

2015

YHA LTD YEAR IN REVIEW



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YHA's first ever 'Instameet' of bloggers at the award-winning Railway Square YHA

Background to YHA

YHA IN AUSTRALIA

The first youth hostel was established in Germany in 1909. In 1932 Hostelling International (HI) was formed and now has member associations in 90 countries that are operating more than 4,000 hostels. There are 83 YHA hostels in Australia, including 59 in the ACT, NT, NSW, Queensland, South Australia and Victoria. The first YHA hostel in Australia was opened in 1939 in Warrandyte in Victoria. YHA hostels provide low cost short term accommodation for travellers. YHA hostels can be used by people, regardless of age, who are members of any of the Youth Hostels Associations throughout the world.

CORE VALUES

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

YHA LTD

- Is a company limited by guarantee under the Corporations Act (2001)
- Is a not-for-profit organisation.

- Retains and reinvests all surpluses.
- Provides low cost accommodation for individual and group YHA members from the ACT, NSW, NT, Queensland, South Australia and Victoria, other Australian states and overseas.
- Has 36,664 individual and group members in the ACT, NSW, the NT, Queensland, South Australia and Victoria.
- Operates YHA Travel & Tours.
- Acts as co-ordinator for other providers of hostel accommodation operating as YHA associate hostels.
- Has no age limits, either minimum or maximum, on membership or hostel usage.
- Has affiliated regional activity groups which organise social and outdoor activity programs.
- Is a member organisation of YHA Australia which is affiliated with Hostelling International.



THE HOUSE AND TREE SYMBOL

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

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.

Introduction

DEAR MEMBERS & FRIENDS,

For YHA, 2015 was a year of integration, development and innovation. We prepared for the integration of the former national body, Hostelling International Australia (HI-A) into YHA Ltd taking effect on 1 January 2016, and as a part of that process, entered into Service Agreements with YHA Tasmania and YHA WA. We made significant progress toward strengthening the hostel network on the popular Pacific Highway route. We reviewed the YHA membership offering and made changes that resulted in an increase in the number of our members. We continued to collect awards for our hostels and our Board visited Western Australia to attend the official opening of the unique new Fremantle Prison YHA.

We continued to provide a high quality network of hostels in NSW, Victoria, Queensland, South Australia, NT and the ACT. Our network of 59 hostels generated 1,348,835 overnight stays with our guests coming from 182 countries. The easing of the Australian dollar against the US dollar and the British pound, assisted with the affordability and desirability of Australia as a destination for international travelers. This was also assisted by increased airline capacity into the country. Renovations in 2014 at Melbourne Central YHA were well-received by our guests, and resulted in higher occupancy and positive reviews for this hostel.

We currently have 36,664 individual and group members, and a further 21,035 international visitors who joined while travelling in Australia. During the year we conducted an external review of our brand, and took a whole-of-business approach to reviewing the customer experience. Planning is in place to implement recommendations from these reviews and to refresh the brand in the coming year.

FINANCE

There was a stronger financial result in 2015 than in 2014. This was primarily due to containment of operating expenses and lower interest costs with similar occupancies to previous year. Overall, on an operating turnover of \$42.9 million we generated a surplus of \$983,000. During the year rather than retire debt we accumulated funds to be used for hostel acquisition and development. This will allow us to increase our bed numbers without increasing our borrowings and lead to an improved debt to asset ratio.

NETWORK AND IT DEVELOPMENT

During the year, we gained development approval to build an extension to the popular Byron Bay YHA, with building scheduled to begin in 2016. We also contracted to purchase Newcastle Beach YHA in Australia's 7th largest city. This was formerly an Associate YHA and is located in a heritage-listed former gentlemen's club, across the road from the beach.



L TO R: ROB MCGUIRK CHAIR
AND JULIAN LEDGER CEO

At year-end, thanks in part to donations from members, the Small Hostels Development Fund reached \$0.5 million. Over \$200,000 of this will be used in 2016 for remodelling of the Port Elliot YHA in South Australia. Thanks to a generous bequest from a former member, landscaping was also carried out at Grampians Eco YHA in Victoria.

To provide further IT efficiencies, during the year, YHA's hostels and offices moved to a cloud computing model. Work also commenced on selecting a new CRM (customer relationship management) system to improve our customer services for the future.

AWARDS

Several hostels were recognised with prestigious State tourism awards. We won the gold 'Best Backpacker Accommodation' award for Railway Square YHA in NSW; for Cairns Central YHA in Queensland (which also now enters the Hall of Fame) and for Adelaide Central YHA in South Australia. Melbourne Central YHA also won silver in the Victorian Tourism Awards.

FUTURE FOCUS

In 2016 we will establish a new strategic plan and during the year our strategic focus will include continuing to develop and implement changes to our membership structure; revitalising the YHA brand; planning for future network development; improving the quality and atmosphere of our hostels, and further developing our IT infrastructure. There are also proposals to update and modernise the Constitution that will be put to members to vote upon at the 2016 Annual General Meeting.

