

2013

# YHA LTD YEAR IN REVIEW



# BACKGROUND TO YHA



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## YHA IN AUSTRALIA

The first youth hostel was established in Germany in 1909. In 1932 Hostelling International (HI) was formed and now has member associations in 90 countries that are operating more than 4,000 hostels. There are 90 YHA hostels in Australia, including 59 in the ACT, NT, NSW, Queensland and Victoria. The first YHA hostel in Australia was opened in 1939 in Warrandyte in Victoria, followed by the first hostel in NSW in the Royal National Park in 1943 under the sponsorship of the National Fitness Council of NSW, and the first hostel in Queensland in 1962.

YHA hostels provide low cost short term accommodation for travellers. YHA hostels can be used by people, regardless of age, who are members of any of the Youth Hostels Associations throughout the world.

## CORPORATE OBJECTIVES

1. To be the market leader in the provision of low cost, quality accommodation in the ACT, NSW, the NT, Queensland, South Australia and Victoria and to 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.

## THE HOUSE AND TREE SYMBOL

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

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.

## YHA LTD

- Operates as YHA.
- Is a company limited by guarantee under the Corporations Act (2001)
- Is a not-for-profit organisation.
- Retains and reinvests all surpluses. There is no distribution of surpluses as dividends.
- Provides low cost accommodation for individual and group YHA members from the ACT, NSW, NT, Queensland, South Australia and Victoria, other Australian states and overseas.
- Has 36,173 individual and group members in the ACT, NSW, the NT, Queensland and Victoria.
- Operates its own fully licensed travel agency trading as YHA Travel & Tours.
- Acts as co-ordinator for other providers of hostel accommodation operating as YHA associate hostels.
- Has no age limits, either minimum or maximum, on membership or hostel usage.
- Has affiliated regional activity groups which organise social and outdoor activity programs.
- Is a member organisation of YHA Australia which is affiliated with Hostelling International.

## Our mission

To provide opportunity for all, but especially young fostering friendship and bringing about a better

# INTRODUCTION

## DEAR MEMBERS AND FRIENDS

This report sets out YHA's activities and achievements over 2013 in the ACT, NSW, NT, Queensland and Victoria, providing a high quality accommodation network for travellers. YHA is a not-for-profit, member-based organisation, with 36,173 individual and group members, and a further 19,940 international visitors who joined while travelling in Australia.

## RESULTS

In the three States and two Territories, the network comprises 59 properties, either owned or leased by YHA or privately operated. In 2013, an increased total of 1,313,166 overnight stays was recorded by guests. Hostels in Sydney, Melbourne and the Northern Territory grew occupancy and some regional destinations hosted more visitors. Overall, a record result was achieved due to the combined effects of the Australian dollar easing against foreign currencies; increased visitation from Asian guests (aided by new airline routes and low cost fares from Asia), and more Working Holiday Makers visiting Australia (particularly from Europe and Taiwan).

On a turnover of \$42.95 million there was a surplus of \$2.92 million, which included mutual income from HI Australia and gain on sale of assets (a deficit before disposal of assets and mutual income was returned of \$0.39 million). Mutual income returned from HI Australia was used to repay Hostel Building Assistance Fund loans. In total, borrowings were reduced by \$5.77 million.

## INNOVATION

During the year YHA upgraded to a new customer database, integrated with YHA's property management system and yha.com.au. YHA has been investing heavily in recent years in new IT infrastructure with greater functionality and resilience.

## AWARDS

Several hostels won prestigious awards including Sydney Harbour YHA winning 'Best Backpacker Accommodation in Australia' for the third year running, and entering in the 'Hall of Fame. Cairns Central YHA was a regional and state winner and received bronze at the national awards.

## TOWARDS A NATIONAL MERGER

YHA made another substantial step towards becoming a national organisation when YHA South Australia members voted 96% in favour of merging with YHA Ltd from 1 January 2014. The decision followed a successful shared service accounting arrangement, due diligence undertaken by the two Boards and management, an Explanatory Memorandum to South Australian members, and careful planning for the integrated organisation.

## FUTURE FOCUS

A new Strategic Plan was completed for 2014-2018. A priority for 2014 is using the property management and customer database systems to increase loyalty and demand for YHA's services. A strategic focus of the Board and management is also to review YHA membership.

In 2014, YHA is celebrating 75 years of providing opportunity for young people for education through travel, to bring about friendships and a better understanding of the world. YHA's ideals and objectives have withstood the test of time, and thanks go to all our members, guests, staff, volunteers and industry partners for being part of this journey.



**JULIAN LEDGER** CEO AND  
**HELEN HARMS** CHAIRPERSON



**JULIAN LEDGER**  
CEO

**HELEN HARMS**  
CHAIRPERSON

people, for education by personal development,  
understanding of others and the world around them.



# 2013 IN SUMMARY

## Highlights

- CONSOLIDATION AFTER EXPANSION AND MERGER ACTIVITY 2009-2012
- NEW STRATEGIC PLAN FOR 2014-2018 DEVELOPED
- COOPERATION WITH YHA NZ INCLUDING JOINT BACKPACKER ESSENTIALS DIGITAL MAGAZINE
- YHA MEMBERS IN SOUTH AUSTRALIA VOTED OVERWHELMINGLY IN FAVOUR OF MERGING WITH YHA LTD WITH EFFECT 1 JANUARY 2014
- YHA HONOURED WITH VARIOUS TOURISM AWARDS

### YHA ACCOMMODATION

- 3,600 people accommodated each night in the ACT, NT, NSW, Queensland and Victoria with a 2.7% overall increase in occupancy at YHA operated hostels
- Record year for hostels and record bookings from yha.com.au
- Expansion in numbers on Working Holiday Maker Scheme, underpinning growth from Europe, especially UK, Germany, France, and Italy
- Rise of Asian travellers including from China, Hong Kong, Taiwan and Singapore
- Increased usage in the major cities of Melbourne and Sydney which flowed on to some regional areas

### MARKETING AND MEMBER SERVICES

- Launch of new customer database, integrated with property management system and yha.com.au
- YHA Travel & Tours web-based system for selling Australian travel product rolled out at more YHA hostels
- Reciprocal attendance by CEO's at YHA China and YHA Ltd Hostel Managers' Conferences

- Sydney Harbour YHA entered 'Hall of Fame' for 'Best Backpacker Accommodation in Australia' and Cairns Central YHA awarded bronze in national tourism awards
- YHA showcased during World Youth Student Travel Conference (WYSTC) in Sydney
- Positive media coverage and social media marketing

### FINANCE

- Total turnover of \$42.95M (\$40.09M in 2012)
- Earnings before interest, taxation, depreciation and amortisation (EBITDA) of \$9.80M (\$9.22M in 2012) – these figures exclude net proceeds from sale of assets and the return of mutual income from HI Australia
- Operating surplus of \$2.92M, including the return of mutual income and gain on sale of assets of \$3.32M – resulting in a net deficit before these items of \$0.39M (2012 deficit of \$1.57M before gains from sale of assets)

### GOVERNANCE

- The Board of YHA Ltd operated with nine directors and two sub committees with meetings taking place in Sydney, Brisbane, Alice Springs and Melbourne
- National Strategic Planning Conference held in Alice Springs
- YHA South Australia Director co-opted to the Board with effect 1 January 2014

**THE MANAGEMENT TEAM**  
L TO R **JULIAN LEDGER** (CEO, YHA LTD); **KIM FRANCIS** (SOUTHERN REGION MANAGER); **STEPHEN LYNCH** (CFO); **KIMBERLY MUSTCHIN** (NORTHERN REGION MANAGER); **ROBERT HENKE** (OPERATIONS/EASTERN REGION MANAGER); **JANET MCGARRY** (MARKETING MANAGER); **ROLF DUELKS** (CEO, HOSTELLING INTERNATIONAL-HI-AUSTRALIA); **MARIE SAHAGUN** (ADMINISTRATION MANAGER)



# FIVE YEAR COMPARISON

	2013 \$	2012 \$	% CHANGE	2011 \$	2010 \$	2009 \$
Before disposal / impairment of fixed assets						
Total revenue	39,630,564	39,337,735	0.7	39,254,845	39,957,956	36,188,547
Total expenses	40,021,712	40,911,621	2.2	40,786,644	40,871,590	37,087,982
(Deficit) / surplus before disposal of assets	(391,148)	(1,573,886)	75.1	(1,531,799)	(913,634)	(899,435)
Earnings before interest tax depreciation & amortisation	9,797,576	9,219,998	6.3	8,858,718	7,017,127	6,101,206
Gain / (loss) on disposal / return of mutual funds	3,315,330	758,730	337.0	2,581,816	848,940	-
Revaluation (impairment) of assets	-	-		-	-	(467,808)
Surplus / (deficit) after tax	2,924,182	(815,156)	458.7	1,050,017	(64,694)	(1,367,243)
Capital expenditure	1,071,704	1,993,143	(46.2)	13,549,650	988,819	37,032,535
Total assets	116,996,501	119,581,884	(2.2)	123,481,070	114,139,717	119,395,713
Total borrowing	75,577,000	81,349,000	(7.1)	84,286,815	78,424,747	82,318,696
Total equity	34,123,714	30,791,231	10.8	31,606,390	30,556,472	28,920,428
Gearing (note A)	0.69	0.73	(5.0)	0.73	0.72	0.74
Interest cover (note B)	2.64	1.88	40.7	2.04	1.79	1.91
Loan to value ratio (note C)	45.8%	51.5%	5.7	54.3%	51.2%	53.8%
Number of members (note D)	36,173	37,856	(4.4)	43,020	47,803	54,319
Number of hostels (note E)	59	64	(7.8)	68	69	72
Number of employees (note F)	306	328	(6.7)	341	333	324
Turnover per employee (note G)	129,512	119,932	8.0	115,117	119,994	111,693

Note A: Based on current and non-current borrowings as a percentage of total borrowings and total accumulated funds

Note B: Based on operating surplus before interest charges and depreciation

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

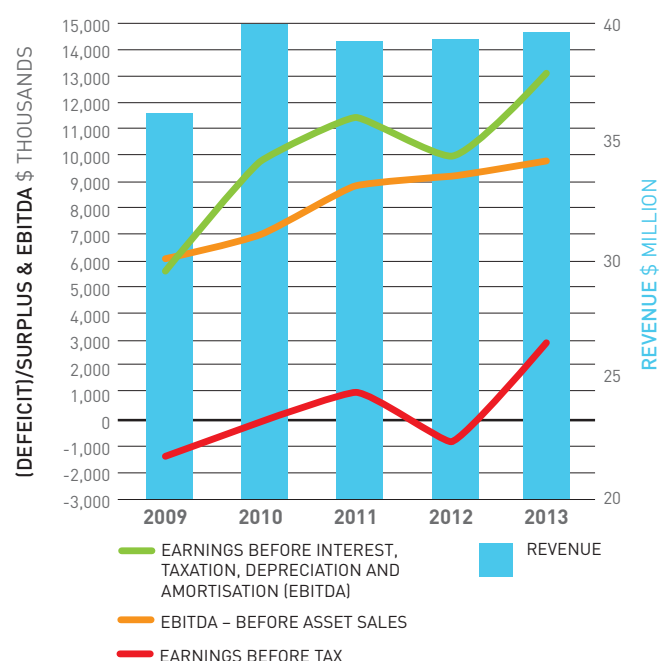
Note D: Includes adult, under 18, group and life Australian members

Note E: Includes staff operated, leased and associate hostels

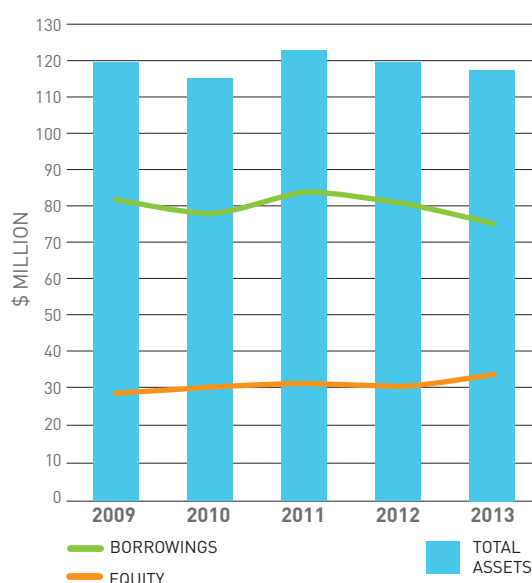
Note F: Full time and part time equivalent to full time employees employed by YHA

Note G: Total revenue divided by the number of employees

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



## TOTAL ASSETS, EQUITY AND BORROWINGS



# YHA ACCOMMODATION



YHA HOSTED MORE GUESTS FROM EUROPE AND ASIA IN 2013

## SOURCES OF GUESTS

YHA's largest source of guests is international visitors, making up 68% of hostel usage. A proportion of these are Working Holiday Makers from many countries including Canada, Germany, Japan, Korea, Scandinavia, the UK and USA. In 2013, there was growth in the number of guests from some traditional markets, such as the UK, Germany, France and Italy and significant growth from most Asian countries. China showed a particular increase, and Taiwan showed the largest growth in the number of Working Holiday Makers coming to Australia.

The domestic market makes up 32% of guests. Group business continues to grow and is 11% of total overnights. Group business is 28% of domestic overnights and 2% of international overnights. YHA also

encourages young Australians travelling overseas to take out membership and use the Hostelling International global network of 4,000 hostels.

## RESULTS

In 2013, a total of 1,313,166 overnight stays were recorded at 59 hostels in the ACT, NSW, NT, Queensland and Victoria (compared to 1,128,661 overnight stays in 2012). Of this increase, 3% was an actual increase, and the balance was due to better recording of usage at certain associate hostels as a result of the implementation of YHA's property management system. Out of all overnight stays, 343,000 (26%) were booked via yha.com.au and a growing proportion came through other online booking engines. While occupancy was strong in urban locations, including Melbourne and Sydney, it was under pressure in some regional areas.

