are poised to take on the challenges and opportunities in the next stage of our organisation's long history. We have survived and thrived for over 80 years and have learnt a lot over the past two years. We are reinvigorated with our doors wide open to welcome the return of tourism to Australia.

Sincere thanks go to our members, Directors, and industry partners. We particularly thank our team members for their flexibility and sacrifices during the past year – we appreciate your dedication, support, and resilience.



Left to right: Paul McGrath (CEO) & Tracey Powell (Chair) at Sydney Harbour YHA

“We continued to engage with our 279,409 members throughout 2021, encouraging Australians to explore their own backyard with YHA.”

Tracey Powell  
Chair

Paul McGrath  
CEO

# 2021 in summary

24  
properties  
(owned &/or operated)

25  
Associates

\$206M  
in property assets at  
independent valuation

279,409  
members

1,117  
guests hosted nightly

\$18.88M  
total revenue

407,743  
total overnight stays  
(excluding Associate  
properties)

## Governance

- **Constitutional change**

At the 2021 AGM, members embraced Constitutional amendments to future-proof our organisation's options for capital-raising by enabling the issuance of mutual capital instruments (MCIs).

## Strategy & Innovation

- **Research**

Undertook market research to gain insights to guide our strategic direction.

- **Strategic planning**

Developed a Strategic Plan from 2022 - 2024 laying out our roadmap for the future.

- **Innovation**

Ran accelerator sprints to brainstorm ideas for new revenue streams, leading to development of Y-Hive co-working spaces (launching in 2022).

## Brand & Purpose

- **Repositioning**

Undertook a review of our brand and redefined our social purpose.

- **Reconciliation Action Plan**

Embarked on a journey to develop the reflective phase of our commitment to reconciliation with Australia's Indigenous people and culture (launching in 2022).

## Customer Experience

- **Pivot to Australian guests**

Reassessed our offering for different types of customers, including encouraging more Australian visitors and

reconfiguring rooms at properties such as Byron Bay YHA to accommodate families.

- **Central Reservations**

Centralised our reservations system and team to provide a streamlined service for our customers.

## Finance & Property

- **Refinancing**

Refinanced our borrowings to provide us with working capital to invest in maintaining and enhancing our properties, and in new initiatives.

- **Property portfolio review**

Strategically assessed our assets and divested of our properties in Perth, Coffs Harbour, Airlie Beach, Hawkesbury Heights and land in Surfers Paradise.

- **Associate property partnerships**

Rationalised our network and developed a new strategy and partnership agreement for our Associate properties.

## Technology

- **Technology transformation**

Rolled out the latest Cloud based SaaS software with a new Property Management System (Mews) alongside revenue management system and introduced modern office platform across our organisation.

## People & Culture

- **People Focus**

Introduced an employee pulse survey; re-launched our Recognition & Reward program; developed our Employee Value Proposition, and offered an Employee Assistance Program.

# 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 2021.

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

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

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

NAME	QUALIFICATIONS	EXPERIENCE	RESPONSIBILITIES	ELECTED
Brigita Bridget Bezjak	B.App.Sci (Speech Pathology), Dip Bus (Governance). MAICD.	YHA member since 1999. Health professional.		April 2019 to April 2022
Bronwyn Teresse Dallow	M.International Management, Grad Dip Business, MAICD	YHA member since 2011. General Manager, business chamber.	Vice Chair from April 2020. Chair of Nominations, Remuneration & HR Committee from April 2019 to March 2021, Chair of Election Committee from April to September 2019 and from April 2020 to March 2021.	18 April 2020 to April 2023
Tammy Lea Marshall	BBus, Graduate Diploma in Business Administration, MBA, GAICD	YHA member since 2019. Managing Director / owner of Management Consulting business.	Chair of Nominations, Remuneration & HR Committee from April 2021, Chair of Election Committee from April 2021	17 April 2021 to April 2024
Alison Louise McDonagh	BCom (Marketing & Hospitality Management); Graduate Diploma (Urban & Regional Planning)	YHA member since 2018. Regional Development Manager, property developer.		18 April 2020 to April 2023
Robert Anthony McGuirk	BA, LLB, F Fin, GAICD	YHA member since 1990. Continuing member of YHA Victoria Limited Board, held roles of Chair & Vice Chair. Former Chair of YHA Ltd. Hostelling International President (October 2018 to September 2020) and former Vice President. Lawyer, Property Manager, IT Consultant.		Appointed from 13 April 2019 to 17 April 2021
Matthew Craig McNeil	BArch (Hons), GAICD	YHA member since 1988. Architect & educator		April 2019 to April 2022
Tracey Michelle Powell	BBus, GAICD	YHA member since 2000. Former member of YHA South Australia Board, held role of Chair. Principal & Director, marketing consultancy.	Chair from April 2020, former Vice Chair, former Chair of Nominations & Remuneration Committee and former Chair of Election Committee	17 April 2021 to April 2023
Simon Paul Spicer	BEc, CA, GAICD	YHA member since 2018. Finance and Strategy Executive.	Chair of Audit & Risk Committee from April 2019.	Appointed 18 April 2020 to April 2022
Jennifer Ching Wai Tang	BCom, LLB	Managing Director, Investment Firm.		Appointed 1 January 2022 to April 2023
David James Young	BCom, LL.M. CA, GAICD	Director, Airline Commercial Executive.		Appointed 1 January 2022 to April 2023

## COMPANY SECRETARY

Stephen Lynch was appointed as Company Secretary on 23 September 2009.