YHA remains proudly a not-for-profit organisation. Our mission of providing the opportunity to young people for education through travel and to bring about friendships and an understanding of the world has stood the test of time for over 75 years now. We would like to thank all our members, guests, staff, volunteers and industry partners for supporting us and our mission in 2015.

JULIAN LEDGER
CEO

ROB MCGUIRK
CHAIR

Highlights of 2015

Successful preparation for the integration of the national body, Hostelling International Australia (HI-A) into YHA Ltd taking effect on 1 January 2016, including entering into Service Agreements with YHA Tasmania and YHA WA

Contract to purchase Newcastle Beach YHA (formerly a YHA Associate hostel)

Development approval for expansion of Byron Bay YHA on adjacent land

Board attended official opening of new Fremantle Prison YHA in WA

YHA honoured with tourism awards in several States



Checking in at Bondi Beachhouse YHA

2015 in Summary

YHA ACCOMMODATION

- An average of 3,695 people accommodated each night
- Increase in total number of guests
- Launch of 10 & 15 night discounted pre-paid accommodation vouchers online
- Small Hostels Development Fund exceeds \$0.5M. Over \$200K committed for renovations at Port Elliot YHA and a member bequest used for landscaping project at Grampians Eco YHA

MARKETING AND MEMBER SERVICES

- Brand audit undertaken with whole-of-business focus on revitalisation of YHA's products and services
- New membership model and pricing results in growth in member numbers
- Strong sales of Australian travel experiences to hostel guests through YHA Travel & Tours web-based system
- Railway Square YHA wins gold for 'Best Backpacker Accommodation' in NSW, Adelaide Central YHA wins in South Australia, Cairns Central YHA wins in Queensland and enters the Hall of Fame, and Melbourne Central YHA wins silver in the Victorian Tourism Awards
- Positive media coverage in print and online

FINANCE

- Total operating turnover of \$42.9M (\$41.9M in 2014)
- Earnings before interest, taxation, depreciation and amortisation (EBITDA) of \$9.9M (\$10.1M in 2014)
- Operating surplus of \$0.98M
- YHA's transactional accounts transferred to ANZ Bank with more favourable conditions

GOVERNANCE AND ADMINISTRATION

- The Board operated with nine volunteer Directors and two sub committees, with meetings taking place in Brisbane, Fremantle, Melbourne and Sydney
- Proposed changes to the Constitution, to be voted upon by members in early 2016
- Move to cloud computing for hostels and office IT systems
- A new three-year Enterprise Agreement negotiated with a Consultative Committee of hostel employees.



THE MANAGEMENT TEAM

L to R: **Jonathan Kane** (Northern Region Manager); **Stephen Lynch** (CFO); **Mark Hussien** (Southern Region Manager); **Marie Sahagun** (Administration Manager); **Robert Henke** (Operations/Eastern Region Manager); **Janet McGarry** (Head of Marketing); **Julian Ledger** (CEO); **Rolf Duelks** (Strategy & Digital Leader).

Five Year Comparison

	2015 \$	2014 \$	% CHANGE	2013 \$	2012 \$	2011 \$
Before disposal / impairment of fixed assets						
Total revenue	42,943,067	41,757,479	2.8	41,961,333	41,586,971	41,655,635
Total expenses	41,903,197	41,036,435	(2.1)	42,363,934	43,348,631	43,219,502
Surplus / (Deficit) / before disposal of assets	1,039,870	721,044	44.2	(402,601)	(1,761,660)	(1,563,867)
Earnings before interest tax depreciation & amortisation	9,920,677	9,999,865	(0.8)	10,009,945	9,431,041	11,587,134
Gain on disposal / return of mutual funds (2013)	–	221,212		3,527,291	758,730	2,581,816
(Loss) on disposal / (Impairment) of assets	(56,897)	(113,936)		(1,016,431)	(211,043)	–
Income tax expense	–	38,934		(235,640)	–	–
Surplus / (deficit) after tax	982,973	867,254	13.3	2,108,259	(1,213,973)	1,017,949
Capital expenditure	2,837,441	4,328,495	(34.4)	1,246,305	2,048,567	13,561,395
Total assets	123,971,750	122,614,001	1.1	124,365,811	127,087,755	131,540,621
Total borrowing	75,000,000	75,000,000	–	77,248,543	83,067,293	86,191,932
Total equity	39,870,791	38,887,818	2.5	39,065,706	35,951,873	37,165,849

Gearing	(note A)	0.65	0.66	(0.9)	0.66	0.70	0.70
Interest cover	(note B)	2.84	2.23	27.5	2.47	1.85	2.02
Loan to value ratio	(note C)	40.6%	40.9%	0.2	44.8%	51.1%	52.5%
Number of members	(note D)	36,664	36,092	(0.2)	39,051	37,856	43,020
Number of hostels	(note E)	59	62	(4.8)	65	70	73
Number of employees	(note F)	234	229	2.2	248	258	258
Turnover per employee	(note G)	183,517	182,347	0.6	169,199	161,190	161,456

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 2011–2012.