## HOSTEL NETWORK

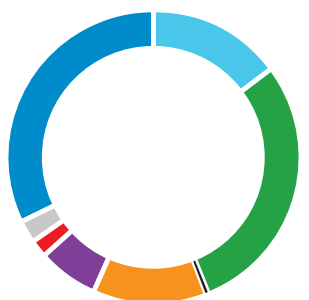
Regional hostels play an important role in dispersing both Australian and international travellers throughout the country, especially on the popular touring route of the Pacific Highway.

## DEVELOPMENT

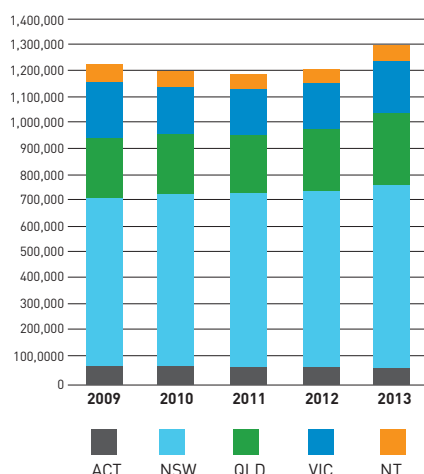
A scheduled program of capital works was completed, amounting to \$1.1M, spread over a wide range of projects, including room upgrades at Darwin YHA and external painting at Thredbo YHA, reflecting an ongoing commitment to a high standard of building maintenance. During the year, YHA Australia wound up its Hostels Building Assistance Fund – a facility using money set aside from YHA membership fees that had been in place for nearly forty years to assist with national hostel development. Approximately \$2M of these funds had also been used in more recent years to help fund YHA's property management systems and some of the work towards a national merger.

YHA operates a Sustainable Hostels Fund, to which guests can voluntarily contribute as part of the yha.com.au booking process, that is used for environmental initiatives at hostels. A YHA Small Hostels Development Fund has also been established and welcomes donations and bequests from members for developments at smaller hostels.

## 2013 OVERNIGHTS BY COUNTRY OF ORIGIN



## TOTAL OVERNIGHTS BY STATE





# Attracting groups to stay at hostels has been a major focus in recent years.

## INNOVATIONS

During the year, YHA invested in a new customer database of members, integrated with the property management system. Prepaid onward bookings (via the eNights system) are vital for keeping guests within the YHA network and supporting regional hostels and in August, the eNights pre-booking system was fully integrated with the property management system, resulting in a rise in the number of hostel-to-hostel bookings.

Other innovations included introducing owned, rather than leased, vending machines at key hostels, that proved successful, and installing test water bubbler units at Brisbane City YHA (to be rolled out across key hostels to eliminate bottled water sales). Blue Mountains YHA had occupancy negatively affected by bushfires, however, more positively, a local tour operator, High N Wild, opened an office in a front room of the hostel, promoting cross-referral of customers.

## YHA TRAVEL & TOURS

Tour desks at hostels encourage guests to experience regional activities and adventures, and to stay with YHA on their travels. The roll out of YHA Travel and Tours (YTT) – a web-based booking system for domestic tours across the YHA operated network – rationalised the booking process, greatly reducing back office costs and providing staff with direct access to information and bookings for tours across Australia. It offers 'Australian Adventures' packages (accommodation and travel/tour combinations) which are promoted in brochures and on yha.com.au.

YHA Travel and Tours also has alliances with key travel operators, focusing on industry leaders who share a common goal of providing affordable, quality travel services. YHA works with a range of national transport providers including Greyhound and Adventure Tours Australia and negotiates national agreements, offering members valuable discounts on key products.

## GROUPS

Attracting groups to stay at hostels has been a major focus in recent years, through general and local marketing, as well as building alliances with major

companies organising group itineraries. Group usage has grown steadily at key hostels as a result. Smaller regional hostels are also promoted through the Rent-a-YHA scheme offering exclusive usage.

## MANAGERS' CONFERENCE

A successful Hostel Managers' Conference was held in Sydney in May with 118 delegates attending from the ACT, NSW, NT, South Australia, Victoria and Queensland and with a representative from each of YHA WA and YHA NZ. The CEO of YHA China was a keynote speaker and the theme of the conference was 'Catching the tail of the dragon' – focusing on how to better target and offer services for the Asian market. The conference was preceded by a business planning workshop for key hostels and a meeting attended by all YHA operated hostel managers and deputies.

## REGIONAL MEETINGS

Regional meetings also took place to strengthen relations between hostel managers in various parts of the network. Six regional meetings were held in Bundanoon (NSW south coast); Newcastle (Sydney Surrounds); Noosa (northern NSW & southern Queensland); Port Macquarie (NSW mid-north coast); Phillip Island (Victoria) and Cairns (northern Queensland). These meetings covered topics such as marketing, standards and yield management.

## PRESERVING THE PAST FOR FUTURE GENERATIONS

At Sydney Harbour YHA – where just over \$1 from each guest's overnight stay goes to a fund for conserving and interpreting the onsite history and archaeology – several events were held over the year. The hostel hosted a Museums Australia function and also a Big Dig Archaeology weekend with participants from the public and Sydney Learning Adventures assisting with conservation and clearing of weeds. A new viewing platform for students was also installed at the hostel during the year, and a historic 'ghost' image of shopkeeper John Simpson standing outside his former corner store was installed on interpretative screens.



GROUPS USAGE HAS GROWN STEADILY AT KEY HOSTELS



THE CEO OF YHA CHINA, YIN CHEN, WAS A KEYNOTE SPEAKER AT THE YHA LTD HOSTEL MANAGERS' CONFERENCE IN SYDNEY



A HISTORIC IMAGE OF SHOPKEEPER, JOHN SIMPSON, STANDING OUTSIDE HIS FORMER CORNER STORE WAS INSTALLED AT SYDNEY HARBOUR YHA

# YHA ACCOMMODATION



CAIRNS CENTRAL YHA  
MANAGER, COURTNEY PREGO,  
RODE FROM CAIRNS TO  
SYDNEY, RAISING \$22,000  
FOR CHARITY

## SUSTAINABILITY

YHA is committed to reducing its environmental impact and promoting the benefits of travelling lightly on the planet. An environmental policy has been in place for over fifteen years, and YHA is constantly reviewing practices to 'green' the organisation further. Environmentally-friendly initiatives range from grey water recycling at Blue Mountains YHA to solar power at Alice Springs YHA and composting at Cairns Central YHA. Sydney Harbour YHA successfully completed an EarthCheck Assessment with results indicating that the hostel operates better than industry best practice for water usage, energy consumption and waste generation. Lower utilities costs at this hostel reflect the investment made.

## SOCIAL RESPONSIBILITY

YHA places emphasis on social, as well as environmental, responsibility and throughout the year was involved in several projects to give back to the community. This included staff collecting rubbish for 'Clean Up Australia Day' and sponsoring grass roots events. Earth Hour was observed on March 24 at hostels, with guests invited to participate in various activities with the lights out, including candlelit desserts and outdoor movies. The manager of Cairns Central YHA also completed a sponsored bike ride from Cairns to Sydney, raising \$22,000 for charity.

	2011	2012	2013
<b>NUMBER OF HOSTELS</b> ON 31 DECEMBER 2013			
Operated and/or owned	23	23	23
Associates	43	39	35
Temporary	2	2	1
<b>Total</b>	<b>68</b>	<b>64</b>	<b>59</b>
<b>NUMBER OF BEDS</b> ON 31 DECEMBER			
Operated and/or owned	3,997	4,014	3,997
Associates	2,434	2,391	2,296
Temporary	244	172	66
<b>Total</b>	<b>6,675</b>	<b>6,577</b>	<b>6,359</b>
<b>NUMBER OF OVERNIGHTS</b> ON 31 DECEMBER			
Operated and/or owned	944,812	965,391	999,942
Associates	253,070	252,572	313,127
Temporary	1,027	698	97
<b>Total</b>	<b>1,198,909</b>	<b>1,218,661</b>	<b>1,313,166</b>
<b>OVERNIGHTS</b>			
By Australians	414,919	420,377	422,365
By non-Australians			
From HI countries	770,353	780,138	860,093
From non HI countries	13,637	18,146	30,708
<b>Total Overnights</b>	<b>1,198,909</b>	<b>1,218,661</b>	<b>1,313,166</b>
<b>RATIOS – PERMANENT ONLY</b>			
Beds per hostel	97	103	109
Overnights per hostel	18,150	19,645	22,639
Overnights per bed	186	190	209



# QUALITY AND AWARDS

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

Hostelling International (HI) which is based in the UK coordinates a program known as HI Quality (HIQ) and all major hostels are certified under this scheme. The HI Quality Auditor visited ten hostels around Australia in November and conducted a tri-yearly external quality audit. All hostels passed their audit and were re-certified. Thredbo YHA was also audited and became the first hostel in Australia to be accredited with the HI-Q lite certification, which is designed for hostels recording less than 10,000 overnights per year.

YHA is generally acknowledged as having some of the highest quality hostels in Australia and the world, and the following



YHA WON SEVERAL AWARDS, INCLUDING SYDNEY HARBOUR YHA WINNING 'BEST BACKPACKER ACCOMMODATION' IN AUSTRALIA FOR THE THIRD YEAR RUNNING, AND CEO JULIAN LEDGER BEING HONOURED WITH AN 'AUSTRALIAN TOURISM LEGEND' AWARD

awards were bestowed during the year. Several staff members were also acknowledged with awards, including, in his 35th year of service to YHA, the CEO receiving both state and national tourism awards for 'Outstanding contribution by an individual.'

## AWARDS 2013

### Blue Mountains YHA

**EMPLOYEE OF THE YEAR – HOUSEKEEPING MANAGER, WENDY RICH** (BLUE MOUNTAINS BUSINESS AWARDS)

**HIGHLY COMMENDED, HOSPITALITY** (BLUE MOUNTAINS BUSINESS AWARDS)

### Nimbin Rox YHA

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

### Cairns Central YHA

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

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

**BRONZE AWARD, BEST BACKPACKER ACCOMMODATION** (QANTAS AUSTRALIAN TOURISM AWARDS)

### Sydney Harbour YHA

**BEST BACKPACKER ACCOMMODATION** (NSW TOURISM AWARDS – HALL OF FAME)

**BEST BACKPACKER ACCOMMODATION** (QANTAS AUSTRALIAN TOURISM AWARDS – HALL OF FAME)

### Noosa Heads YHA

**BEST BACKPACKER HOSTEL IN QUEENSLAND** (GOLDEN BACKPACK AWARDS)

**BEST BACKPACKER HOSTEL IN AUSTRALIA** (GOLDEN BACKPACK AWARDS)

### Cindy Jones

**CINDY JONES, BUSINESS DEVELOPMENT MANAGER, YHA LTD**  
**EMPLOYEE OF THE YEAR**

### Julian Ledger

**JULIAN LEDGER, CEO, YHA LTD**  
**OUTSTANDING CONTRIBUTION BY AN INDIVIDUAL TO TOURISM** (NSW TOURISM AWARDS)  
**AUSTRALIAN TOURISM LEGEND** (QANTAS AUSTRALIAN TOURISM AWARDS)

# DIGITAL ENVIRONMENT



YHA EMBRACES E-COMMERCE AND HAD A RECORD YEAR FOR BOOKINGS FROM YHA.COM.AU

## EXTERNAL ENVIRONMENT

YHA operates in a constantly changing external environment. Whilst the ideals and objectives of the organisation may have changed little over 75 years, the world around has changed incredibly, and continues to change at a rapid pace. Over the past decade, in particular, changes in the digital environment have benefited YHA greatly, as the majority of guests are young, net-savvy, digital natives. They readily seek out information online, expect to be able to book in real time online, and are keen to share their travel experiences online. Over the past five years especially, the rise in popularity and affordability of smart mobile devices, apps, cloud computing, and uploading to – rather than just downloading from – the Internet, has benefited travellers enormously.

## TECHNOLOGICAL ADVANCEMENTS

YHA strives to stay ahead of, and incorporate, technological advances in its operations. Information and communication technology is one of the biggest strategic issues at present for the organisation,

and YHA regularly examines opportunities for future growth and efficiencies. In recent years, YHA has invested steadily in IT projects, introducing new and improved systems including:

- National property management system (GuestCentrix)
- New customer database for members, integrated with YHA's property management system and yha.com.au
- YHA Travel and Tours web-based reservations system
- Channel Management (Siteminder)
- Workforce management (RosterLive)
- Ongoing investment in yha.com.au.

An accounts payable workflow solution, Medius Flow, was evaluated for implementation in 2014. Also at the planning stage was a new version of eNights, YHA's hostel-to-hostel booking system.

## E-COMMERCE

YHA embraced e-commerce early with the launch of yha.com.au over fifteen years ago. As well as providing a platform for hostel bookings, yha.com.au provides a forum for online interaction with guests through user-generated content and customer ratings.