# Directors' Report

CONTINUED

## 2. MEETINGS OF DIRECTORS

The following table sets out the Board and Committee meetings held during the year and the number attended by each Director where applicable. The Committees are: Audit and Risk Committee, Nominations Remuneration and Human Resources Committee 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	18	16	8	8
Bronwyn Teresse Dallow	18	16	8	8
Tammy Lea Marshall	18	18	14	14
Alison Louise McDonagh	18	17	7	7
Robert Anthony McGuirk	4	4	3	3
Matthew Craig McNeil	18	17	7	7
Tracey Michelle Powell	18	18	7	7
Simon Paul Spicer	18	17	9	9
Jennifer Ching Wai Tang	-	-	-	-
David James Young	-	-	-	-

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

## 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.

# Directors' Report

CONTINUED

## 4. STRATEGY FOR ACHIEVING OBJECTIVES

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

## 5. PRINCIPAL ACTIVITIES

The principal activities of the group during the financial year were to provide secure, high quality, low cost accommodation to members in YHA hostels and, through affiliated organisations, enable access to such accommodation throughout the world. In addition, the company operates travel and tour desk services 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 2021 was \$10,530,432 (2020 deficit of \$10,146,713). The number of member overnights for the year remained low due to the continued closure of the Australian border to international travellers, the average bed rates were lower also in cities though average bed rate growth in regional areas was achieved. Several hostels closed due to a lack of overnights though mostly this was for short duration other than Melbourne Central which was closed for much of the year. Other revenue and rent were also affected by the lockdowns of Sydney and Melbourne from July 2021 to November 2021. The company was eligible for the JobKeeper subsidy until it closed in March 2021 and the JobSaver subsidy in NSW from July 2021 to November 2021, which assisted in sustaining operations. Cost reductions were implemented during the lockdowns with employees on reduced working hours, where possible and these staff were supported by the Federal Government disaster payments.

The deficit included some large transactions including the total net gain on sale of Perth City YHA, Coffs Harbour YHA, Gold Coast Land and Airlie Beach YHA of \$807,687. A net gain on breaking fixed interest contracts \$965,000, a gain in the fair value movement in derivative financial instruments \$951,778 (2020: gain of \$1,586,170) and the impairment of one hostel of \$355,000 (2020: \$4,763,667).

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 2021 for operated hostels was 27.0% (2020 34.9%), ratings were in the desired range and several hostels achieved consistently high ratings.

# Directors' Report

CONTINUED

## 7. REVIEW OF OPERATIONS

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

Revenue decreased during the year from July onwards with the international border closed for the entire year and regular closures of state and territory borders due to the Novel Corona Virus Pandemic (COVID-19). These disruptions for international arrivals and limitations on Australian travel movement as in 2020, significantly affected the larger cities of Sydney and Melbourne, whilst the smaller cities and regional areas were less affected under these restrictions. Demand during school and other holiday periods was strong though affected by the localised locked downs in Sydney and Melbourne and restricted travel movements within States. Cash containment was the focus for the year resulting in lower maintenance and capital expenditure.

The finance facility with ANZ was refinanced in December 2021, replaced with a Syndicated Facility Agreement with secured funds provided by a large Superannuation Fund, fixed interest investor and property adviser. The tenure of the ANZ facility agreement concluded at the end of 2022 and certainty of funding for the duration of the pandemic and into the recovery years was strategically important for the future of YHA.

## 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 2021.

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

The Canberra Central YHA was contracted to be sold in January 2022 with a settlement in March 2022. No other matter or circumstance has arisen since 31 December 2021 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.

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

## 11. LIKELY DEVELOPMENTS

Likely developments in the operations of the group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the group.

## 12. DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The company has arranged a Directors' and Officers' Liability Insurance policy, which covers all the Directors and Officers of the company against certain liabilities they may incur in carrying out their duties for YHA Ltd. The terms of the policy prohibit disclosure of details of the amount of the insurance cover, the nature thereof and the premium paid.