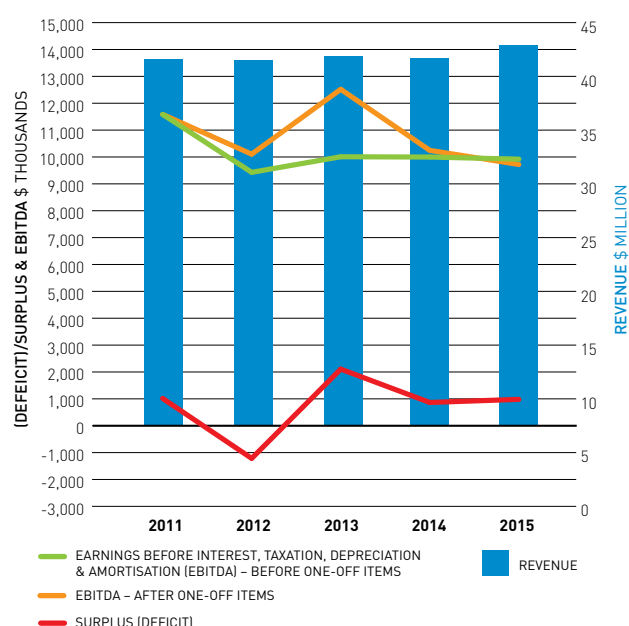
Note D: Includes adult, under 18, group and life Australian members.

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

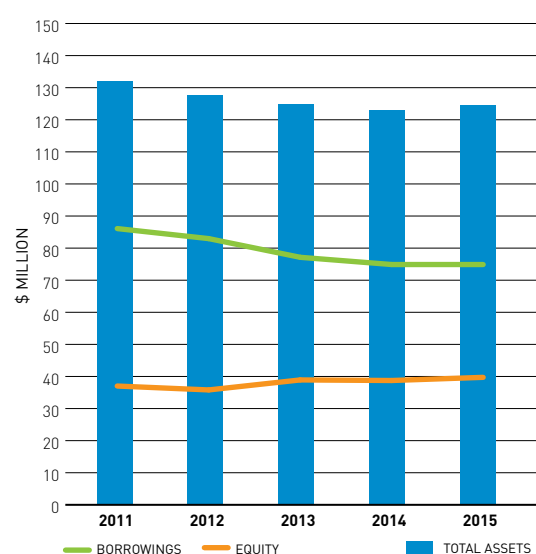
Note F: Full time and part time equivalent to full time employees employed by YHA - YHA SA employees included for 2013 and 2012.

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

REVENUE, OPERATING (DEFICIT)/SURPLUS, EBITDA



TOTAL ASSETS, EQUITY AND BORROWINGS



YHA Accommodation

SOURCES OF GUESTS

In 2015 international visitors made up 67% of hostel guests. This included those people on tourist visas and working holiday makers from over thirty countries. The number of guests from the UK, Canada, the Netherlands and the USA grew however, there was a decline in the number of guests from other key countries including China, France, Ireland, Italy and Taiwan. Visitor numbers from Japan stabilised after falling for some years and numbers from Korea bounced back to 2013 levels after a decline in 2014. Overall there was a reduction in the take up of Working Holiday Maker visas by young people. Domestic travellers make up 33% of guests.

RESULTS

In 2015, a total of 1,348,835 overnight stays were recorded at 59 hostels in the ACT, NSW, NT, Queensland, South Australia and Victoria (compared to 1,331,867 overnight stays in 2014). An increasing proportion of these were booked online with most growth coming from bookings via mobile devices. Overall, 26% of overnight stays were booked on yha.com.au and bookings through online travel agents also increased.

HOSTEL NETWORK

In addition to a network of hostels in gateway cities, YHA has regional hostels that play an important role in dispersing both Australian and international travellers throughout the country. YHA partnered with new 'Explore' properties in Norfolk Island, Mt Barney, Winton, Granya, Echuca and Geelong. 'Explore' properties are not YHA hostels, but are other types of accommodation, including for example, farm-stays or pub-stays, broadening options for YHA members travelling to locations where there is no YHA.

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 companies organising group itineraries. Group business is 11% of total usage, made up mainly of Australian educational, cultural and sporting groups on excursions. 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 Melbourne in May with 110 delegates from fifty-five hostels and regional offices. The conference was preceded by a business planning workshop for key hostels and familiarisation visits to tourism locations in Victoria.