In recent years, YHA has also worked closely with third party Online Travel Agents, including Hostelworld and Booking.com. Listing inventory on third party websites presents opportunities but also challenges, and requires careful channel and yield management. In 2013, YHA joined in a global campaign, supported by the Backpacker Operators Association of NSW, aiming to reset the relationship between accommodation providers and Online Travel Agents, to ensure that accommodation providers are able to adequately manage their exposure and risk on third party sites. A declaration was adopted at the World Youth Student Travel Conference (WYSTC) held in Sydney, outlining the need for a balanced, symbiotic partnership that provides positive outcomes for the industry. A summary of this code of practice appears below – the full declaration can be viewed at <http://staywyse.org/supportsd/>

## THE 'SYDNEY DECLARATION' AT THE WORLD YOUTH STUDENT TRAVEL CONFERENCE (WYSTC), SEPTEMBER 2013

Agreements between Online Travel Agents (OTAs) and youth travel accommodation should not contain clauses that:

- 1 Allow the use of property or brand names in online advertising, unless specifically authorised;
- 2 Require rate parity;
- 3 Enforce mandatory availability parity (either via last room availability or minimum allocations);
- 4 Allow for agreements to be terminated at short notice (without a compelling cause), with no consultation and without being signed by both parties;
- 5 Are not written in plain English (and are not translated into the main official language of the operator);
- 6 Conflict with national or international trade, competition or consumer laws;
- 7 Require operators to indemnify OTAs for tax obligations on commissions;
- 8 Allow the OTAs to be opaque in how they display default search results (including the use of spurious 'recommended' terms that are designed to mislead consumers, when the basis of recommendation is the % commission paid or the availability given to the OTA);
- 9 Result in commissions being paid on no shows or any other unrealised turnover.
- 10 Discriminate against an operator based on size or location.

# MEMBER SERVICES

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

## MEMBERSHIP TRENDS

There are 36,173 YHA members in the ACT, NSW, NT, Queensland and Victoria and a further 19,940 international members who joined while in Australia. During the year Australian membership decreased by 4% while group membership (taken out by educational, cultural and sporting organisations) decreased by 3%. International membership increased by 11%. Nearly half of YHA's members (46%) join online and 36% renew online. YHA runs a coordinated campaign to encourage existing members to renew, using email as the primary means of communication and the renewal rate during the year was 42%.

## YHA ONLINE

YHA's website – yha.com.au – records an average of 6,000 user sessions each day, with the typical user spending 5 minutes on the site. YHA guests are very active on posting hostel reviews on the site. YHA is also active in social media, particularly Facebook and YouTube. Several new videos were produced featuring both urban and regional hostels, and the surrounding areas, to promote YHA online.

## MARKETING TO MEMBERS

A range of marketing activities was carried out including media liaison, brochure distribution, tactical campaigns and e-communications. State-based activities are complemented by national and international marketing carried out by YHA Australia, including coordination of the website, yha.com.au, and production of the annual YHA Accommodation Guide. During the year, ongoing advertising, cooperative marketing and public relations with tourism partners took place.

## MEDIA COVERAGE

There was positive coverage of YHA in a range of media including The Sydney Morning Herald, Daily Telegraph, ABC, MTV, The Independent (UK), Australian Motorcyclist and, Australian Traveller magazine. A promotion to celebrate the Centenary of Canberra at Canberra City YHA sold out in two days and generated media coverage in the Canberra Times.

YHA also achieved coverage in foreign press in Australia, reaching Chinese and Korean readers, and hosted bloggers and vloggers from around the world, including Spain, Korea, Taiwan, Sweden, the USA and Canada. International media coverage flowed from familiarisation visits and as a result, many items about YHA were published or broadcast in newspapers, on online news, travel and blog sites, and in industry publications.

## COMMUNICATIONS

YHA's magazine, Backpacker Essentials, was re-launched in February with a new digital-only approach. The magazine is available online, bimonthly, in a digital flip version, or as an iPad App available free through the App Store. The magazine now includes dedicated New Zealand content, and is also broadcast to YHA NZ members, as part of a shared-service arrangement. The online versions are accessed approximately 15,000 times per edition, whilst the iPad app has been loaded by 6,000 people, with each edition getting around 9,000 views. A major advantage of digital publications is that they can be accessed wherever YHA members are travelling.



BACKPACKER ESSENTIALS WAS RE-LAUNCHED AS A FULLY DIGITAL, TRANS-TASMAN MAGAZINE

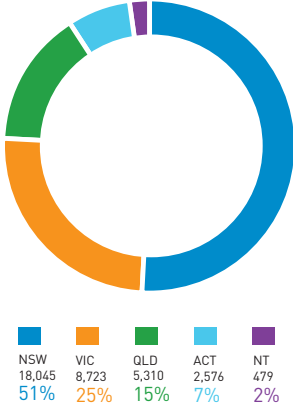
## MEMBERSHIP STATISTICS AS AT 31 DECEMBER

ACT, NSW, NT, QLD & VIC	2011	2012	2013	%
Youth	3,381	2,692	2,856	6%
Adult	28,535	24,494	22,633	(8%)
Life	10,124	9,601	9,644	0%
Group	980	1,069	1,040	(3%)
Individual & group membership	43,020	37,856	36,173	(4%)
Internationals	20,829	17,948	19,940	11%
Total Membership	63,849	55,804	56,113	1%



# MEMBER SERVICES

## 2013 INDIVIDUAL MEMBERS BY STATE



## EVENTS

YHA was promoted at various university 'O Weeks', international days, careers/ gap year and travel expos, shows and community events. As a general trend there has been a decline in dedicated tourism consumer shows which have been unable to attract numbers especially from younger age groups who source their information mostly online. YHA participated in industry events including Melbourne Tourism Industry Exchange, and the World Youth Student Travel Conference (WYSTC) in Sydney, including Sydney Harbour YHA hosting a rooftop event for 150 delegates. Sydney Harbour YHA also hosted a sold-out joint theatre production with the Australian Theatre for Young People, Sydney Harbour Foreshore Authority and Sydney Living Museums called 'Quay to the City'.

## INNOVATIONS

A new customer database for members was launched, integrated with YHA's national property management system and yha.com.au, with training provided

for staff from over forty hostels and 'regional champions'. A 'mobile media kiosk' using iPads was trialled at several hostels, and evaluated as delivering the capability to engage in more effective social media marketing. A new electronic 'exit survey' of group users was launched, and the data used to provide systemic feedback. To target Asian guests more effectively, an advertising campaign was trialled on Baidu (the Chinese version of Google).

## PARTNERSHIPS

YHA works with various partners in the tourism, youth, cultural and educational fields. Joint promotions took place throughout the year including cooperative marketing with universities, outdoor equipment/clothing companies and a range of discount providers. During the year, YHA also worked closely with Tourism Australia to support and promote a major campaign targeting Working Holiday Makers – 'The Best Jobs in the World.'

Case Study



## ENGAGING WITH ASIA

Railway Square YHA in Sydney performed consistently well all year and particularly increased the number of Asian guests. This was achieved by actively courting Asian visitors through a Weibo page (Chinese social media site), offering Union Pay credit card facilities (popular with Chinese travellers), hosting Korean and Taiwanese bloggers, and having Mandarin speaking staff on reception.

RAILWAY SQUARE YHA, SYDNEY INCREASED THE NUMBER OF ASIAN GUESTS THROUGH A RANGE OF INITIATIVES, INCLUDING HOSTING KOREAN BLOGGERS

# CORPORATE AFFAIRS

## TOWARDS A NATIONAL MERGER

YHA made another substantial step towards becoming a national organisation when YHA South Australia members voted 96% in favour of merging with YHA Ltd from 1 January 2014. The decision followed a successful shared service accounting and IT arrangement, due diligence undertaken by the two Boards and management, an Explanatory Memorandum to South Australian members, and careful planning for the integrated organisation. Shared service accounting arrangements were also introduced for YHA Tasmania during the year.

## SOUTHERN REGION OFFICE RELOCATION

The Southern Region office relocated to Melbourne Metro YHA during the year, achieving greater integration and savings. It is planned to provide a future ground floor space for the office at the Melbourne Central YHA.

## CONNECTING WITH HOSTELLING INTERNATIONAL PARTNERS

YHA is proud to be a leader in the Hostelling International (HI) network, particularly in terms of the development of quality new hostels and its online developments. In 2013, the CEO of YHA Ltd, Julian Ledger, presented to YHA China's Hostel Managers' Conference with 300 people in attendance, showcasing YHA in Australia. YHA was also proud to provide intellectual property support for the development of a new hostel, Mei Ho House YHA in Hong Kong. A former Cairns Central YHA Manager, Damian Flynn, is the inaugural hostel manager, further cementing ties between the organisations. YHA also works closely with YHA NZ, and during the year the Deputy Manager of Sydney Harbour YHA gave a presentation at the YHA New Zealand Managers' Conference.

## ARCHIVE PROJECT

Work continued on merging and cataloguing YHA's historic archives collection, including digitising the audio and video collections. The collection is stored in specialist archival storage in Sydney, with some items also held by the State Library of Queensland and the University of Melbourne Library.



## SMALL HOSTELS DEVELOPMENT FUND

YHA has a Small Hostels Development Fund to assist with works at regional hostels. A donations and bequests brochure was sent to Life members, fundraising for YHA's 75th anniversary year, and YHA gratefully received a total of \$12,200 in donations from fifty-seven members during the year, including a generous donation from NSW Life member Margaret Evans. A bequest was also received with thanks from the estate of former Victorian member, June Capon. At the end of 2013, the balance of funds stood at \$189,000.

## RETIRING DIRECTORS

At the Annual General Meeting (AGM) held in Sydney in April, YHA paid thanks to two long-standing Board members who were retiring. Sam Vella was initially elected to the YHA NSW Board in 2005 and held the roles of Vice Chair and Secretary, as well as Chair of the Nominations and HR Committee of YHA Ltd. Toni Vincent was originally elected to the YHA Queensland Board in 1996, and held the roles of Chair and Honorary Secretary, as well as Vice Chair of YHA Ltd. As key proponents of the merger between YHA Queensland and YHA NSW, both retiring Directors were guiding forces in the steps towards a national organisation. Following her contribution over seventeen years, Toni was appointed a Vice President of YHA Ltd. YHA wishes both Sam Vella and Toni Vincent well for the future.

YHA LTD WAS PROUD TO PROVIDE SUPPORT FOR THE DEVELOPMENT OF THE NEW HONG KONG YHA

# GOVERNANCE

AT 31 DECEMBER 2013

## DIRECTORY OF THE ORGANISATION

### PATRON

Her Excellency  
Professor Marie Bashir  
AC, CVO, Governor of  
New South Wales

### HONORARY LIFE MEMBERS

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

### PRESIDENT

Mr Bob Bimrose

### VICE PRESIDENTS

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

## THE BOARD OF DIRECTORS

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

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

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

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

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

### Chairperson

Ms Helen Harms

### Vice Chairperson

Mr Cameron Quinten

### Chief Executive Officer

Mr Julian Ledger

## BOARD COMMITTEES

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

Each Committee has a written Charter that sets out its role and responsibilities, composition, membership requirements, and the manner in which the Committee is to operate. Each Committee chair provides reports to the full Board. Minutes of Committee meetings are presented at subsequent Board meetings. All Directors are permitted, within the Board meeting, to request information from the Chair or members of the Committees.

### NOMINATIONS AND HR COMMITTEE

A key part of the objectives of the Nominations and HR Committee is to ensure that the YHA Board is skills based, shows diversity and is made up of Directors with a range of expertise and experience. The Committee is responsible for managing the Directors Familiarisation Program. The aim of the program is to ensure that candidates for the Board understand the obligations of a Director under the Corporations Act. The Directors Familiarisation Program specifically covers the operation of the Board and its Committees and financial, strategic, operational and risk management issues. Once elected, new Directors participate in an induction program, and the Nominations and HR Committee ensures that an effective process is in place for any newly elected Director, and reviews the process each year. In addition, YHA Ltd is committed to continuing education and training for the Directors.



The Board recognises that regular reviews of its effectiveness and performance are critical to improvement of the governance of the organisation. Accordingly, the Board, with the assistance of the Nominations and HR Committee, undertakes an annual review and evaluation of the performance of the Board (including against the requirements of the Board Charter) and its Committees. The Chair of the Board and the Chair of the Nominations and HR Committee are responsible for the annual review and evaluation.

### **AUDIT AND RISK COMMITTEE**

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

### **BOARD MEETINGS**

The Board of Directors met in person seven times between January and December 2013. In addition, the Nominations and HR Committee held six meetings and the Audit and Risk Committee met six times throughout 2013, with both these committees undertaking detailed work on behalf of the Board.



### **BOARD MEMBERS**

During 2013 the Board was made up of nine Directors with each Director normally serving a three-year term before deciding whether to stand again for re-election, with a third of the Board potentially changing each year. At year end, as a part of the merger process, the Board coopted the former Chair of YHA South Australia, Tracey Powell, to the Board until the 2015 AGM.