# Directors' Report

CONTINUED

## 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 43.

## 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.



Tracey Powell  
Director  
19 February 2022



Simon Spicer  
Director  
19 February 2022

# Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTE	2021 \$	2020 \$
<b>Revenue</b>			
Revenue	3	18,881,716	25,066,492
Interest revenue		–	4,748
Other income	3	807,687	6,106,414
		19,689,403	31,177,654
<b>Expenses</b>			
Employee benefits expense	4	(12,087,653)	(14,392,884)
Depreciation & amortisation expense	4	(5,967,928)	(6,719,589)
Impairment expense	10	(355,000)	(4,763,667)
Finance costs	4	(879,804)	(4,418,792)
Other expenses	4	(10,929,450)	(11,029,435)
		(30,219,835)	(41,324,367)
<b>(Deficit) before income tax</b>		<b>(10,530,432)</b>	<b>(10,146,713)</b>
Income tax (expense)	5	–	–
(Deficit) after income tax		(10,530,432)	(10,146,713)
Other comprehensive income		–	–
<b>Total Comprehensive Income</b>		<b>(10,530,432)</b>	<b>(10,146,713)</b>

The accompanying notes form part of these financial statements.

# Statement of Financial Position

AS AT 31 DECEMBER 2021

	NOTE	2021 \$	2020 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	8,543,802	2,512,678
Trade and other receivables	7	807,775	756,632
Inventories	8	62,976	58,014
Other current assets	9	806,184	875,653
Non-current assets classified as held for sale	10	6,457,932	10,476,405
<b>Total Current Assets</b>		16,678,669	14,679,382
<b>Non-current Assets</b>			
Property, plant and equipment	11	106,577,083	119,363,039
Lease assets	12	3,123,798	4,182,590
Intangible assets	13	1,867,486	2,054,380
<b>Total Non-current Assets</b>		111,568,367	125,600,009
<b>TOTAL ASSETS</b>		128,247,036	140,279,391
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	14	2,626,635	2,021,171
Lease liabilities	12	761,388	1,017,143
Borrowings	15	473,713	1,143,495
Derivative financial instruments	18	–	216,988
Provisions	16	1,366,728	1,781,527
Contract liabilities	17	2,632,927	2,361,261
<b>Total Current Liabilities</b>		7,861,391	8,541,585
<b>Non-current Liabilities</b>			
Trade and other payables	14	20,349	25,224
Lease liabilities	12	2,586,363	3,347,751
Borrowings	15	92,139,069	91,400,000
Derivative financial instruments	18	–	734,790
Provisions	16	103,859	163,604
<b>Total Non-current Liabilities</b>		94,849,640	95,671,369
<b>TOTAL LIABILITIES</b>		102,711,031	104,212,954
<b>NET ASSETS</b>		25,536,005	36,066,437
<b>EQUITY</b>			
Accumulated surplus		21,778,296	32,308,728
Revaluation reserve		3,757,709	3,757,709
<b>TOTAL EQUITY</b>		25,536,005	36,066,437

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2021

	REVALUATION RESERVE \$	ACCUMULATED SURPLUS \$	TOTAL EQUITY \$
Balance at 1 January 2020	3,757,709	42,455,441	46,213,150
Deficit after income tax	–	(10,146,713)	(10,146,713)
Other comprehensive income	–	–	–
<b>Balance at 31 December 2020</b>	3,757,709	32,308,728	36,066,437
Deficit after income tax	–	(10,530,432)	(10,530,432)
Other comprehensive income	–	–	–
<b>Balance at 31 December 2021</b>	3,757,709	21,778,296	25,536,005

The accompanying notes form part of these financial statements.

# Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTE	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Receipts from members and customers		18,906,498	21,053,437
Receipts from government subsidies		1,914,514	4,712,900
Payments to employees		(12,562,197)	(14,964,845)
Payments to suppliers		(11,983,126)	(13,762,774)
Interest received		–	4,748
Finance costs paid		(1,831,582)	(6,042,562)
<b>Net cash used in operating activities</b>	24	(5,555,893)	(8,999,096)
<b>Cash flows from investing activities</b>			
Purchase of plant, equipment & software		(566,365)	(184,396)
Development of property		(397,252)	(69,816)
Proceeds from sale of property, plant & equipment		13,498,492	7,029,091
<b>Net cash provided by investing activities</b>		12,534,875	6,774,879
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		92,139,069	8,158,503
(Repayment) of borrowings		(91,404,097)	(5,000,000)
Payments for the principal portion of lease liabilities		(1,017,144)	(1,008,741)
<b>Net cash (used in) / provided by financing activities</b>		(282,172)	2,149,762
<b>Net increase / (decrease) in cash and cash equivalents</b>		6,696,810	(74,455)
<b>Cash and cash equivalents at the beginning of the year</b>		1,846,992	1,921,447
<b>Cash and cash equivalents at the end of the year</b>	6	8,543,802	1,846,992

The accompanying notes form part of these financial statements.

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 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 2021 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 19 February 2022.