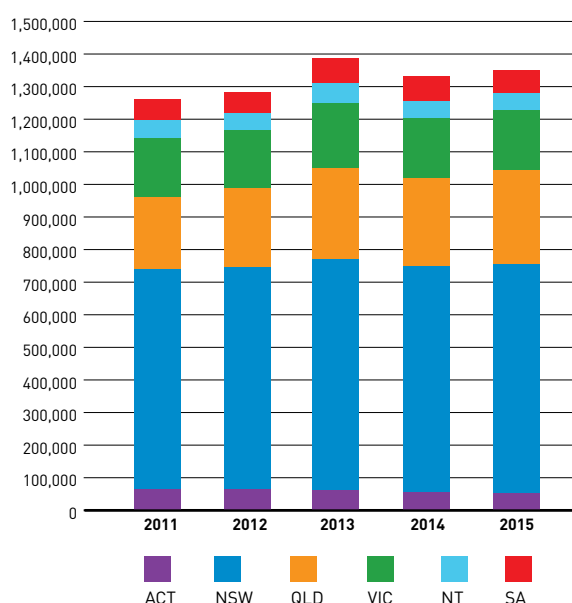
REGIONAL MEETINGS

Regional meetings took place to strengthen relations between hostel managers in various parts of the network. Meetings were held in Canberra (NSW south coast); Blue Mountains (Sydney Surrounds); Coffs Harbour (NSW mid-north coast); Hervey Bay (northern NSW & southern Queensland); Apollo Bay (Victoria and South Australia) and Magnetic Island (northern Queensland). A 'gateway' hostel managers' meeting was also held in Brisbane. These meetings covered topics such as marketing, business efficiency and YHA Travel and Tours.

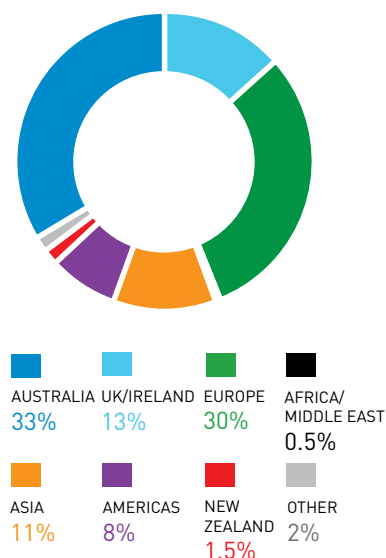
ENVIRONMENTALLY FRIENDLY

YHA is committed to reducing its environmental impact and promoting the benefits of travelling lightly on the planet. During the year solar hot water was installed at Brisbane City YHA and the units at Grampians Eco YHA were replaced. LED lighting upgrades were also carried out at a number of properties to increase energy efficiency.

TOTAL OVERNIGHTS BY STATE/TERRITORY



2015 OVERNIGHTS BY COUNTRY OF ORIGIN



SOCIAL RESPONSIBILITY

YHA places emphasis on social, as well as environmental, responsibility and throughout the year was involved in several projects to give back to the community. This included staff collecting rubbish for 'Clean-Up Australia Day' and sponsoring grass roots events. Earth Hour was observed in March at hostels by turning the lights out and organising candlelit activities for guests with an emphasis on sustainable and local food. Sydney Harbour YHA joined with Point Montara lighthouse hostel in California in a co-ordinated activity.

GUEST AMENITIES

During the year several initiatives took place to improve the facilities for guests. Renovations were undertaken at several hostels, including bathroom upgrades at Airlie Beach YHA, Brisbane City YHA and Cairns Central YHA. Soundproofing to windows and air-conditioning upgrades took place at Melbourne Central YHA to improve guest comfort. At Adelaide Central YHA and Railway Square YHA, next generation door locking systems were installed to enhance usability and security.



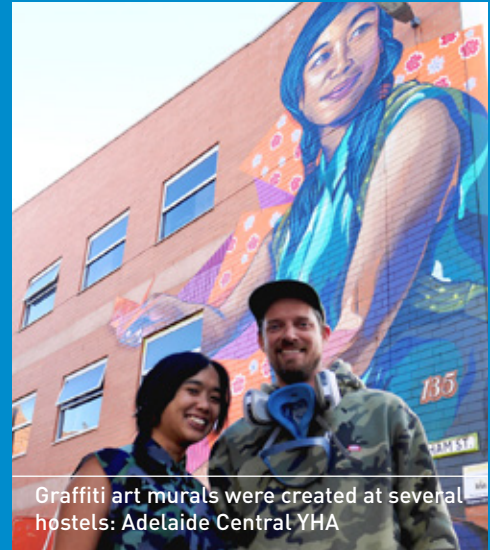
Chilling out at Canberra City YHA

KEY STATISTICS

	2013	2014	2015
NUMBER OF HOSTELS ON 31 DECEMBER			
Operated and/or owned	27	26	26
Associates	38	36	33
Total	65	62	59
NUMBER OF BEDS ON 31 DECEMBER			
Operated and/or owned	3,997	4,029	4,041
Associates	2,438	2,353	2,169
Total	6,435	6,382	6,210
NUMBER OF OVERNIGHTS ON 31 DECEMBER			
Operated and/or owned	1,014,743	946,762	953,397
Associates	373,044	385,105	395,438
Total	1,387,787	1,331,867	1,348,835
OVERNIGHTS			
By Australians	444,463	458,093	450,354
By non-Australians			
From HI countries	919,917	854,041	878,211
From non HI countries	23,407	19,733	20,270
Total Overnights	1,387,787	1,331,867	1,348,835
RATIOS – PERMANENT ONLY			
Beds per hostel	99	103	105
Overnights per hostel	21,351	21,482	22,862
Overnights per bed	216	209	217

Artworks and Atmosphere

At Brisbane City YHA, the Food & Beverage service was brought in house, to improve the offerings and atmosphere for guests, and a mural was commissioned for the courtyard by a local graffiti artist. A large mural was also painted on the outside of Adelaide Central YHA that has become a tourist attraction on walking tours of the city. Railway Square YHA had an artwork painted on a wall in the communal area, and at Melbourne Central YHA a graffiti artist created a mural depicting the delights of the local neighbourhood.