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

### **BOARD EVALUATION**

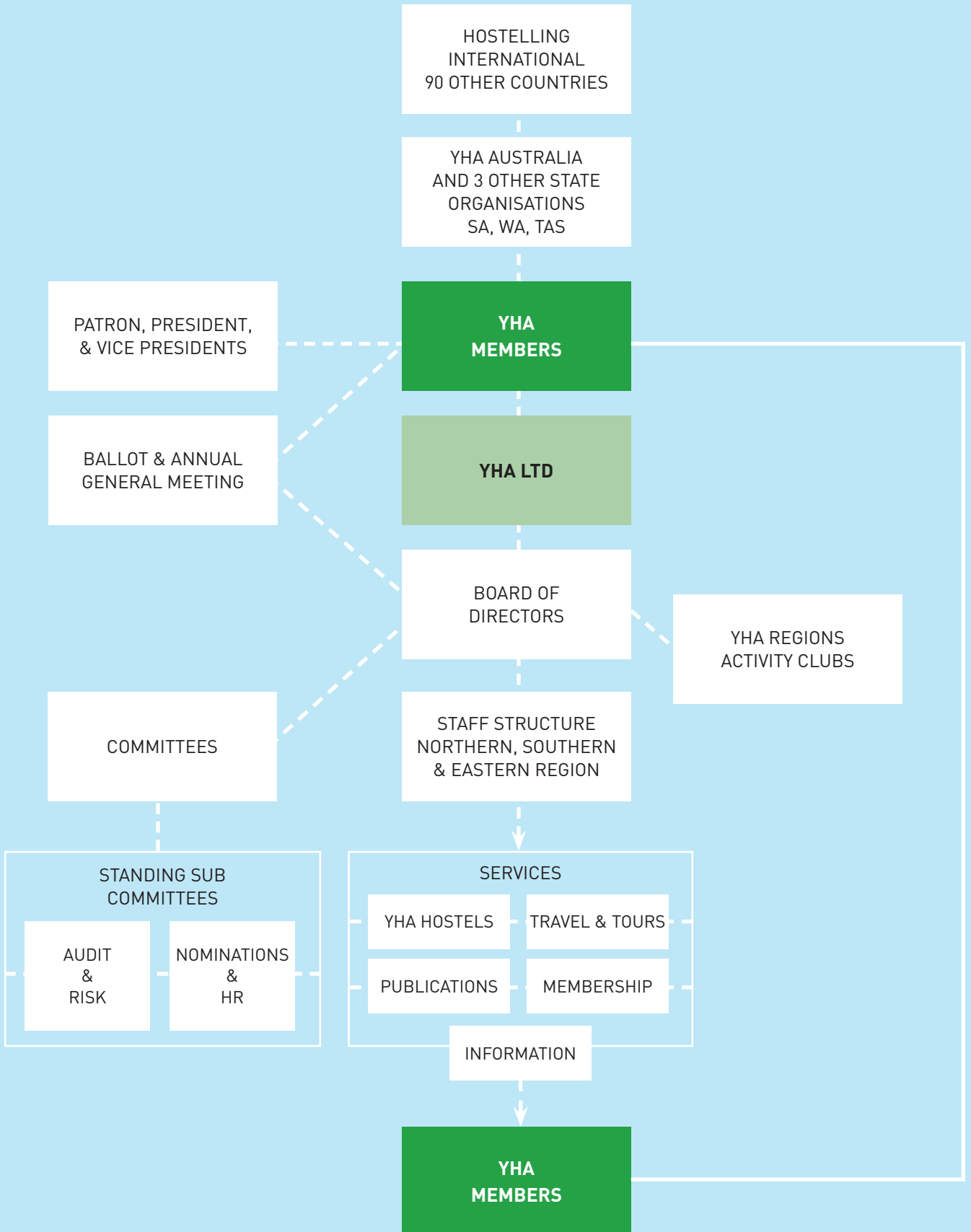
An external evaluation of the Board took place in 2012 with input from Directors and management. This comprehensive evaluation found that the YHA Board is operating very effectively and that the Boardroom environment is considered to be inclusive and respectful. The report provided valuable recommendations for the Board which were acted upon during 2013. The next self evaluation will be conducted in March 2014.

THE BOARD OF DIRECTORS AND CEO ON THE NEWLY CONSTRUCTED VIEWING PLATFORM AT THE BIG DIG ARCHAEOLOGY EDUCATION CENTRE, SYDNEY HARBOUR YHA

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# STRUCTURE OF THE ORGANISATION

AT 31 DECEMBER 2013



# HUMAN RESOURCES

AT 31 DECEMBER 2013

## WORKFORCE PROFILE

At the year end, YHA employed 306 people in the ACT, NSW, NT, Victoria and Queensland. YHA Ltd employs over thirty-five different nationalities, showcasing the rich cultural diversity of employees. The median age of staff was 29 with 69% under 35 years old. The workforce profile was distributed between females (58%) and males (42%), with the number working either full-time or permanent-part time increasing to 94% (90% in 2012), with 86% of those working in the hostels. YHA has a strong sense of community with staff working well together and supporting several local charities, fund-raising and awareness-raising events. In 2013, these included the Sydney City to Surf fun run and staff blood donations to the Australian Red Cross.

## TRAINING & DEVELOPING STAFF

Training and staff development are important components of YHA's recruitment and retention policy, with both in-house and external training provided. YHA conducts an induction program for new staff and provides ongoing training in sales and customer service, property management and customer database systems, and Business Planning courses tailored specifically for the organisation. In 2013, the first Advanced User Training for GuestCentrix (property management system) was developed, and training provided for 41 hostel managers. YHA also supports its staff in gaining further qualifications relating to the business, by contributing up to 50% of tuition fees for approved courses.

YHA actively encourages exchanges between hostels and during the year several two-to-four week exchanges took place involving staff from Airlie Beach, Brisbane, Canberra, Cairns, Darwin, Melbourne and Sydney. YHA also encourages transfers, secondments and promotions between States and Territories. Additionally, YHA participates in university internships and student work experience programs.

## ONLINE INFORMATION & TRAINING

YHA's intranet, Egor, is an interactive resource centre of up to date documentation and information from around the network. Each month, the home page receives an average of 23,500 visits. YHA is committed to training staff

across the network consistently and effectively, and online training is delivered through an eLearning system, Trainee. During the year the system was enhanced to be used on portable devices such as iPads for increased ease and flexibility of use. Six eLearning modules are currently available, and were completed over two hundred times by staff in 2013, with additional modules in development.

## EMPLOYEE ENGAGEMENT SURVEY

During the year, YHA Ltd conducted the organisation's first ever Employee Engagement Survey, with participation also from HI Australia and YHA South Australia. YHA NZ conducted exactly the same survey in the same time frame to allow benchmarking between the two organisations. YHA received a very high response rate of 91% (305 out of 335 possible respondents), and achieved a positive 'agreement' average of 73% reflecting good staff engagement and a high level of interest in making a difference within the organisation. The results were loaded onto the intranet, and staff meetings were held in various locations to present the findings. Opportunities identified in the survey related to training; career progression; communication; rewards/recognition and performance management. Several initiatives were developed as a result of the feedback received.

## RECOGNISING STAFF

YHA recognises and rewards performance through an 'Employee of the Month' scheme, and the 2013 'Employee of the Year' prize was awarded to Business Development Manager, Cindy Jones. Several staff members also reached significant service milestones during the year. Congratulations to Kim Lim (Accounts) who has worked for YHA for 25 years, and Kerri McGrath (Blue Mountains YHA) and Melanie Vella (YHA Travel) who both achieved 10 years of service.

## ENTERPRISE AGREEMENT

The YHA Enterprise Agreement covers all 257 hostel staff, and runs from 2011 to 2015.

## EQUAL EMPLOYMENT OPPORTUNITY

YHA is committed to the principles of Equal Employment Opportunity (EEO) and each year submits a report to the Workplace Gender Equality Agency

(WGEA.) YHA continues to promote an inclusive and positive workplace environment, including training to prevent discrimination and harassment, and EEO is an integral part of training for new employees.

## WORKPLACE HEALTH & SAFETY

Safety is an important issue for YHA and the organisation has a very good record with workplace safety and injury management. Workplace health and safety best practice means that YHA and its employees are all responsible and accountable. In 2013, YHA formed a Workplace Health & Safety Consultative Group to replace previous regional committees. This group consists of twelve representatives from hostels and administration offices across the network, and meets four times each year to review, discuss, and provide advice to management on how to best manage workplace health and safety within the organisation.

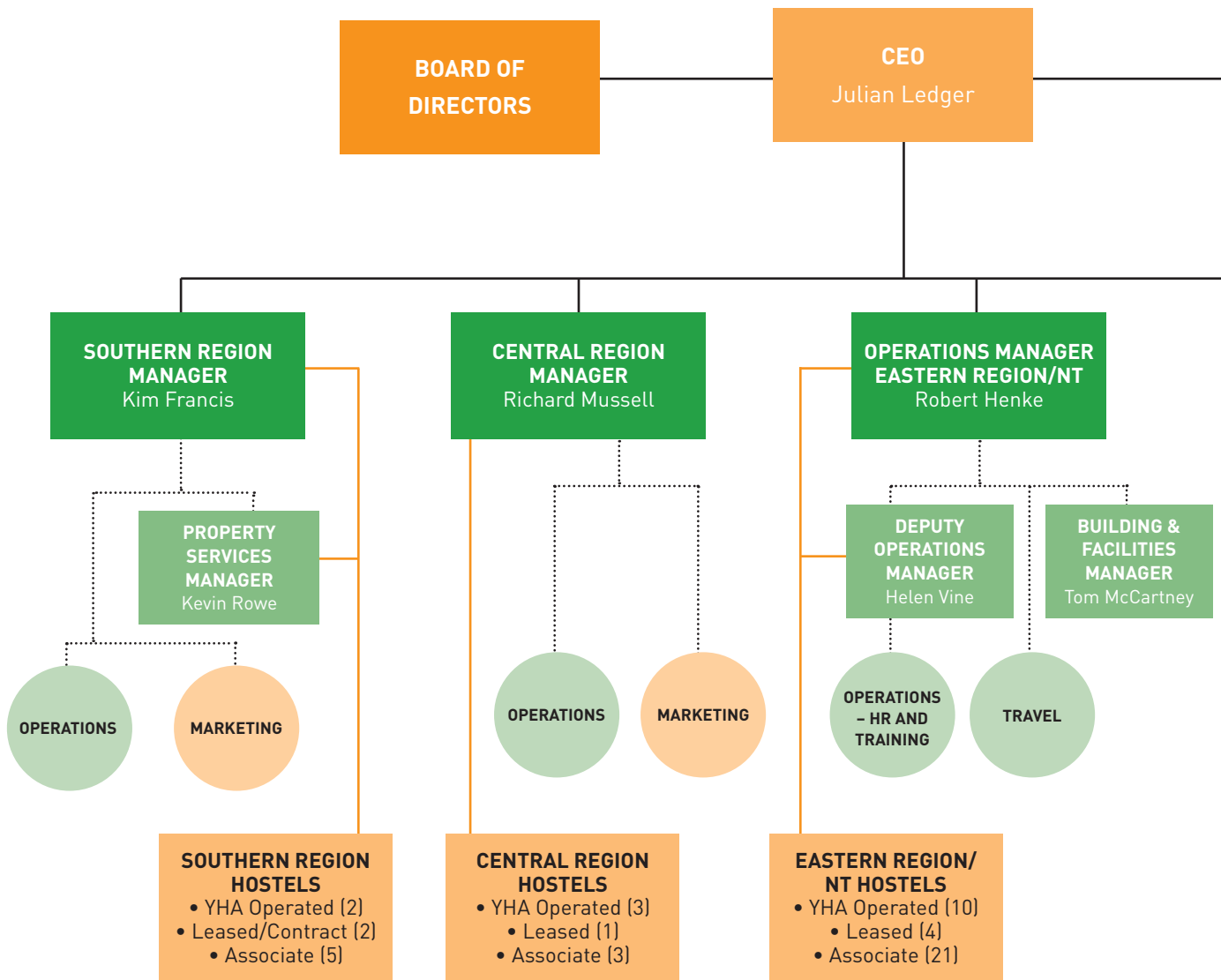
## WELLBEING

As part of its commitment to its people, YHA records staff sick leave against total hours worked. This allows YHA to monitor and react early to changes in staff wellbeing. Staff worked a total of 476,142 hours during the year and recorded 7,459 hours personal leave (sick leave and carers' leave), comprising 1.5% of total hours worked. This was the same ratio as the year before and low by external standards. Flu vaccinations are offered to staff as a preventative measure.

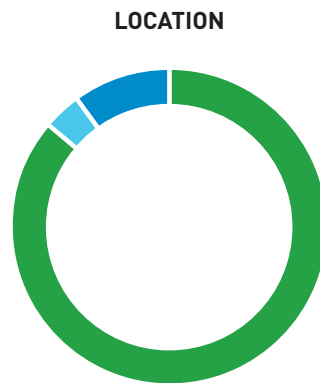
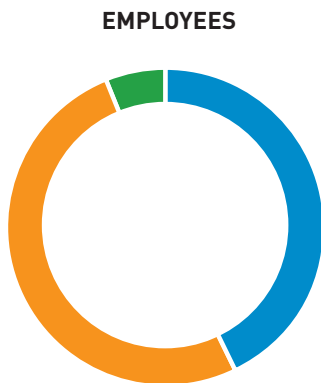