### Basis of Preparation

#### Reporting Basis and Conventions

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

#### Going concern

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

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

For the year ended 31 December 2021, COVID-19 has impacted the Group as follows:

- A number of hostels closed in Victoria, New South Wales, and Queensland in response the continued international border closure and State border closures and city and State lockdowns. All hostels, other than Melbourne Central, were opened by the end of the year.
- The fixed interest rate contract was broken and the break interest income was received assisting liquidity in November 2021.
- A Syndicated Facility Agreement of \$110,000,000 was funded by a Superannuation Fund and Fixed Interest investor to secure funding for 2022 and beyond.
- The cash and cash equivalents reported as at 31 December 2021 are \$8,543,802 and net assets are \$25,891,005.
- The months of February to December 2021 were loss making and cash flows are being closely monitored with cash outflows being reduced.
- The Group participated in the JobKeeper wage subsidy programme to March 2021 and significant reductions in worked hours by employees was ongoing from July 2021 to November 2021 partially supported by the NSW JobSaver subsidy.
- The Group continues to work with the Facility Manager and Facility Funders, including consideration of financial performance, cash flows, property strategy and a return to sustainable levels of business and borrowings.

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

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

### Going concern (continued)

The directors have prepared projected cash flow information out to 31 March 2023 taking into consideration the estimation of the continued business impacts of COVID-19.

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

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

- The likelihood that international border restrictions will be lifted in the first quarter and operations begin to return to include international travellers, albeit with some vaccination restrictions on arrivals, as opposed to being largely restricted to an Australian only business.
- Base case forecasts assume customers will be from those within Australian markets only until June 2022 and include internationals from July 2022. YHA will be able to achieve average annual bed occupancy of 50.13% and an average bed rate of \$38.72.
- Limited to no government support through the 2022 year.

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

To address the risks associated with the uncertainty created by the Coronavirus and the impact on the Group, the directors have undertaken the following initiatives:

- Ongoing divestment identified in the assets held for sale, which are expected to be released in 2022 to maintain adequate liquidity.
- Continued restructuring and cost savings initiatives to ensure positive cash inflows are achieved.
- Strategy and innovation transformation projects to adapt the business to the 2022 and 2023 COVID-19 impacted market.
- Entered into a Syndicated Facility Agreement for continued support in response to COVID-19 impacts. The Facility includes funding restricted to the payment of interest in the first year to assist with liquidity until occupancy recovers.

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

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

## ACCOUNTING POLICIES

### Trade and other receivables

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

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

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

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

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

### Property Plant & Equipment

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

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

### Depreciation

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

The estimated useful lives are:

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

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

### Financial Instruments

#### Recognition

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

#### Receivables

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

#### Financial Liabilities

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

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

#### Impairment

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

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

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

### Impairment of Non-Financial Assets

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

### Cash and Cash Equivalents

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

### Lease assets

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

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

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

### Lease liabilities

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

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

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

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

### Non-current assets or disposal groups classified as held for sale

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

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

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

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

### Inventories

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

### Intangibles

#### Liquor Licence

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

#### Software

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

#### Goodwill

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

### 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 Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: 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.

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

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

### 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.

### Government grants

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

### 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.

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

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

### 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 2021 (CONTINUED)

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (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 2021 (CONTINUED)

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (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.

Employee benefits

#### (i) 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.

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

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

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

### **Allowance for expected credit losses**

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

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

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

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

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

- Bed occupancy % increasing over the year as virus risk stabilises and state and territory economic activity recovers with no border closures in the range as from 40% up to 67% or higher by the end of the year.
- Average bed rates increasing as demand from Australians strengthens and in the range of \$30 in competitive locations with less demand and up to \$60 in higher demand locations and times of peak demand.
- A return to international travel from March 2022 with increasing arrivals as airline capacity increases.
- Discount rate in the range of 9% to 12% and capitalisation rates in the range from 6% to 12%.

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

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

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

## NOTE 2 – CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

### 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 2021 (CONTINUED)

<b>NOTE 3 – REVENUE AND OTHER INCOME</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue with contracts with customers</b>		
Hostel	14,715,622	17,253,009
Catering	311,165	372,767
Travel & tours commission	10,400	145,977
Other hostel revenue	432,182	761,345
Sundry revenue	514,698	390,701
Revenue from contracts with customers	15,984,067	18,923,799
All revenue from contracts with customers is recognised at a point in time.		
<b>Other revenue</b>		
Membership	224,035	290,418
Government subsidies	1,951,550	5,274,864
Rent	722,064	577,411
Total other revenue	2,897,649	6,142,693
Total revenue	18,881,716	25,066,492
<b>Other income</b>		
Gain on disposal of property, plant & equipment	807,687	6,106,414
Other income	807,687	6,106,414
<p>The company was eligible for the JobKeeper wage subsidy from January to March 2021 and received other government assistance to support business through the pandemic. The following properties were sold during the year: Perth City YHA, Coffs Harbour YHA, Hawkesbury Heights YHA, Land at 3 Beach Road Surfers Paradise, Airlie Beach YHA for a total net gain. (2020: Glebe Point was sold). These sales were made to mitigate liquidity risk caused by the continued closure of international borders.</p>		