Graffiti art murals were created at several hostels: Adelaide Central YHA



Brisbane City YHA



Railway Square YHA



Melbourne Central YHA

Hostel Development

DEVELOPMENT PLAN

A YHA Hostel Development Plan covering 2015-2020 was adopted by the Board as a strategic document to provide guidance on the future direction and priorities for hostel development.

The Plan focuses on the following key areas:

- Short and long term actions
- YHA's financial and human resources availability
- Viability (both economic and social) of existing YHA operated and contracted hostels
- Opportunities for new YHA owned & operated hostels
- Opportunities for new YHA franchised hostels.

The Hostel Development Plan has maintained YHA's commitment and vision 'to be leaders in low-cost accommodation offerings that enrich people's travelling experience' and also to YHA's core values.

BYRON BAY YHA

In 2015 plans were drawn up for an extension to the existing building at Byron Bay YHA, following the purchase of land adjacent to the hostel the previous year. This development will enable nearly twice the number of guests to be accommodated at the hostel by increasing the capacity to 199 beds in this popular tourism destination. Development approval was granted in December 2015, and work on the new building is scheduled to commence in 2016.

NEWCASTLE BEACH YHA

In December, contracts were exchanged for the purchase of Newcastle Beach YHA, located close to the beach, in Australia's seventh largest city. The property had been operating as an associate YHA hostel since it was opened in 1998. This grand building was originally constructed in 1911 as the city's gentlemen's club and has retained many of its heritage features. YHA has plans to renovate the property in 2016, to further improve its guest facilities and ambience.



Newcastle Beach YHA, formerly an associate hostel and the city's gentlemen's club was purchased during the year

SUSTAINABLE HOSTELS

YHA operates a Sustainable Hostels Fund, to which guests can voluntarily contribute as part of the yha.com.au booking process. Funds raised are used for environmental initiatives at hostels. Over a third of guests booking on YHA's website contributed to the fund, raising \$40,000 in 2015. During the year, sustainability projects were undertaken with funding from the scheme to reduce carbon emissions, including the installation of solar hot water at Brisbane City YHA. Two other large projects are at the planning stage being the installation of photovoltaic cells at Railway Square YHA and Sydney Harbour YHA.

SMALL HOSTELS DEVELOPMENT FUND

YHA has established a Small Hostels Development Fund. At the end of 2015, the balance of funds stood at \$500,000, to be used towards development projects at smaller hostels in regional areas. Many members generously donated to this fund during the year, including bequests from Barbara Neill (a member for fifty years) and Geoff Charlesworth (who was also a benefactor in his lifetime, having funded a unique art installation at Apollo Bay YHA). With support from the fund, projects were undertaken to renovate Port Elliot YHA in South Australia, and to enhance the social amenities through landscaping at Grampians Eco YHA in Victoria.

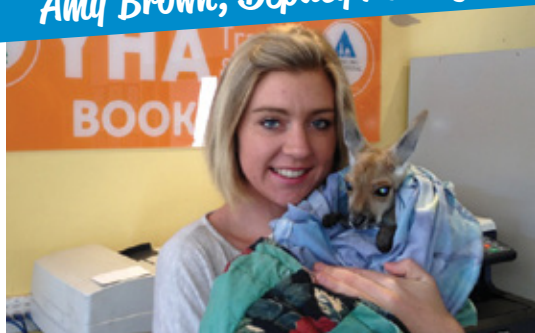
Quality and Awards

YHA has rigorous systems in place to assure quality, ranging from customer ratings on yha.com.au to internal and external assessments. The minimum standards for YHA hostels in Australia were updated and in place from 1 October 2015, providing ongoing quality assurance for guests. YHA also runs a mystery shopper program, generating 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 in Australia are certified under this scheme. In 2015 Sydney Harbour YHA became one of only five hostels in the world that qualified for the new HIQ&S certification ('S' stands for sustainability.) This property incorporates over \$1 million dollars' worth of sustainability initiatives into its building design, and as a result consistently consumes less energy than other similar-sized hostels.

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

Amy Brown, Deputy Manager



YHA LTD EMPLOYEE OF THE YEAR
ALICE SPRINGS YHA

Cape Tribulation Beach House YHA

BEST STANDARD ACCOMMODATION
(QUEENSLAND TOURISM AWARDS)

Port Lincoln YHA

BEST ACCOMMODATION, SOUTH AUSTRALIA
(GOLDEN BACKPACK AWARDS)

Melbourne Central YHA

SILVER AWARD
- **BEST BACKPACKER ACCOMMODATION**
(VICTORIAN TOURISM AWARDS)

Awards 2015

Cairns Central YHA



BEST BACKPACKER ACCOMMODATION
(TROPICAL NORTH QUEENSLAND
TOURISM AWARDS)
HALL OF FAME

BEST BACKPACKER ACCOMMODATION
(QUEENSLAND TOURISM AWARDS)
HALL OF FAME

Railway Square YHA



BEST BACKPACKER ACCOMMODATION
(NSW TOURISM AWARDS)

Adelaide Central YHA



BEST BACKPACKER ACCOMMODATION
(SOUTH AUSTRALIAN TOURISM AWARDS)

Digital Environment

TECHNOLOGICAL ADVANCEMENTS

Information and communication technology is both a major strategic opportunity for the organisation and a source of risks. During the year YHA increased the resources allocated to achieve short and long term growth and efficiencies. For many years, YHA has invested steadily in IT projects, and in 2015 a major central infrastructure upgrade project took place. This included YHA moving to cloud computing for hostels and office IT systems.