# HUMAN RESOURCES

STAFF STRUCTURE AT 31 MARCH 2014

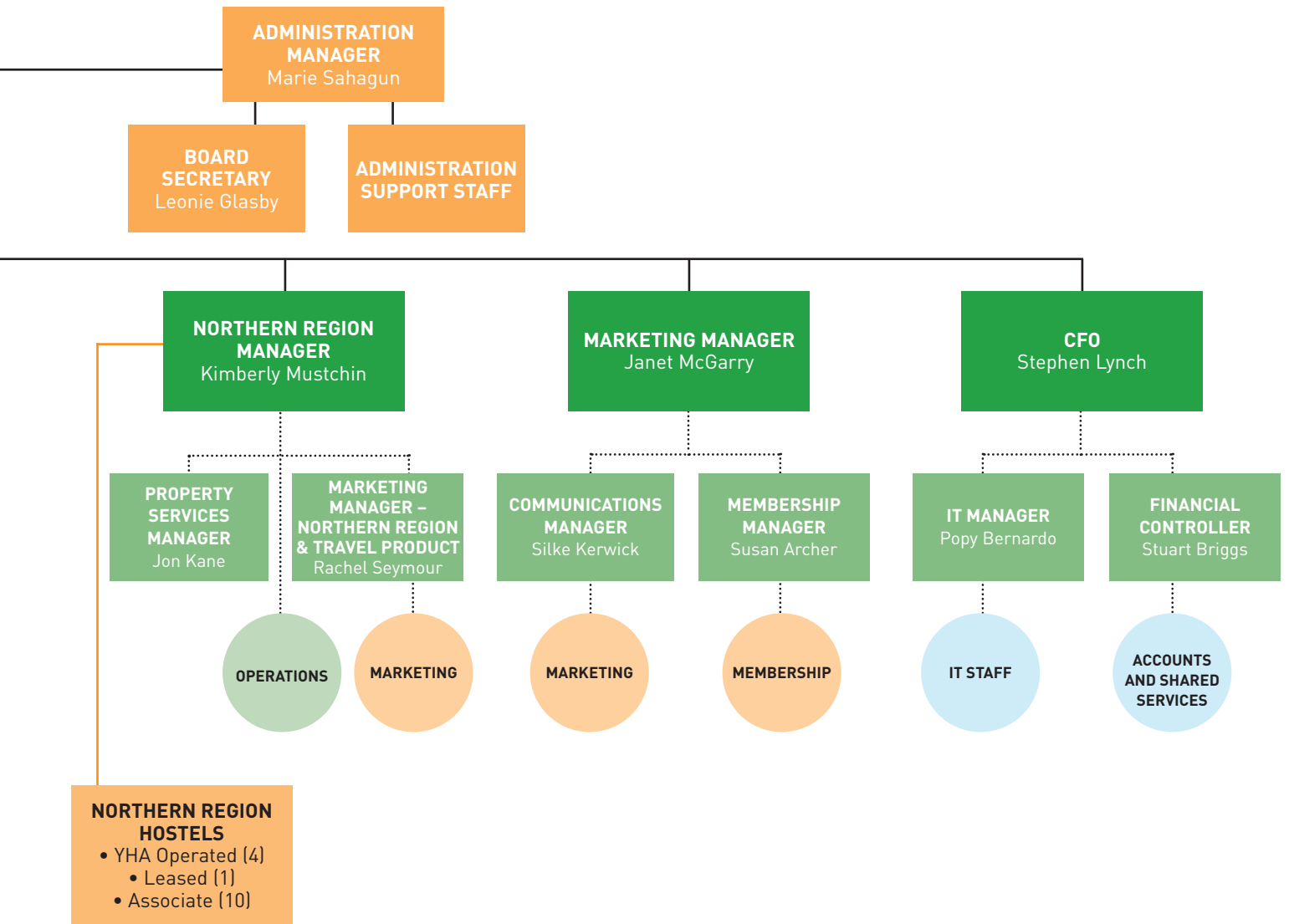


## STAFF STATISTICS SNAPSHOT AS AT 31 DECEMBER 2013

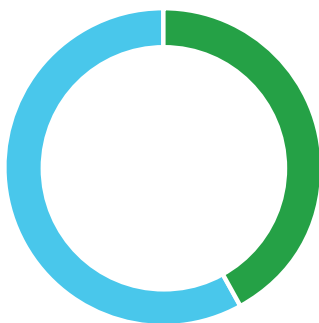


■ FULL TIME 43%  
■ PART TIME 51%  
■ CASUAL 6%

■ HOSTELS 86%  
■ REGIONAL 4%  
■ SYDNEY 10%

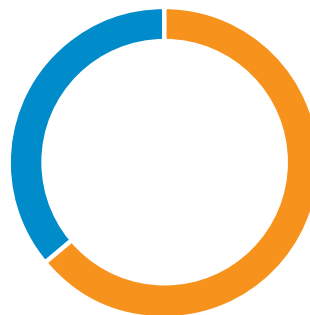


**GENDER**



FEMALE 58%  
MALE 42%

**STAFF TURNOVER**



CONTINUING STAFF 64%  
NEW STAFF 36%

# STRATEGIC PLANNING AND OUTLOOK

## STRATEGIC PLANNING

In July, YHA Board members and senior management met for a two-day National Strategic Planning Conference. The Conference was held in Alice Springs, symbolically at the geographic centre of YHA's hostel network. Joining the YHA Ltd Board of Directors were the National Board of YHA Australia, including Directors from YHA Tasmania, South Australia and Western Australia, and their respective Executive Officers. An international perspective was added by the presence of the CEOs of YHA NZ and HI-Canada (Pacific Mountain Region).

This was an opportunity to take a step back from the day-to-day operation of the organisation and plan for the future. A scenario planning process included discussion on the ways in which hostel accommodation will change in the next decade, managing the growth potential from Asia, and how to build customer loyalty with a new generation membership relationship. The main outcome of the Conference was a new Strategic Plan to guide the organisation from 2014-2018, the development of which was coordinated by Rolf Dulks, CEO of YHA Australia.

The Strategic Plan is driven by four major themes:

- Brand
- Network development
- Growth
- Governance

It is built on YHA's core values:

- Environmentally friendly
- Safe and reliable
- Honest and trustworthy
- Loyalty
- Value for money
- Experience

It is then structured around twelve critical success factors, selected to focus the organisation and ensure that it remains a market leader.

## CRITICAL SUCCESS FACTORS

- 1 BRAND EXPERIENCE
- 2 CULTURE OF SUSTAINABILITY
- 3 LIVING THE VALUES
- 4 BUILDING PARTNERSHIPS
- 5 THE RIGHT HOSTELS IN THE RIGHT LOCATIONS
- 6 FINANCIAL GROWTH TO FACILITATE DEVELOPMENT
- 7 SKILLED, MOTIVATED STAFF
- 8 EFFICIENT AND EFFECTIVE PROCESSES
- 9 EFFECTIVE AND CONSISTENT SALES AND MARKETING
- 10 EFFECTIVE AND SUSTAINABLE MEMBERSHIP
- 11 COMPLETING THE NATIONAL ORGANISATION
- 12 EFFECTIVE GOVERNANCE AND RISK MANAGEMENT.

## GENERAL OUTLOOK

The second half of 2013 saw some recovery in the tourism sector as the Australian dollar eased against key foreign currencies, increasing the affordability of a holiday in Australia for international visitors. It is YHA's view that the Australian dollar needs to settle at around 80c to the US dollar, for Australia to rebuild its reputation as great value for money.

There was slow improvement in the economic conditions in some parts of Europe, and growth again from Asia. Travel from both Asia and Europe was stimulated by increased air capacity, particularly from China, and resultant competitive fares. YHA is well placed to accommodate young visitors from Asia as it offers clean, well organised, safe and good value facilities. The YHA/Hostelling International brand is also strengthening in Chinese-speaking countries.

The numbers taking advantage of Working Holiday Maker visas into Australia grew in 2012/2013 with more arrivals, particularly from the UK, Germany, France, Italy and Taiwan. However, in the second half of 2013 there was a decline in first year visas issued, possibly as a consequence of a steep rise in visa fees. In line with the focus of Tourism Australia's expanded activities in Asia, YHA supports the recommendation of the Tourism & Transport Forum (TTF) to expand the scheme to include China, India, Vietnam and the Philippines, and to relax current caps on some other countries. Also supported is the Australian Tourism Export Council's push to broaden the types of regional work to be undertaken to gain eligibility for the popular second year visa.

Focusing on working holidays is an important strategy whilst the Australian dollar remains relatively strong, and casual work, including seasonal work such as harvesting, is available to young international visitors. At any one time, there are nearly 180,000 working holiday makers in Australia. Overall, 570,000 backpackers visited Australia in 2013 and stayed for an average of 83 nights, spending \$5,775 each while in Australia. Numbers are expected to increase steadily. Tourism forecasting also predicts strong growth in education tourism. YHA is well placed to provide accommodation for international students upon arrival in Australia and during breaks from study.

Considering international travel, overall, Australia has for some years been a net exporter of travellers, with 8 million Australians travelling overseas in 2013 as opposed to 6.5 million visitors arriving inbound. Awareness is not high that Australia ranks only about 40th on the world ranking for inbound tourism due to it being a long haul and relatively costly destination. There is much competition and a need for continued effective marketing of the destination.

### OUTLOOK FOR YHA

In its 75th year in Australia in 2014, YHA will celebrate its achievements and its long standing objectives, which remain as relevant today as ever. At the same time it will continue its commitment to innovation and development as the means to remain competitive.

A priority to maintain YHA's relationship with members is achieving a high proportion of guests who book direct. This requires the promotion of yha.com.au and the new HI-360 platform of hihostels.com as YHA's preferred channels for bookings. In 2014 there will be a major redesign of the Australian website, along with investment in the resilience of the IT platforms serving all applications. A new version of the hostel-to-hostel booking system, eNights will provide a more up-to-date system for this important service for customers.

The main hostel works project in 2014 will be the remodelling of the ground floor of Melbourne Central YHA into a main reception, guest lounge and self catering area. The re-designed space will also include YHA's Southern Region office. This will allow the expansion of accommodation capacity within the hostel, and create a better atmosphere for meeting other travellers.

A new Development Manager role will be created. Projects to be evaluated include the feasibility of expansions at existing hostels in Adelaide, Byron Bay and Canberra, and possible new hostels on the Gold Coast and in Darwin, where YHA currently has leasehold premises.



YHA DIRECTORS AND STAFF AT KATA TJUTA, NT, FOLLOWING THE NATIONAL STRATEGIC PLANNING CONFERENCE

In line with YHA's Sustainability Action Plan there will be investment in new solar hot water systems at major hostels which give the best environmental and economic return.

In Sydney, the Sydney Central YHA hostel – one of the largest and busiest in the world – is affected by a proposed new Central Business District light rail, and the location of a bus interchange. YHA is a supporter of light rail but is objecting strongly to a design which, without consultation, removes the hostel's pickup/drop off lay-by and all vehicle access to the property. The effect of this will make it difficult for the majority of groups who arrive by coach to stay.

In general, there will be a focus on building on YHA's occupancy gains of 2013, whilst improving the average yield at key city hostels as the means to boost revenue. Strong revenue combined with a continuing low interest rate environment will allow more debt to be retired, so building the balance sheet for future expansion.

YHA will continue to work with both state and national tourism bodies on youth tourism campaigns and to be active in tourism associations to ensure that youth tourism gains its share of attention.

YHA hostels are a major resource providing accommodation for school and other youth groups, especially in cities where good quality, safe and low cost

options are in short supply. However some groups from disadvantaged areas cannot undertake excursions as parents are unable to meet the costs, and children miss out on this important opportunity. As a 75th Anniversary project it is proposed to establish a new YHA charitable fund to subsidise groups that meet specific criteria, and which will attract tax deductibility for donations.

Finally, following integration of YHA South Australia into YHA Ltd in early 2014, YHA will work towards completion of a national merger. This initiative will build on the accounting shared services already underway for YHA Tasmania, and the move of YHA WA to a national IT platform in preparation for a new Fremantle YHA hostel currently under development.

**A priority to maintain YHA's relationship with members is achieving a high proportion of guests who book direct.**



# RELATIONS WITH THE GOVERNMENT & OTHER ORGANISATIONS

YHA Ltd is an autonomous self-financing body. The following is a summary of the organisation's relations with government.

## COMMONWEALTH GOVERNMENT

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

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

## STATE, TERRITORY & LOCAL GOVERNMENTS

The Governor of NSW, Her Excellency, Professor Marie Bashir, AC, CVO is Patron of the organisation.

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

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

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

City of Sydney has granted an exemption on Council rates at Sydney Harbour YHA.

YHA Travel is registered under the NSW Travel Agents Registration Act, under the NT Consumer Affairs and Fair Trading (Travel Agents) Regulations, and in Queensland and Victoria.

YHA leases land at modest rent from the Department of Natural Resources and Water in Queensland.

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

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

## INDUSTRY REPRESENTATION

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

The Southern Region Manager was appointed as a Director on the Board of the Victoria Tourism Industry Council (VTIC).

YHA is represented through the CEO on the Backpacker Youth Tourism Advisory Panel (BYTAP), a committee of the Australian Tourism Export Council (ATEC). BYTAP provides leadership for industry representations to government on youth tourism, including marketing and development, traveller safety, raising accommodation standards and liberalisation of visas.

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

## YHA IS A MEMBER OF THE FOLLOWING ORGANISATIONS:

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

# YHA LTD HOSTELS

YHA HOSTELS IN THE ACT, NSW, THE NT, QUEENSLAND AND VICTORIA  
AS AT 31 DECEMBER 2013

	HOSTEL	MANAGED BY	BEDS	OWNERSHIP	STATUS	NOTES
ACT	<b>CANBERRA CITY</b> 7 Akuna St, Canberra	Wim Hanse	284	0	F	Converted office block.
	<b>ALBURY</b> 372 Wagga Rd, Lavington	Jennie Butlin	24	A		Building in caravan park.
NSW	<b>ARMIDALE</b> 39 Waterfall Way	Chris & Sigrid Mitchell	32	A		Building in caravan park.
	<b>BATEMANS BAY</b> Cnr of Old Princes Hwy & South St	Francis McLaughlin & Brent Bruen	40	A		Converted building in caravan park.
	<b>BELLINGEN</b> 2 Short St	Joel Parkhouse & Holly Williams	32	A		Converted commercial building with extensions.
	<b>BLUE MOUNTAINS</b> 207 Katoomba St, Katoomba	Bronwen Johnston	200	0	F	Converted guesthouse.
	<b>BLUE MOUNTAINS - HAWKESBURY HEIGHTS</b> 836 Hawkesbury Rd	Carolyn & John Beazley	12	0	L	Land leasehold; purpose built hostel owned by the organisation.
	<b>BONDI BEACHOUSE</b> Cnr Fletcher and Dellview St, Bondi Beach	Kati Farthing	94	A		Converted guesthouse.
	<b>BUNDANOON</b> 115 Railway Ave	Glenn Robinson & Alison Shaw	36	0	F	Leased to manager. Converted guesthouse.
	<b>BYRON BAY</b> 7 Carlyle St	Paul Cason	107	0	F	Purpose built hostel.
	<b>CAPE BYRON</b> Cnr Byron & Middleton Sts, Byron Bay	Todd Batston	130	A		Purpose built hostel.
	<b>COFFS HARBOUR</b> 51 Collingwood St	Brett Banwell	92	0	F	Leased to manager. Purpose built hostel.
	<b>CRONULLA BEACH</b> Level 1, 40-42 Kingsway, Cronulla	Michael Keogh	66	A		Converted commercial building with extensions.
	<b>GLEBE POINT</b> 262-264 Glebe Point Rd, Glebe	Craig Tester	151	0	F	Converted motel.
	<b>HUNTER VALLEY</b> 100 Wine Country Drive, Nulkaba	Nigel Worton	46	A		Purpose built hostel.
	<b>LENNOX HEAD</b> 3 Ross St	Graeme & Anna Dicker	42	A		Purpose built hostel.
	<b>MANLY SUMMER</b> 151 Darley Street, Manly	Daniel Robertson	66	A		Summer hostel facility in student accommodation at the International College of Tourism & Hotel Management.
	<b>MERIMBULA</b> 8 Marine Pde	Wayne & Betty Tuckfield	49	A		Purpose built hostel.
	<b>MURWILLUMBAH</b> 1 Tumbulgum Rd	Tassie Duff	24	A		Private residence converted into hostel.
<b>NAROOMA</b> 243 Princess Hwy	Darren Brass & Karli Walters	35	A		Holiday accommodation converted into hostel.	