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

<b>NOTE 4 – EXPENSES</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Salaries and wages	10,624,145	12,697,330
Superannuation	1,085,596	1,195,902
Other benefits	377,912	499,652
Employee benefits	12,087,653	14,392,884
Depreciation of property plant & equipment	4,693,759	5,238,218
Amortisation of software	215,377	372,222
Amortisation of lease assets	1,058,792	1,109,149
Depreciation and amortisation	5,967,928	6,719,589
Borrowing costs	199,246	95,000
Bank interest	2,440,593	2,550,902
Bank interest – fixed contract break (income) costs	(965,000)	3,163,000
Affiliated interest	17,916	12,793
Lease liability interest	138,827	183,267
Fair value (gain) on interest rate swaps	(951,778)	(1,586,170)
Finance costs	879,804	4,418,792
Cost of goods sold	185,337	238,968
Loss on disposal of property, plant & equipment	–	–
Operating expenses	3,793,325	4,341,170
Administration, marketing and insurance	5,056,872	4,662,782
Property expenses	1,808,219	1,786,515
Other expenses	10,929,450	11,029,435

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

<b>NOTE 5 – INCOME TAX</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>a) Reconciliation of effective tax rate</b>		
Income tax expense using the domestic corporation tax rate of 25% (2020: 26%)	(2,632,608)	(2,638,145)
Add / (subtract) tax effect of:		
Income and expenses exempt under principle of mutuality	1,995,356	1,740,130
Income tax losses not recognised as deferred tax asset	637,252	898,015
Income tax expense	–	–
<b>b) Principle of mutuality</b>		
The estimated amount of income subject to the mutuality principle is 95% (2020: 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	18,777,608	11,096,372
YHA Queensland	3,805,254	3,392,589
Tax losses	22,582,862	14,488,961
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	26,300	40,427
Cash at bank	2,634,939	2,450,628
Cash on deposit	5,882,563	21,623
	8,543,802	2,512,678
Cash on deposit includes cash for interest payments \$4,992,139 for the Syndicated Facility, and \$890,424 for commercial card and bank guarantees. The use of these funds are restricted by agreements with external parties.		
<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	8,543,802	2,512,678
Bank overdraft (per note 15)	–	(665,686)
Balance as per statement of cash flows	8,543,802	1,846,992

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

<b>NOTE 7 – TRADE &amp; OTHER RECEIVABLES</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	250,818	301,822
Provision for expected credit losses	(42,043)	(107,154)
	208,775	194,668
Government subsidies	599,000	561,964
	807,775	756,632
<b>Allowance for expected credit losses</b>		
The consolidated entity has recognised a loss of \$42,043 (2020: \$107,154) in profit or loss in respect of the expected credit losses for the year ended 31 December 2021.		
<b>NOTE 8 – INVENTORIES</b>		
Finished goods	62,976	58,014
	62,976	58,014
<b>NOTE 9 – OTHER ASSETS</b>		
<b>Current</b>		
Prepayments	806,184	875,653
	806,184	875,653
<b>NOTE 10 – NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE</b>		
<b>Freehold Land and Building</b>		
At cost	10,599,603	11,651,776
Less: Accumulated depreciation	(4,141,671)	(1,175,371)
Total non-current assets classified as held for sale	6,457,932	10,476,405
In response to the liquidity needs of the company as a result of the pandemic one asset of the company has been classified as held for sale, Canberra City YHA (2020: assets held for sale included Perth City YHA, Coffs Harbour YHA, Gold Coast land). This property is under contract (Note 26).		

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

<b>NOTE 11 – PROPERTY, PLANT AND EQUIPMENT</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Freehold Land and Buildings</b>		
At cost	102,184,328	105,606,846
Less: Accumulated depreciation	(31,589,914)	(30,468,735)
	70,594,414	75,138,111
<b>Leasehold Land and Buildings</b>		
At cost	41,113,657	50,226,176
Less: Accumulated depreciation	(10,608,835)	(12,953,847)
	30,504,822	37,272,329
<b>Plant and Equipment</b>		
At cost	18,086,113	19,975,979
Less: Accumulated depreciation	(13,517,767)	(13,472,527)
	4,568,346	6,503,452
Work in progress – at cost	909,501	449,147
<b>Total Property, Plant and Equipment</b>	<b>106,577,083</b>	<b>119,363,039</b>
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:		
<b>Freehold Land &amp; Buildings</b>		
Balance at the beginning of the year	75,138,111	92,794,108
Additions	78,442	222,671
Disposals	(1,968,105)	(406,158)
Transfers	–	18,111
Transfer to non-current assets held for sale	–	(10,296,715)
Impairment expense	(355,000)	(4,763,667)
Depreciation expense	(2,299,034)	(2,430,239)
Carrying amount at the end of the year	70,594,414	75,138,111
<b>Leasehold Land &amp; Buildings</b>		
Balance at the beginning of the year	37,272,329	38,438,299
Additions	100,131	14,679
Disposals	(145,229)	–
Transfer to non-current assets held for sale	(5,625,435)	–
Depreciation expense	(1,096,974)	(1,180,649)
Carrying amount at the end of the year	30,504,822	37,272,329