YHA ONLINE

YHA's website, yha.com.au, is the 'front door' to the organisation and records an average of 8,000 user sessions each day, with the typical user spending 5 minutes on the site. As well as providing a platform for hostel bookings, yha.com.au provides a forum for online interaction with guests through user-generated content and customer ratings. YHA also works carefully on yield and channel management to maximise usage of hostels whilst also controlling commission costs. In addition, YHA is active in social media, particularly YouTube and Facebook, with over 170,000 followers of YHA's Facebook community.

CONNECTIVITY

Internet access is offered to guests via 'YHA Connect' at hostels across Australia. During the year, free WiFi was introduced at 'hot spots' in communal areas and was welcomed by guests. A paid option for premium services is also available.



Free WiFi was introduced at 'hot spots' in communal areas

COMMUNICATIONS

YHA's magazine, Backpacker Essentials, is available online every two months, in a digital flip version, as an iPad and iPhone app. It is available free through the App Store and as a printable PDF document. The magazine includes New Zealand content, and is also broadcast to YHA NZ members, as part of a shared-service arrangement. 2015 saw the successful rollout of Backpacker Essentials on iPhone, resulting in an increased readership of the magazine and more downloads of the app. Regular electronic newsletters are also broadcast to members. A major advantage of digital publications is that they can be accessed wherever YHA members are travelling.

Bookings on yha.com.au through mobile devices are growing steadily



Member Services

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

MEMBERSHIP TRENDS

There are 36,664 YHA members in the ACT, NSW, NT, Queensland, South Australia and Victoria, and a further 21,035 international members who joined while in Australia. Many Australians travelling overseas take out YHA membership to use the Hostelling International global network of over 4,000 hostels. During the year the overall number of Australian members increased by 1.6% whilst sales of memberships to international guests increased by 12%. The increases were the result of lowering the price from May 2015 onwards that reversed a declining trend in membership. Group membership is also taken out by educational, cultural and sporting organisations. Members can join online or at hostels across Australia, and YHA also runs a coordinated email campaign to encourage existing members to renew. YHA no longer looks to membership as a significant source of income and a major project is underway to modernise membership, simplify the offering further and substantially increase the number of members.

MARKETING TO MEMBERS

YHA has a national Marketing Plan, covering 2015-2017. During the year, a range of marketing activities

was carried out including tactical campaigns, brochure distribution and media liaison. State-based activities were complemented by national and international marketing.

BRAND AUDIT

During the year, YHA engaged an external agency to undertake a major research-based brand audit. This included interviewing guests and potential guests as well as hostel staff and management in both city and regional areas. The findings were presented across the organisation and a tactical plan developed from the outcomes. A whole-of-business approach is being taken, including improving the customer experience in hostels through refreshing interior décor and increasing activities to encourage social connection between guests. In 2016 a Brand Development Plan will be adopted and used for a creative brand refresh, with a renewed focus on mostly younger travelers nominated from the research as 'discovery seekers'.

MEDIA COVERAGE

There was coverage of YHA in a range of Australian and international print and broadcast media, ranging from The Sydney Morning Herald and The Age to The Independent (UK). YHA also hosted film crews and bloggers from around the world, including a popular 'Instameet' held in Sydney, generating hundreds of positive articles through various channels. In particular, extensive coverage was generated for the new Fremantle Prison YHA operated by YHA WA, which opened in May.

A 'Sleep for Peace' event was held at Adelaide Central YHA, echoing John & Yoko Ono's 'Bed-In for Peace'



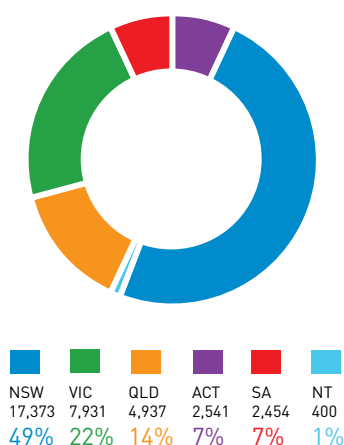
EVENTS

YHA was promoted during the year at over twenty 'O' week (orientation) events on university campuses and at other events to welcome international students to Australia. Several events also took place at hostels during the year to bring guests together, including a global Hostelling International 'Sleep for Peace' initiative, with a giant 'sleep-in' at Adelaide Central YHA. At Brisbane City YHA an event was held in conjunction with the YHA Bushwalkers Club to celebrate the club's 50th anniversary, including unveiling a telescope overlooking the Brisbane River, in memory of former staff member Kimberly Mustchin.