# YHA LTD HOSTELS

YHA HOSTELS IN THE ACT, NSW, THE NT, QUEENSLAND AND VICTORIA  
AS AT 31 DECEMBER 2013

HOSTEL	MANAGED BY	BEDS	OWNERSHIP	STATUS	NOTES
<b>NEWCASTLE BEACH</b> 30 Pacific St, Newcastle	Damian Parkhouse	99	A		Converted heritage building.
<b>NIMBIN ROX</b> 74 Thorburn St, Nimbin	Sam Lewis	28	A		Purpose built hostel.
<b>PITTWATER</b> Via Halls Wharf, Morning Bay	Michael Doherty & Sarah Polomka	32	O	F	Leased to manager. Converted residence.
<b>PORT MACQUARIE</b> 36 Waugh St	Richard Bock	68	A		Private homes extended into hostel.
<b>PORT STEPHENS</b> Frost Rd, Anna Bay	Mark & Sandy Munday	31	A		Purpose built hostel.
<b>RAILWAY SQUARE</b> 8-10 Lee St, Sydney	Dean Grasselli	280	O	L	Leasehold from Rail Corporation NSW. Converted parcels office.
<b>SYDNEY BEACHOUSE</b> 4 Collaroy St, Collaroy Beach	James Dakin	214	A		Purpose built hostel.
<b>SYDNEY CENTRAL</b> 11 Rawson Place, Sydney	Jon Hutchinson	556	O	F	Converted heritage office building.
<b>SYDNEY HARBOUR</b> 110 Cumberland St, The Rocks	Ross Lardner	354	O	L	Leased from Sydney Harbour Foreshore Authority. Purpose-built hostel raised above archaeological remnants, with education centre.
<b>TAMWORTH</b> 169 Marius St	Carol Hobden	43	A		Converted commercial building.
<b>THREDBO</b> 8 Jacks Adam Pathway	Nadia Fadel	48	O	S	Land sub-leased from Kosciuszko Thredbo Pty Ltd, on lease from National Parks & Wildlife Service.
<b>WOLLONGONG</b> 75-79 Keira St	Mary Sparks	32	A		Purpose built hostel, serviced apartments and student complex.
<b>YAMBA</b> 26 Coldstream St	Shane & Justin Henwood	90	A		Purpose built hostel.
<b>ALICE SPRINGS</b> Cnr Parsons St & Leichhardt Tce	Roger Wileman	108	O	F	Converted open air cinema.
<b>DARWIN</b> 97 Mitchell St	David Boyce	168	O	S	Sub-leased from Globies P/L
<b>AIRLIE BEACH</b> 394 Shute Harbour Rd	Ravi Soni	86	O	F	Converted motel.
<b>BRISBANE CITY</b> 392 Upper Roma St	Peter Miller	373	O	F	Two lots amalgamated. Purpose built hostel.
<b>CAIRNS CENTRAL</b> 20-26 McLeod St, Cairns	Courtney Preo	225	O	F	Purpose built hostel.
<b>CAPE TRIBULATION</b> 152 Rykers Rd	Steve Maloney	132	A		Purpose built cabins within rainforest.
<b>COOKTOWN</b> 9 Boundary St	Scott Orchard	66	A		Converted motel.

NT

QLD

HOSTEL	MANAGED BY	BEDS	OWNERSHIP	STATUS	NOTES
<b>COOLANGATTA</b> 230 Coolangatta Road, Bilinga	Warren Nicholas	82	O	L	Owned by organisation and leased to manager. Purpose built hostel.
<b>HERVEY BAY</b> 820 Boat Harbour Dr	Jeff & Karen Huston	100	A		Purpose built hostel also offering cabins and camping.
<b>MAGNETIC ISLAND</b> 40 Horseshoe Bay Rd	Brett & Janelle Flemming	120	A		Purpose built, offering cabins and camping.
<b>MISSION BEACH</b> 49 Porter Promenade	Richard & Anthea Gilroy	30	A		Purpose built hostel.
<b>NOOSA</b> 2 Halse Lane, Noosa Heads	Drew Pearson	95	A		National Trust Heritage listed building with additional purpose built hostel.
<b>PORT DOUGLAS</b> Port Street	Wendy Smith	120	A		Converted motel.
<b>ROCKHAMPTON</b> 60 MacFarlane St	Auzen Mercader	62	A		Purpose built hostel.
<b>ROCKHAMPTON OUTBACK</b> 1591 Baralaba-Rannes Rd, Baralaba	Lyn Eather	39	A		Purpose built hostel within a cattle station.
<b>STRADBROKE ISLAND</b> 132 Dickson Way, Point Lookout	James Griffith	62	A		Purpose built hostel with dive centre.
<b>SURFERS PARADISE</b> Mariners Cove, 70 Seaworld Drive, Main Beach	Nathan McGregor	100	O	S	Sub-leased from Raptis. Converted office.
<b>VIC</b> <b>APOLLO BAY</b> 5 Pascoe St	Jonathan & Marjon Burgess	72	O	F	Management service contract. Purpose built hostel.
<b>BALLARAT</b> Magpie St	Neil Robbins	12	A		Converted worker's cottage.
<b>FOSTER</b> 40 Station Rd	Mohya & John Davies	10	A		Converted worker's cottage.
<b>GRAMPIANS/HALLS GAP</b> Cnr Grampians and Buckler Rd	Stuart Usherwood & Rebecca van Roosmalen	64	O	F	Management service contract. Purpose built hostel.
<b>MELBOURNE CENTRAL</b> 562 Flinders St	Bronwyn Adams	208	O	F	Converted heritage hotel building.
<b>MELBOURNE METRO</b> 78 Howard St, North Melbourne	Dooshyant Jhowry	360	O	F	Purpose built hostel.
<b>PHILLIP ISLAND</b> 10-12 Phillip Island Tourist Rd, Newhaven	Larson Henderson	120	A		Purpose built hostel.
<b>PORT FAIRY</b> 8 Cox St	Alison & Kadir Zehir	50	A		Converted heritage building.
<b>SORRENTO</b> 3 Miranda St	Evonne Yanez	21	A		Purpose built hostel.

#### OWNERSHIP KEY

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

#### STATUS KEY

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



# FINANCIAL SUMMARY

## OVERVIEW

Total income for 2013 before sale of assets was \$39.63M, which was \$0.3M above the previous year. The net surplus was \$2.92M and includes income from settlement of the Mt Buller YHA sale and the return of mutual income from HI Australia amounting to \$3.3M. The economic background for 2013 showed a return to stability in traditional markets and steady growth in Asia. This shift was reflected in the guest mix with increased guest nights from international sources. The Australian dollar exchange rate compared to both the Euro and US dollar devalued from the highs reached in 2011 and 2012, improving the buying power of international travellers, though it is still the case that Australia is a destination of higher expense.

## CASH FLOW

Operating cash flows were higher than 2012 as the growth was supported by many popular sporting and other events held in mid and late 2013. Finance costs were lower than 2012 as no finance facility establishment fees were paid in the 2013 year and interest rates were lower. Cash flows from investing activities were lower as there were no major development projects in the year and some funds were received for the sale of surplus land in Katoomba. Cash flows from financing activities included the repayment of loans to HI Australia of \$2.55M and Westpac loans for \$3.22M. Borrowings were reduced by \$5.77M during the year to \$75.58M.

Cash holdings at the end of the year were high in preparation for repayment of YHA South Australia borrowings in early 2014 for \$1.67M.

## CAPITAL EXPENDITURE

Capital expenditure was spent primarily on maintaining the standards of plant and equipment of the hostels, investment in systems and sustainability initiatives.

## CONTRIBUTION FROM DIVISIONS

The contribution of each division to the profit before interest and tax is compared in percentage terms in the graph below. The hostel division is the major contributor to overall surplus, with membership making a small contribution. All Travel and Tour sales are now recorded through the hostel contributions as there are no longer any stand alone travel agencies.

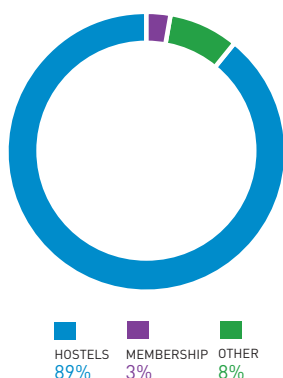
## HOSTEL DIVISION

There was an increase in guest overnights from the UK and European countries of 17.6% (2012, down 3.8%) on the previous year. Overnights from Asia increased by 17.7% (2012 increase 26.75%) and now comprise 12.5% of YHA's overnight mix. Contributing to the result was better recording of usage at certain Associate hostels as a result of the implementation of YHA's property management system. Overnights increased by 5.7% from international guests and there was 1.8% negative growth from domestic visitation, although group travel increased 4%. The strength of the local economy continued to be an attraction for international travellers seeking working holidays. The primary driver for growth in international overnights was a combination of UK / European growth (52,000 overnights) and Asia (25,000 overnights) with a solid increase from non-Hostelling International countries (12,000 overnights) over 2012.

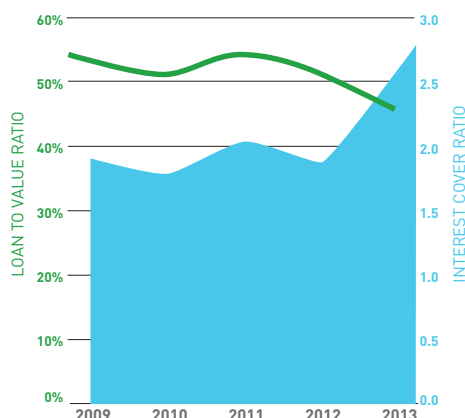
## MEMBERSHIP DIVISION

Australian memberships decreased by 4.5% for the year whilst international membership sales increased by 11% to 19,940. Income decreased accordingly though costs for selling and administering membership were also reduced to maintain the contribution from membership sales.

2013 SOURCE OF GROSS REVENUE



LOAN TO VALUE AND INTEREST COVER RATIO



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# DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'group') consisting of YHA Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 31 December 2013.

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

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

NAME	QUALIFICATIONS	EXPERIENCE	RESPONSIBILITIES	ELECTED TO
Matthew McNeil	BArch(Hons)	YHA member since 1988. Architect.		Apr-2016
Robert Anthony McGuirk	BA LLB, FFin, GAICD	YHA member since 1990. Former member of YHA Victoria Board, held roles of Chair, Vice Chair. HI Vice President. Lawyer, Property Manager, IT Consultant.	YHA Victoria Limited delegate to National Board	Apr-2016
Leonie Isabelle Thijssen	BCom, CPA, GIA (Cert), GAICD	YHA member since 2000. Elected to the YHA Qld Board in 2008. Held roles of Treasurer YHA Qld and Vice Chair of YHA Ltd. Specialist in tax and compliance.	Chair, Audit & Risk Committee from Oct-2011	Apr-2016
Tracey Michelle Powell	BBus, MBA	YHA member since 2011. Held role of Chair of YHA SA Inc. Director and Principal of Business & Marketing Consultancy.		Appointed Jan-2014 to Apr-2015
Helen Margaret Harms	BSc, MBA, GAICD	YHA member since 2007. Elected to the YHA NSW Board in 2007. General Manager IT, Financial Services company.	Chair YHA Ltd from Apr-2008	Apr-2015
Euan Gordon Prentice	BCom, A Fin	YHA member since 2009. Partner in investor relations consulting firm.	Chair, Nominations & HR Committee from Apr-2013	Apr-2015
Cameron James Quinten	BEd(Sec), BSc(Hon), Grad Dip AppSci, DipBus, Dip Sustainability, Cert IV Train & Assess, AIMM	YHA member since 1995. Former member of YHA Victoria Board, held role of Chair. Enterprise Manager in the Vocational Training and Education sector.	Vice Chair from Apr-2013	Apr-2015
John Derry Clancy	BBus, SA Fin, CPA	YHA member since 1979. Elected to the YHA NSW Board in 2005, held role of Treasurer. Former Chair of Audit & Risk Committee. Public Sector employee in corporate finance and policy.	YHA Ltd delegate to National Board from Apr-2011	Apr-2014
David John Neish	BArch(Melb) FRAIA	Initially joined YHA in Beechworth VIC in 1976. Former member of the YHA Qld Board. YHA member since 1976. Architect.		Apr-2014
Janet Eliza Richardson	M HlthSc, BAppSc(Hon), BAppSc(OHS), EMBA, GAICD	YHA member since 1995. Elected to the YHA Qld Board in 2005, held role as Hon Treasurer. Public sector employee in safety, risk and emergency management.	YHA Queensland delegate to National Board	Apr-2014
Salvator Thomas Vella	F CPA, FCIS, FAICD	YHA member since 2003. Elected to the YHA NSW Board in 2005, held roles of Vice Chair and Secretary. Former Chair Nominations and HR Committee. Company Director.		Apr-2013
Toinette Vincent	BA, Grad Cert Ad Ed & Trg, GAICD	YHA member since 1990. Elected to the YHA Qld Board in 1996. Held roles of Chair and Hon Secretary of YHA Qld and Vice Chair YHA Ltd. Experience in HR and Training.		Apr-2013

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

## 2. MEETINGS OF DIRECTORS

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

DIRECTOR	BOARD OF DIRECTOR MEETINGS		COMMITTEE MEETINGS	
	NUMBER HELD / POSSIBLE TO ATTEND	NUMBER ATTENDED	NUMBER HELD / POSSIBLE TO ATTEND	NUMBER ATTENDED
John Clancy	7	7	6	6
Helen Harms	7	7	6	6
Robert McGuirk	7	6	5	5
Matthew McNeil	6	6	1	1
David Neish	7	7	6	6
Euan Prentice	7	7	11	11
Cameron Quinten	7	7	6	6
Janet Richardson	7	7	2	2
Leonie Thijssen	7	7	6	6
Sam Vella	1	1	3	2
Toni Vincent	1	1	0	0
Tracey Powell	0	0	0	0

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

## 3. SHORT AND LONG TERM OBJECTIVES

The objects of the company are:

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



# DIRECTORS' REPORT

## 4. STRATEGY FOR ACHIEVING OBJECTIVES

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

## 5. PRINCIPAL ACTIVITIES

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

## 6. OPERATING RESULTS

The consolidated surplus for the financial year ended 31 December 2013 was \$2,924,182 (2012 deficit \$815,156). This included the gain on disposals of assets of \$684,186 (2012 \$758,730) and income for the return of mutual funds from HI Australia Hostel Reserve Fund (HRF) of \$2,631,144.