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

<b>NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)</b>	<b>2021</b> \$	<b>2020</b> \$
<b>Plant &amp; Equipment</b>		
Balance at the beginning of the year	6,503,452	8,402,110
Additions	292,111	156,536
Disposals	(101,064)	(346,680)
Transfers	4,096	98,507
Transfer to non-current assets held for sale	(832,497)	(179,691)
Depreciation expense	(1,297,752)	(1,627,329)
Carrying amount at the end of the year	4,568,346	6,503,452
<b>Work in progress</b>		
Balance at the beginning of the year	449,147	739,624
Additions	473,998	(174,038)
Transfers	(13,644)	(116,439)
Carrying amount at the end of the year	909,501	449,147
<b>Total</b>		
Balance at the beginning of the year	119,363,039	140,374,141
Additions	944,682	219,848
Disposals	(2,214,399)	(752,838)
Transfers (to) / from intangibles	13 (9,548)	179
Transfer to non-current assets held for sale	(6,457,932)	(10,476,406)
Impairment expense	(355,000)	(4,763,667)
Depreciation expense	(4,693,759)	(5,238,218)
Carrying amount at the end of the year	106,577,083	119,363,039

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

## NOTE 12 – 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).

	2021 \$	2020 \$
i) Amounts recognised in the statement of financial position:		
<b>Carrying value of lease assets, by class of underlying asset:</b>		
Land and buildings	3,123,798	4,182,590
Carrying amount at the end of the year	3,123,798	4,182,590
Reconciliation of the carrying amount of lease assets at the beginning and end of the year:		
Carrying amount at the beginning of the year	4,182,590	6,013,580
Disposals	–	(721,841)
Amortisation	(1,058,792)	(1,109,149)
Carrying amount at the end of the year	3,123,798	4,182,590
<b>Lease liabilities</b>		
Current	761,388	1,017,143
Non-current	2,586,363	3,347,751
	3,347,751	4,364,894
ii) Amounts recognised in the statement of comprehensive income:		
Interest expense (included in finance costs)	(138,827)	(183,267)
Expenses relating to short-term leases (included in property expenses)	–	(93,347)
Expense (income) relating to variable lease payments not included in lease liabilities (included in property expenses)	(167,365)	(84,985)
The total cash outflow for leases was:	(1,329,691)	(1,370,340)

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

<b>NOTE 13 – INTANGIBLE ASSETS</b>	<b>2021</b>	<b>2020</b>		
	<b>\$</b>	<b>\$</b>		
Licences – at cost	116,681	116,681		
Licences	116,681	116,681		
The recoverable amount of the Liquor Licence is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 10-year period with the period extending beyond five years extrapolated using an estimated growth rate.				
Goodwill – at cost	2,064,101	2,064,101		
Goodwill – accumulated amortisation	(400,000)	(400,000)		
	1,664,101	1,664,101		
The recoverable amount of the Goodwill is determined together with the cash-generating unit which includes property, plant and equipment and is based on value-in-use calculation.				
Computer software – at cost	1,114,105	4,317,492		
Less: accumulated amortisation	(1,027,401)	(4,043,894)		
	86,704	273,598		
Total intangible assets	1,867,486	2,054,380		
The following are movements in the carrying amounts for each class of liquor licence, goodwill and computer software between the beginning and the end of the current financial year.				
	LICENCES	GOODWILL	COMPUTER SOFTWARE	TOTAL
	\$	\$	\$	\$
Carrying amount at the beginning of the year	116,681	1,664,101	273,598	2,054,380
Additions	–	–	18,935	18,935
Transfers from property, plant and equipment	–	–	9,548	9,548
Amortisation charge (Note – 4)	–	–	(215,377)	(215,377)
Carrying amount at the end of the year	116,681	1,664,101	86,704	1,867,486
<b>NOTE 14 – TRADE AND OTHER PAYABLES</b>	<b>2021</b>	<b>2020</b>		
	<b>\$</b>	<b>\$</b>		
<b>Current</b>				
Trade creditors	830,358	404,392		
Accrued expenses	1,360,643	1,406,781		
BAS payable	123,389	44,036		
Other payables	312,245	165,962		
	2,626,635	2,021,171		
<b>Non-current</b>				
Rental bonds	20,349	25,224		
	20,349	25,224		