The group uses occupancy percentage or utilisation of the hostel beds as a measure of performance together with quality ratings from guests. The hostel bed occupancy for 2013 for operated hostels was 69.9% (2012 67.4%), ratings were in the desired range and several hostels achieved consistently high ratings.

## 7. REVIEW OF OPERATIONS

The annual report is prepared on a consolidated basis and includes the operations of YHA Ltd (hostel operations, membership, travel and tour sales), YHA Queensland (property owner) and YHA Victoria (property owner).

Revenue was affected positively with increases in international travellers and growth of guest nights from Asian countries. Domestic and group guest nights were similar to last year. Membership sales to Australians slowed and international membership sales increased.

The surplus land at Katoomba adjacent to Blue Mountains YHA was sold and funds were received relating to the sale of the Mt Buller hostel in 2011.

## 8. DIVIDENDS

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

## 9. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Directors of the group are not aware of any matter or circumstance not otherwise dealt with in this report or the financial report that has significantly or may significantly affect the operations of the group, the result of those operations or the state of affairs of the group for the year ended 31 December 2013.

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

During the year the YHA Ltd Board decided and members of YHA South Australia Inc. voted to merge on 1 January 2014. This merger was achieved on 1 January 2014. YHA South Australia Inc. discontinued from this date with all its assets and liabilities transferring to YHA Ltd in accordance with its constitution and Associations Incorporations Act SA 1985. The loans payable to Westpac by YHA SA Inc. (\$1,672,000) were repaid in January 2014 by YHA Ltd and titles and first mortgages for the hostels transferred into the name of YHA Ltd.

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

## 11. LIKELY DEVELOPMENTS

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

## 12. DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

## 13. ENVIRONMENTAL REPORTING

The group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or State or Territory.

## 14. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

## 15. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 46.

Signed in accordance with a resolution of the Directors.



**HELEN HARMS**  
DIRECTOR  
1 MARCH 2014



**LEONIE THIJSSSEN**  
DIRECTOR  
1 MARCH 2014

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	2013 \$	2012 \$
<b>REVENUE OR OTHER INCOME</b>			
Rendering of services		39,338,159	38,187,083
Other income		3,607,735	1,909,382
	3	<b>42,945,894</b>	<b>40,096,465</b>
<b>EXPENSES</b>			
Employee benefits expense	4	(15,354,743)	(15,325,265)
Depreciation & amortisation	4	(4,902,307)	(4,942,881)
Finance costs	4	(5,286,417)	(5,851,003)
Other expenses	4	(14,478,245)	(14,792,472)
		<b>(40,021,712)</b>	<b>(40,911,621)</b>
<b>SURPLUS / (DEFICIT) BEFORE INCOME TAX</b>		<b>2,924,182</b>	<b>(815,156)</b>
Income tax expense	5	-	-
Surplus / (Deficit) after income tax		2,924,182	(815,156)
Other comprehensive income		-	-
Total Comprehensive Income		<b>2,924,182</b>	<b>(815,156)</b>

The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	Note	2013 \$	2012 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	3,391,064	1,703,813
Trade and other receivables	7	337,256	673,644
Inventories	8	90,979	149,417
Other current assets	9	620,529	790,082
<b>Total Current Assets</b>		4,439,828	3,316,956
<b>Non-current Assets</b>			
Property, plant and equipment	10	110,618,847	114,634,563
Intangible assets	11	1,529,525	1,536,913
Other non-current assets	9	-	93,452
<b>Total Non-current Assets</b>		112,148,372	116,264,928
<b>TOTAL ASSETS</b>		116,588,200	119,581,884
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	2,885,016	3,158,832
Borrowings	13	75,577,000	3,222,000
Provisions	14	1,524,689	1,522,424
Other liabilities	15	2,511,457	2,376,811
<b>Total Current Liabilities</b>		82,498,162	10,280,067
<b>Non-current Liabilities</b>			
Trade and other payables	12	92,287	57,753
Borrowings	13	-	78,127,000
Provisions	14	125,202	137,046
Other liabilities	15	157,136	188,787
<b>Total Non-current Liabilities</b>		374,625	78,510,586
<b>TOTAL LIABILITIES</b>		82,872,787	88,790,653
<b>NET ASSETS</b>		33,715,413	30,791,231
<b>ACCUMULATED SURPLUS</b>		33,715,413	30,791,231

The accompanying notes form part of these financial statements.



# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Note	Revaluation Reserve \$	Accumulated Surplus \$	Total Equity \$
<b>Balance at 1 January 2012</b>		1,700,637	29,905,750	31,606,387
Total Comprehensive Income for the year		-	(815,156)	(815,156)
<b>Balance at 31 December 2012</b>	10	1,700,637	29,090,594	30,791,231
Total Comprehensive Income for the year		-	2,924,182	2,924,182
<b>Balance at 31 December 2013</b>		1,700,637	32,014,776	33,715,413

The accompanying notes form part of these financial statements.

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 \$	2012 \$
<b>Cash flows from operating activities</b>			
Receipts from members and customers		47,691,356	45,075,536
Other receipts including return of mutual funds		3,647,257	-
Payments to employees		(15,475,254)	(15,350,870)
Payments to suppliers		(22,188,095)	(18,290,228)
Interest received		22,056	25,317
Finance Costs		(5,375,483)	(6,105,170)
<b>Net cash provided by operating activities</b>	21	8,321,837	5,354,584
<b>Cash flows from investing activities</b>			
Purchase of plant, equipment & software		(1,071,704)	(2,004,268)
Purchase of property		-	-
Proceeds from sale of property, plant & equipment		115,666	-
<b>Net cash (used in) investing activities</b>		(956,038)	(2,004,268)
<b>Cash flows from financing activities</b>			
Proceeds (Advance) of borrowings – Internal		93,452	1,613
Working Capital Settlement – YHA Ltd and YHA Victoria Limited		-	(1,020,968)
(Repayment) of borrowings – HI Australia		(2,550,000)	(375,000)
(Repayment) of borrowings – bank		(3,222,000)	(3,182,915)
Proceeds of borrowings – bank		-	620,100
<b>Net cash (used in) provided by financing activities</b>		(5,678,548)	(3,957,170)
<b>Net increase (decrease) in cash and cash equivalents</b>		1,687,251	(606,854)
<b>Cash and cash equivalents – beginning of period</b>		1,703,813	2,310,667
<b>Cash and cash equivalents – end of period</b>	6	3,391,064	1,703,813

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001. The consolidated financial report of the group as at and for the year ended 31 December 2013 comprises the company and its controlled entities which include Youth Hostels Association of Queensland, YHA Travel (QLD) Pty Ltd (deregistered in 2012) and YHA Victoria Limited. YHA Ltd as an entity is a company limited by guarantee, incorporated and domiciled in Australia. The following is a summary of the material accounting policies adopted by YHA Ltd in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### BASIS OF PREPARATION

#### Reporting Basis and Conventions

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

### ACCOUNTING POLICIES

#### Property Plant & Equipment

Property, plant and equipment are brought to account at cost, less, where applicable, any accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

#### DEPRECIATION

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

The estimated useful lives are:

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## FINANCIAL INSTRUMENTS

### Recognition

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

### Receivables

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

### Financial Liabilities

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

### Impairment

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

### Impairment Assets

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

### Employee Benefits

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

### Cash and Cash Equivalents

Cash and cash equivalents include deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis. The bank overdraft is excluded from cash because it is part of a term facility.

### Lease

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

### Inventories

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

### Liquor Licence

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

### Software

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

### Goodwill

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

## **Revenue**

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

## **MEMBERSHIP REVENUE**

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

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

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

## **Comparative Figures**

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## NOTE 3 – REVENUE

	<b>2013</b> <b>\$</b>	<b>2012</b> <b>\$</b>
Hostel	33,178,697	31,381,194
Catering	728,876	825,106
Other hostel	3,172,441	3,024,320
Membership	1,298,274	1,408,512
Travel	29,988	531,293
Rent	929,883	1,016,658
Rendering of services	39,338,159	38,187,083
Sundry income	262,531	1,120,909
Gain from disposal of assets	684,186	758,730
Return of mutual income	2,631,144	–
Interest	29,874	29,743
Other Income	3,607,735	1,909,382
Total revenue and other income	42,945,894	40,096,465

The Gain from disposal of assets for 2013 was for the remaining proceeds due for the sale of the Mt Buller YHA in Victoria. The gain from disposal of assets for 2012 was for proceeds received from the sale of heritage floor space at the Sydney Central hostel and insurance claim settlement for the Garie Beach hostel destroyed by fire in December 2010. The Return of mutual funds was the net amount received from the wind up of the Hostel Reserve Fund (HRF) formerly the HBAF (Hostel Building Assistance Fund) of HI Australia due to YHA Ltd, YHA Victoria Limited and YHA Queensland.

## NOTE 4 – EXPENSES

	<b>2013</b> <b>\$</b>	<b>2012</b> <b>\$</b>
Salaries and wages	13,415,260	13,337,848
Superannuation	1,216,559	1,218,677
Other benefits	722,924	768,740
Employee benefits	15,354,743	15,325,265
Depreciation of property plant & equipment	4,840,372	4,879,233
Amortisation of software	61,935	63,648
Depreciation and amortisation	4,902,307	4,942,881
Borrowing costs	300,495	364,460
Bank interest	4,969,154	5,320,557
Affiliated interest	16,768	165,986
Finance costs	5,286,417	5,851,003
Cost of goods sold	753,985	802,439
Loss on disposal of assets	72,468	–
Operating expenses	6,044,853	6,144,953
Administration and marketing	5,056,949	5,446,311
Property expenses	2,496,195	2,352,383
Audit	53,795	46,386
Other expenses	14,478,245	14,792,472



## NOTE 5 – INCOME TAX

The calculation of income tax payable by the group is based on the principle of mutuality which in broad terms means that income which is contributed by members will be excluded from assessable income. Similarly, expenditure which relates directly to the revenue received from members will not be allowed as a deduction. Remaining expenditure may be apportioned against mutual and non-mutual income. The Australian Taxation Office has agreed in principle with the method of apportionment adopted. The Australian Taxation Office has granted a private ruling that income from members and visiting international members of Hostelling International is mutual income. Each controlled entity of the group is required to lodge an income tax return if the non-member income exceeds the statutory limit of \$416. Under the self-assessment legislation, the lodgement of a tax return is deemed to be an assessment and until or unless a tax audit is carried out there can be no official confirmation that the income tax return has been accepted without alteration. For the 2012 taxation year, each controlled entity in the group lodged a tax return and in total the tax losses were \$1,860,016 (2011: tax losses of \$620,550) which increased the 2012 carried forward tax losses to \$13,042,016 (2011: \$10,182,000).

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

## NOTE 6 – CASH AND CASH EQUIVALENTS

Cash on hand  
Cash at bank  
Cash on deposit

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
	68,063	70,453
	3,252,480	1,557,415
	70,521	75,945
	<u>3,391,064</u>	<u>1,703,813</u>

## NOTE 7 – RECEIVABLES

Trade receivables

	337,256	673,644
	<u>337,256</u>	<u>673,644</u>

## NOTE 8 – INVENTORIES

Finished goods

	90,979	149,417
	<u>90,979</u>	<u>149,417</u>

## NOTE 9 – OTHER ASSETS

### Current

Rental and utility deposit  
Prepayments  
Deferred expenditure

	–	12,759
	452,962	473,855
	167,567	303,468
	<u>620,529</u>	<u>790,082</u>

### Non-current

Intercompany Loan – HI Australia

	–	93,452
	<u>–</u>	<u>93,452</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

### FREEHOLD LAND AND BUILDING

	2013 \$	2012 \$
At cost	85,204,186	85,102,943
Less: Accumulated depreciation	(22,218,393)	(19,885,697)
	62,985,793	65,217,246

### Leasehold Land and Buildings

At cost	47,338,499	47,332,907
Less: Accumulated depreciation	(5,805,150)	(4,782,341)
	41,533,349	42,550,566

### Plant and Equipment

At cost	16,664,329	16,606,085
Less: Accumulated depreciation	(10,564,624)	(9,739,334)
	6,099,705	6,866,751

### Total Property, Plant and Equipment

	110,618,847	114,634,563
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Independent valuations of interest in Land & Buildings

– 2013	56,300,000	–
– 2012	97,450,000	97,450,000
– 2011	–	49,200,000
– 2010	8,000,000	8,000,000
– 2006	1,100,000	1,100,000
– 2004	2,090,000	2,090,000
Total	164,940,000	157,840,000

In 2013 five larger hostels were revalued in QLD, Melbourne and Sydney. The NSW hostel portfolio consisting of the six largest hostels was revalued in 2012.

## NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

The following are movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

### RECONCILIATIONS

	2013 \$	2012 \$
<b>Freehold Land &amp; Buildings</b>		
Balance at the beginning of year	65,217,246	66,586,986
Additions	192,553	544,235
Disposal	(129,711)	–
Transfers	38,400	–
Depreciation expenses	(2,332,695)	(1,913,975)
Carrying amount at the end of year	62,985,793	65,217,246
<b>Leasehold Land &amp; Buildings</b>		
Balance at the beginning of year	42,550,566	43,049,845
Additions	5,408	443,318
Disposal	–	–
Transfers	700	69,219
Depreciation expenses	(1,023,325)	(1,011,816)
Carrying amount at the end of year	41,533,349	42,550,566
<b>Plant &amp; Equipment</b>		
Balance at the beginning of year	6,866,751	7,849,429
Additions	821,670	930,517
Disposal	(65,040)	(41,025)
Transfers	(39,100)	(69,219)
Depreciation expenses	(1,484,576)	(1,802,951)
Carrying amount at the end of year	6,099,705	6,866,751
<b>Total</b>		
Balance at the beginning of year	114,634,563	117,486,260
Additions	1,019,631	1,918,070
Disposal	(194,751)	(41,025)
Transfers	–	–
Depreciation expenses	(4,840,596)	(4,728,742)
Carrying amount at the end of year	110,618,847	114,634,563

### Revaluation Reserve

The hostel land and buildings of YHA Victoria Limited was adjusted to independent market value over the years 2000 to 2010 and the net balance of the revaluation reserve for these changes is \$1,700,637.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## NOTE 11 – INTANGIBLE ASSETS

	2013 \$	2012 \$
Liquor licence – at cost	116,681	116,681
Travel licences – at cost	10,000	10,000
Licences	126,681	126,681
Goodwill – at cost	1,378,965	1,378,965
Less: accumulated amortisation	(78,965)	(78,965)
	1,300,000	1,300,000
Computer software – at cost	787,037	1,219,207
Less: accumulated amortisation	(684,193)	(1,108,975)
	102,844	110,232
Total intangible assets	1,529,525	1,536,913

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

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

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

	Licences	Goodwill	Computer Software	Total
Carrying amount at the beginning of year	126,681	1,300,000	110,232	1,536,913
Additions	–	–	55,323	55,323
Disposals	–	–	(776)	(776)
Amortisation charge	–	–	(61,935)	(61,935)
Carrying amount at the end of year	126,681	1,300,000	102,844	1,529,525

## NOTE 12 – TRADE AND OTHER PAYABLES

	2013 \$	2012 \$
<b>Current</b>		
Trade creditors	543,944	429,293
Accrued expenses	1,391,439	1,821,619
BAS payable	373,796	256,673
Other payables	502,717	560,226
Deferred revenue	73,120	91,021
	2,885,016	3,158,832
<b>Non-current</b>		
Rental bonds	59,325	57,753
Small hostels fund	32,962	–
	92,287	57,753

## NOTE 13 – BORROWINGS

### Current

Bank loans

	2013 \$	2012 \$
Bank loans	75,577,000	3,222,000
	75,577,000	3,222,000
<b>Non-current</b>		
Bank loans	–	75,577,000
Affiliated body loans	–	2,550,000
	–	78,127,000
<b>Total Borrowings</b>	75,577,000	81,349,000

### Non-current

Bank loans

Affiliated body loans

### Total Borrowings

1. All loans payable to HI Australia were repaid in 2013 and the mortgages were discharged.
2. The Westpac Cash Advance Facility Agreement dated 13 January 2012 has a final repayment date of 31 December 2014 and it is YHA Ltd's intention to refinance this facility during 2014. The loans have been classified as current liabilities as they are payable within 12 months of the balance date.
3. The Cash Advance Facility Agreement was restated and amended in December 2013 to include an additional borrowing capacity of \$1,750,000 to replenish YHA Ltd's cash reserves following the repayment of the YHA South Australia Inc.'s loans in January 2014. No drawdown has been made as at the date of this report.
4. The Facility consists of a Cash Advance revolving facility for YHA Ltd borrowings and a Cash Advance Term Facility for the YHA Queensland and YHA Victoria borrowings. The facility allows prepayment and with any prepayment a permanent reduction in the facility. Prepayments are required in 2014 with \$1,812,500 repayable by June 2014 and a further \$312,500 repayable by December 2014. The YHA Ltd bank overdraft was unchanged for the year at \$750,000. The bank facilities are secured by a first ranking fixed and floating charge over all the assets of the group. The covenants within the bank borrowings require the group to maintain the loan to value ratio at less than or equal to 55% and the interest cover ratio of earnings before interest, tax, depreciation and amortisation (EBITDA) less provision for Capital Expenditure of 3% of revenue over interest expense greater than or equal to 1.5 times. The group currently complies with the borrowing covenants.

The bank facilities as at the balance date are:

Credit facilities

Amount utilised

	2013 \$	2012 \$
Credit facilities	78,077,000	79,549,000
Amount utilised	75,577,000	78,799,000
	2,500,000	750,000

The unused credit facilities consist of cash advance facility \$1,750,000 (2012 Nil) and bank overdraft \$750,000 (2012 \$750,000).

### Assets Pledged as Security

The carrying amounts of assets pledged as security are:

– First mortgage and floating charges

Total assets

Total assets	116,588,200	119,581,884
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# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## NOTE 14 – PROVISIONS

### Current

Employee benefits	1,524,689	1,406,911
Insurance	–	115,513
	1,524,689	1,522,424

### Non-current

Employee benefits	125,202	137,046
	125,202	137,046

The provision for insurance was for the Garie Beach hostel removal of debris from the site in the Royal National Park. This work was completed in 2013.

Aggregate liability for employee benefits provision including on-costs

Employee benefits	1,649,891	1,543,957
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### Movements in provisions

	Employee Entitlements	Insurance	Total
Balance at the beginning of year	1,543,957	115,513	1,659,470
Additions	1,705,933	(115,513)	1,590,420
Amounts used	(1,599,999)	–	(1,599,999)
Balance at the end of year	1,649,891	–	1,649,891

## NOTE 15 – OTHER LIABILITIES

### Current

Bookings in advance	2,301,696	2,047,789
Unexpired life membership income	39,973	73,448
Unexpired other membership income	169,788	161,824
Deferred Income	–	93,750
	2,511,457	2,376,811

### Non-current

Unexpired life membership income	98,426	104,504
Unexpired other membership income	58,711	84,283
	157,137	188,787

## NOTE 16 – COMMITMENTS

### a. Capital commitments

Capital expenditure commitments contracted for:

– Capital expenditure projects

	2013 \$	2012 \$
	179,240	109,235
	179,240	109,235

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

### b. Operating leases

Payable not later than 1 year

Later than 1 year but not later than 5 years

Later than 5 years

	1,050,145	1,005,119
	1,826,995	1,738,338
	3,691,331	3,854,284
	6,568,471	6,597,741

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

### c. Other commitments

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

## NOTE 17 – RELATED PARTY DISCLOSURES

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

## NOTE 18 – FINANCIAL INSTRUMENTS

### Financial risk management

#### General objectives, policies and processes

In common with all businesses, the group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the group's risk management objectives and policies. The group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the group where such impacts may be material. The Board receives reports from the Chief Executive Officer through which it reviews the effectiveness of the process put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## NOTE 19 – KEY MANAGEMENT PERSONNEL COMPENSATION

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

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

	Salary \$	Superannuation \$	Total \$
<b>2013</b>	1,045,071	89,367	1,134,438
<b>2012</b>	967,371	87,064	1,054,435

## NOTE 20 – PARENT ENTITY INFORMATION

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

	Parent Entity	
	2013 \$	2012 \$
<b>Statement of comprehensive income</b>		
Surplus / (Deficit) after income tax	1,105,844	(769,555)
Total comprehensive income	1,105,844	(769,554)
Total current assets	4,225,936	3,113,970
Total assets	75,257,898	75,569,142
Total current liabilities	53,216,900	6,916,026
Total Liabilities	53,591,525	55,008,612
<b>Equity</b>		
Retained earnings	21,666,373	20,560,530

### Contingent liabilities

The parent entity contingent liability for Council Rates for one of its Sydney hostels has been resolved with Council advising that the exemption granted in 2009 is upheld and no rates are payable for this hostel.

### Capital commitments

The parent entity had capital commitments for property, plant & equipment as at 31 December 2013 of \$179,240 and 31 December 2012 of \$109,235.

### Significant accounting policies

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

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

	Consolidated Entity	
	2013 \$	2012 \$
<b>Surplus / (Deficit) after income tax</b>	2,924,182	(815,156)
<b>Non-cash flow in surplus</b>		
Depreciation and amortisation	4,902,307	4,942,881
Working capital adjustment – YHA Victoria	–	141,745
Loss on sale or disposal of property, plant & equipment	76,835	41,025
<b>Changes in assets and liabilities</b>		
Decrease (Increase) in receivables	342,643	565,034
Decrease (Increase) in inventory	58,438	11,475
Decrease (Increase) in other assets	172,084	30,198
(Decrease) Increase in payables	(248,068)	461,790
(Decrease) Increase in provisions	(9,579)	68,922
Increase (Decrease) in other liabilities	102,995	(93,331)
Net cash provided by operating activities	8,321,837	5,354,584

## NOTE 22 – EVENTS AFTER REPORTING PERIOD

### Merger with Youth Hostels Association of South Australia Inc.

During the year the YHA Ltd Board decided and members of YHA South Australia Inc. voted to merge on 1 January 2014. This merger was achieved on 1 January 2014. YHA South Australia Inc. dissolved on this date and all the property becomes the property of YHA Ltd and all the rights and liabilities become the rights and liabilities of YHA Ltd in accordance with its constitution and Section 42(1) of the Associations Incorporations Act 1985. The loans payable to Westpac by YHA South Australia Inc. by 31 January 2014 were repaid by YHA Ltd on 6 January 2014 and the titles to the South Australian hostels were transferred to YHA Ltd and are secured by first mortgage to Westpac. The net assets of YHA SA Inc. as at 31 December 2013 were \$5,350,291.

No other matter or circumstance has arisen since 31 December 2013 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

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

## AUDITOR'S INDEPENDENCE DECLARATION

### UNDER SECTION 307C OF THE CORPORATIONS ACTS 2001 TO THE DIRECTORS OF YHA LTD AND CONTROLLED ENTITIES

As lead auditor of YHA Ltd for the year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

**KS Black & Co**  
Chartered Accountants



**Faizal Ajmat**  
Partner

Sydney, 1 March 2014



# DIRECTORS' DECLARATION

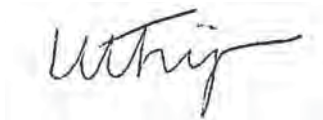
The Directors of YHA Ltd declare that:

1. The financial statements and notes, as set out on pages 30 to 45, are in accordance with the Corporations Act 2001:
  - a. Comply with Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - b. Give a true and fair view of the financial position as at 31 December 2013 and of the performance for the year ended on that date of the group and company.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**HELEN HARMS**  
DIRECTOR  
1 March 2014



**LEONIE THIJSEN**  
DIRECTOR  
1 March 2014

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YHA LTD

### Report on the Financial Report

We have audited the attached financial report of YHA Ltd (the company) and YHA Ltd and Controlled Entities (the group) which comprises the Statement of Financial Position as at 31 December 2013, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

### Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors as well as evaluating the overall presentation of the financial report.

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

### Independence

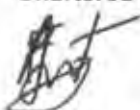
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of YHA Ltd would be in the same terms if it had been given to the directors at the time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

### Auditor's Opinion

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

- a. giving a true and fair view of the group's and company's financial position as at 31 December 2013 and their performance for the year ended on that date; and
- b. complying with Australian Accounting Standards and the Corporations Regulations 2001.

**KS Black & Co**  
Chartered Accountants



**Faizal Ajmat**  
Partner  
Sydney, 1 March 2014

# YHA LTD HOSTEL LOCATIONS

AT 31 DECEMBER 2013



This Year in Review is printed on 100% recycled paper using vegetable-based inks and is carbon neutral as our print supplier, Focus Press, has accounted for, reduced and offset its total operational greenhouse gas emissions as well as the carbon emissions embodied in this product.

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CHILLING OUT AT CAIRNS CENTRAL YHA

## OUR MISSION

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

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Fax: (03) 9670 9840



**ABOVE** TEEPEE TENTS AT  
NIMBIN ROX YHA

**RIGHT** CHECKING IN AT  
MELBOURNE CENTRAL YHA



### **Solicitors**

Whitehead Cooper Williams

### **Auditors**

K.S. Black & Company

### **Bankers**

Westpac Banking Corporation

### **Insurance Brokers**

Insurance Advisernet

Australia Pty Ltd