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

<b>NOTE 15 – BORROWINGS</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Bank overdraft	–	665,686
Insurance premium funding	473,713	477,810
	473,713	1,143,496
<b>Non-current</b>		
Bank loans	92,139,069	91,400,000
<b>Total Borrowings</b>	<b>92,612,782</b>	<b>92,543,496</b>
<p>1. The ANZ facility was refinanced with a Syndicated Facility Agreement in December 2021. All ANZ loans have been repaid and the Syndicated Facility is for a limit of \$110,000,000 and consists of an Initial Facility of \$94,000,000, which is drawn and further facilities for Capital Expenditure \$3,000,000, funding for the Railway Square YHA development \$8,000,000 and an additional liquidity facility if required \$5,000,000. The term of the facility is for 5 years to December 2026 and is for a fixed interest fee on drawn facilities. The facility allows mandatory and voluntary prepayment and with any prepayment a permanent reduction in the facility. Prepayments are required if there is a surplus of cash over a certain level. There are annual fees for a Security Trustee and Agent, Facility Manager and a line fee for undrawn portions of the facility.</p> <p>2. The bank facilities are secured by a first ranking fixed and floating charge over all the assets of the group and first ranking mortgages over 21 hostel properties. The covenants within the ANZ bank borrowings required 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.</p> <p>3. The group did not comply with the financial covenants of its ANZ borrowing facilities during the 2021 year, and upon refinancing YHA is compliant with the financial covenants of the Syndicated Facility. The Syndicated Facility has no ICR covenants for the first two years of the facility. The Facility has a number of review events relating to liquidity and if these are triggered a review event is called rather than a default event and certain time frames are required to correct the review event.</p> <p>4. The ANZ bank now holds cash security (\$890,434) against facilities for commercial credit cards (\$200,000), a facility for electronic payments (\$500,000) and bank guarantees (\$700,000) for leasehold hostel and office properties.</p>		
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>The bank facilities as at the balance date are:</b>		
Credit facilities	110,200,000	93,100,000
Amount utilised	94,000,000	92,065,686
Amount unutilised	16,200,000	1,034,314
<p>The unused credit facilities consist of facilities of \$16,000,000 for Railway Square YHA development (\$8,000,000), Capital Expenditure (\$3,000,000) and further support for interest payments (\$5,000,000); (2020: \$nil), bank overdraft \$NIL (2020: \$834,314) and corporate card facility \$200,000 (2020: \$200,000).</p>		

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

<b>NOTE 15 – BORROWINGS (CONTINUED)</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Assets Pledged as Security</b>		
The carrying amounts of assets pledged as security are:		
First mortgage and floating charges		
Total assets	114,902,501	131,893,823
Independent valuations of interest in Land & Buildings		
2021	181,970,000	–
2019	–	4,000,000
2018	8,805,000	29,455,000
2017	15,000,000	200,705,000
2015	825,000	825,000
Total	206,600,000	234,985,000
<p>The total independent valuation reports value of \$206,600,000 representing 22 freehold and leasehold properties. A value for the hostel at Fremantle Prison YHA and Railway Square YHA has been included. The written down value of these properties in the financial report is \$112,480,514 and they are recorded at cost or deemed cost as at transfer date. Independent valuations required by the cash facility had been deferred from 2020 to 2021 but have now been completed and are a requirement of the new Syndicated Facility Agreement annually.</p>		
<b>NOTE 16 – PROVISIONS</b>		
<b>Current</b>		
Employee benefits	1,366,728	1,781,527
	1,366,728	1,781,527
<b>Non-current</b>		
Employee benefits	103,859	163,604
	103,859	163,604
Aggregate liability for employee benefits provision including on-costs:		
Employee benefits	1,470,587	1,945,131
		<b>EMPLOYEE ENTITLEMENTS</b>
		<b>\$</b>
Balance at the beginning of the year		1,945,131
Additions		938,534
Amounts utilised		(1,413,078)
Balance at the end of the year		1,470,587

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

<b>NOTE 17 – CONTRACT LIABILITIES</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Bookings in advance	2,615,268	2,304,934
Deferred revenue	17,659	56,327
	<b>2,632,927</b>	<b>2,361,261</b>
<b>NOTE 18 – DERIVATIVE FINANCIAL INSTRUMENTS</b>		
The group has the following derivative financial instruments:		
<b>Current</b>		
Interest rate swap contracts – non-hedging	–	216,988
<b>Non-current</b>		
Interest rate swap contracts – non-hedging	–	734,790
	–	951,778
<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 2021, the financial instruments were terminated so have a value of NIL. In 2020 the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.</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>		
<b>NOTE 19 – COMMITMENT</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>a. Capital commitments</b>		
Capital expenditure commitments contracted for:		
Capital expenditure projects	251,720	335,627
	<b>251,720</b>	<b>335,627</b>
<b>b. Other commitments</b>		
<p>The Company has a Lease Agreement with 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 2021 (CONTINUED)

## NOTE 20 – RELATED PARTY DISCLOSURES

All transactions between the company and its controlled entities are eliminated on consolidation. There were no other related party transactions occurring during the year. The directors of the company are all directors of the controlled entities. Directors are reimbursed for expenses incurred in attending meetings in accordance with directors' expense policy and from the April 2018 Annual General Meeting have been remunerated, in accordance with the constitution. Disclosures relating to key management personnel are set out in Note 22.

## NOTE 21 – FINANCIAL INSTRUMENTS

### Financial risk management objectives

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

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

### Interest rate risk

The consolidated entity's main interest rate risk arises from long-term borrowings with fixed rates, which expose the consolidated entity to cash flow interest rate risk.

The consolidated entity manages its cash flow interest rate risk by setting a strategy to grow and maintain earnings to achieve an interest cover ratio higher than 2.

### Liquidity risk

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

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. The 2020 pandemic triggered the Company's most significant risk as it required the long term closure of the Australian border to international travellers and also closed internal state and territory borders to Australians and visitors who stayed in Australia. The mitigation of this risk is to manage cash reserves from careful control and reduction of cash costs and replenish cash reserves, if required from the sale of property. Some of these properties bracketed for this purpose are disclosed as assets held for sale.

### Foreign currency risk

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

### Price risk

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

### Credit risk

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

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

## NOTE 22 – KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel include the directors listed in the Directors' Report, the Chief Executive Officer, Head of Commercial, Business Administration Manager, Head of People and Culture, Head of Property, Quality & Compliance, Chief Financial Officer, Area Managers, Financial Controller/Strategy & Transformation Manager and Chief Information Officer. Total compensation is shown as follows:

<b>Key management personnel – excluding directors</b>	<b>SALARY</b> \$	<b>SUPERANNUATION</b> \$	<b>TOTAL</b> \$
2021	1,839,405	166,565	2,005,970
2020	2,116,063	137,480	2,253,543
<b>Directors</b>	<b>SALARY</b> \$	<b>SUPERANNUATION</b> \$	<b>TOTAL</b> \$
2021	71,492	7,469	78,961
2020	43,833	3,187	47,020

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.

<b>Key management personnel – including directors</b>	<b>SALARY</b> \$	<b>SUPERANNUATION</b> \$	<b>TOTAL</b> \$
2021	1,910,897	174,034	2,084,931
2020	2,159,896	140,667	2,300,563

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

NOTE 23 – PARENT ENTITY INFORMATION	PARENT ENTITY	
	2021 \$	2020 \$
Set out below is the supplementary information about the parent entity.		
<b>Statement of comprehensive income</b>		
Surplus (deficit) after income tax	(10,368,017)	(1,206,143)
Total current assets	16,678,669	14,679,386
Total assets	122,566,023	134,658,081
Total current liabilities	7,641,744	8,544,064
Total liabilities	102,482,201	104,206,243
<b>Equity</b>		
Total equity	20,083,822	30,451,839
<b>Contingent liabilities</b>		
The parent entity had no contingent liabilities as at 31 December 2021.		
<b>Capital commitments</b>		
The parent entity had capital commitments for property, plant & equipment as at 31 December 2021 of \$251,720 and 31 December 2020 of \$335,627.		
<b>Significant accounting policies</b>		
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed at note 1.		
<b>Subsequent Events</b>		
The Canberra Central YHA was contracted to be sold in January 2022 with a settlement in March 2022. No other matter or circumstance has arisen since 31 December 2021 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.		

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

<b>NOTE 24 – RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>CONSOLIDATED ENTITY</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Deficit after income tax</b>	(10,530,432)	(10,146,713)
<b>Non-cash flows in (deficit)</b>		
Depreciation and amortisation	5,967,928	6,719,589
Impairment of property, plant & equipment	355,000	4,763,667
(Gain) on fair value adjustment to derivatives	(951,778)	(1,586,170)
(Profit) on sale of property, plant & equipment	(807,687)	(6,106,414)
Changes in assets and liabilities		
(Increase) in receivables	(51,143)	(4,994)
(Increase) /decrease in inventory	(4,962)	4,716
Decrease in other assets	69,469	139,615
Increase / (decrease) in payables	600,589	(1,354,963)
(Decrease) in provisions	(474,544)	(495,491)
Increase / (decrease) in contract liabilities	271,666	(931,938)
Net cash used in operating activities	(5,555,893)	(8,999,096)

## **NOTE 25 – INFORMATION TO BE FURNISHED UNDER CHARITABLE FUNDRAISING ACTS**

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

## **NOTE 26 – EVENTS AFTER REPORTING PERIOD**

The Canberra Central YHA was contracted to be sold in January 2022 with a settlement in March 2022. No other matter or circumstance has arisen since 31 December 2021 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 2021, to the best of my knowledge and belief there have been:

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

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



Melissa Alexander  
Partner

Pitcher Partners  
Sydney

19 February 2022

# Directors' Declaration

The Directors of YHA Ltd declare that:

1. The financial statements and notes, as set out on pages 13-42, 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 2021 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.

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

On behalf of the Directors.



Tracey Powell  
Director  
19 February 2022



Simon Spicer  
Director  
19 February 2022

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

**Report on the Financial Report**

**Opinion**

We have audited the financial report of YHA Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, 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 2021 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*.

**Basis for Opinion**

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

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

***Material Uncertainty Related to Going Concern***

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

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

### **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Directors Report for the year ended 31 December 2021, 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.

**Independent Auditor's Report  
To the Members of YHA Ltd  
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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

A handwritten signature in black ink that reads "Melissa Alexander".

Melissa Alexander  
Partner

A handwritten signature in black ink that reads "Pitcher Partners".

Pitcher Partners  
Sydney

19 February 2022



[yha.com.au](http://yha.com.au)

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