PARTNERSHIPS

YHA works with various partner organisations in the tourism, youth, cultural and educational fields. During the year, YHA participated in a range of co-operative marketing initiatives with national and state tourism bodies to promote Australia as a vibrant and desirable destination for backpackers.

2015 INDIVIDUAL MEMBERS BY STATE/TERRITORY



YHA staff at International Students Day with the Lord Mayor of Brisbane



YHA participated in over 20 orientation events for students at universities across Australia

MEMBERSHIP STATISTICS AS AT 31 DECEMBER

ACT, NSW, NT, QLD, SA & VIC

	2013	2014	2015	%
Youth	3,070	2,615	2,294	(12%)
Adult	24,534	22,207	23,236	5%
Life	10,358	10,201	10,106	(1%)
Group	1,089	1,069	1,028	(4%)
Individual & group membership	39,051	36,092	36,664	2%
Internationals	20,804	18,768	21,035	12%
Total Membership	59,855	54,860	57,699	5%

YHA Travel & Tours

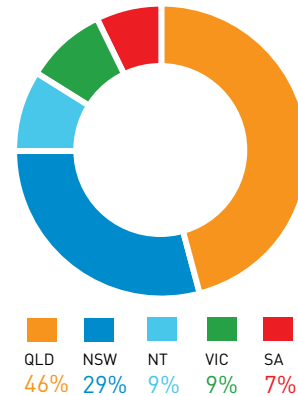
YHA encourages guests to experience the best of Australia by providing YHA Travel & Tours desks to arrange affordable tours and travel activities. Tour sales are facilitated by a web-based booking system which delivers a simple booking process, reduces back office costs and gives staff immediate access to information on a range of domestic and international tours. In 2015 travel sales increased 9% with the highest sales for the year coming from Cairns Central YHA.

The YHA Travel & Tours Committee is the steering group behind YHA's travel business. A 2015-2016 YHA Travel & Tours Business Plan was created which guides the Committee's activities and future developments. YHA has seen definitive growth in sales at travel desks with customers seeking personalised travel advice from knowledgeable agents, as well as increased travel bookings via yha.com.au.

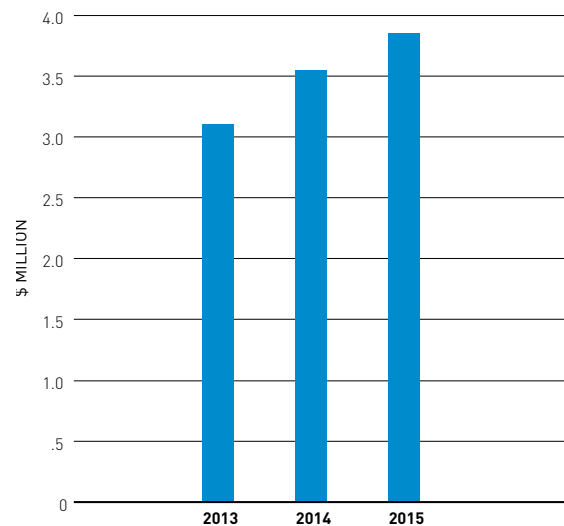
Pivotal to YHA's success is the building of strong relationships with key industry operators, who provide quality, affordable travel services. YHA partners with key operators to create a series of regional packages, and in 2015 launched a new 'East Coast Highlights' package which promotes the popular route from Sydney to Cairns.

In 2015 a YHA Travel Charter was also established as a statement of commitment to providing excellent travel opportunities and service to guests.

2015 NUMBER OF ORDERS BY STATE/TERRITORY



2013 – 2015 GROSS SALES



We promise to:

Create fun travel itineraries

Provide value for money

Give genuine travel advice & local knowledge

*Offer the best quality tours
(not just the lowest price)*

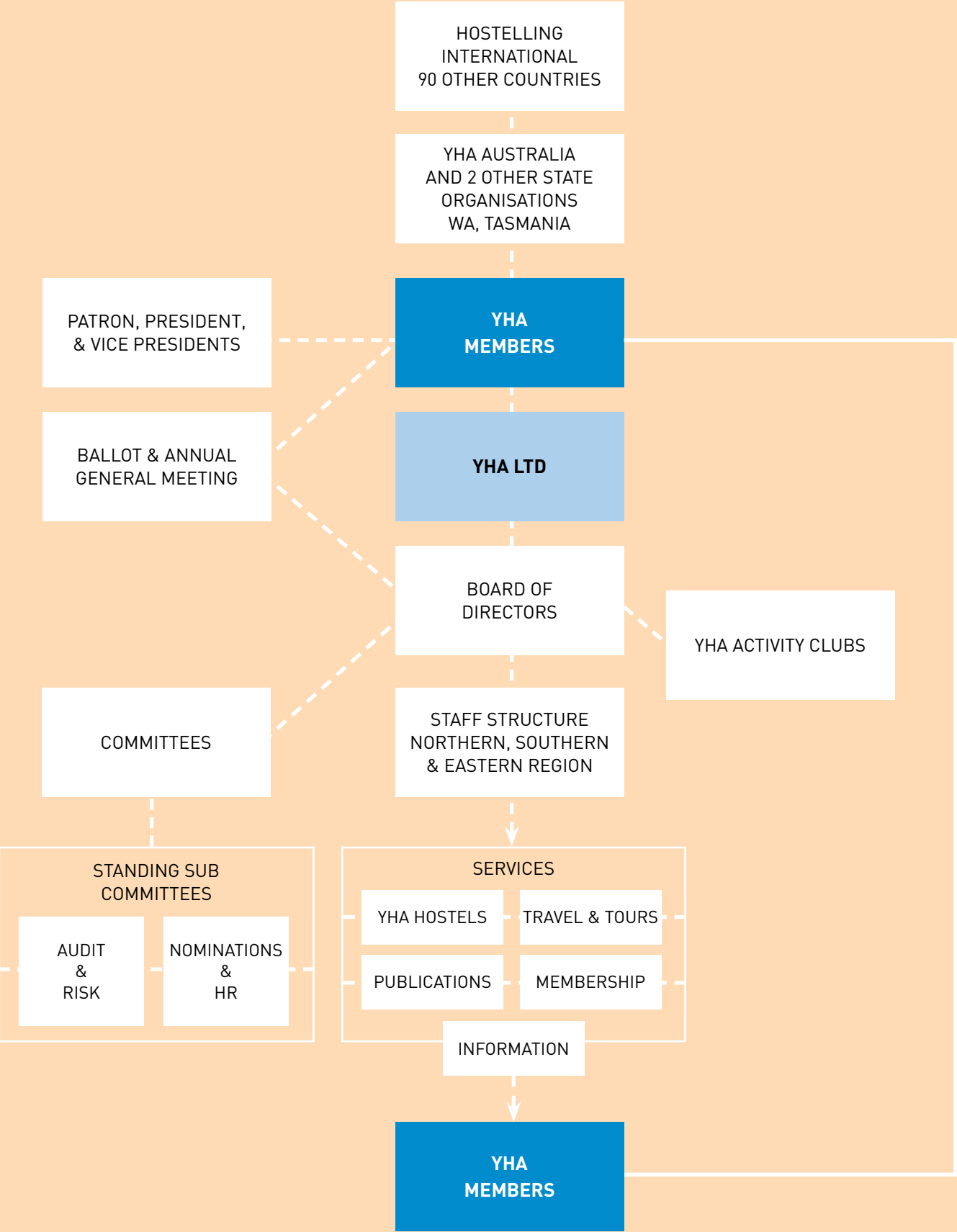
Tell you all costs upfront

Work with only safe, reliable operators

Why? Because we love travelling and want you to have an unforgettable Australian adventure!

Structure of the Organisation

At 31 December 2015



Corporate Affairs

MERGER

In 2015, YHA took another step towards becoming a single national organisation, with preparation undertaken for the integration of the national body, Hostelling International Australia (HI-A) into YHA Ltd. This took effect from 1 January 2016. As part of this integration, YHA Ltd also entered into services agreements with YHA in WA and Tasmania, building on existing shared services provided. YHA has now achieved many of its objectives of having a simpler and more efficient structure in Australia. The organisation continues to work towards becoming one national organisation.

TIMELINE OF YHA IN AUSTRALIA

1939	First state Youth Hostel Association founded in Victoria
1943	YHA NSW established
1947	Australian Youth Hostels Association (AYHA) founded
1947	AYHA admitted to membership of the International Youth Hostel Federation (IYHF)
1948	YHA South Australia established
1950	YHA Tasmania established
1951	YHA Western Australia established
1950s	First staff employed by YHA NSW
1962	YHA Queensland established
1967	YHA NSW Secretary also engaged as National Secretary of AYHA
1975	AYHA incorporated as a separate body with own office and staff
1976	YHA Northern Territory established
1995	First YHA website
2000	AYHA becomes YHA Australia (later, Hostelling International Australia: HI-A)
2007	YHA Northern Territory merged with YHA NSW
2010	YHA Queensland merged with YHA NSW and that body is renamed YHA Ltd
2012	YHA Victoria merged with YHA Ltd
2014	YHA South Australia merged with YHA Ltd
2016	Integration of HI-A into YHA Ltd, and Service Agreements with YHA Tasmania and YHA WA
2016	Membership of IYHF (Hostelling International) to be transferred to YHA Ltd

PROPOSED CONSTITUTIONAL CHANGES

During the year the Board spent significant time considering YHA's current Constitution and preparing proposed modifications to put to members at the 2016 Annual General Meeting (AGM). The proposed changes fall into three categories being; organisational, governance and membership matters. The suggested modifications essentially reflect the integration of HI-A; propose a reduction of the size of the Board to a maximum of nine Directors (with a focus on recruiting Directors based on their skills), and close off the category of Life Membership (although the rights of current Life Members will remain unchanged). The proposed modifications will be voted on by members at the AGM on 9 April 2016 (and via prior proxy voting online.)

REGIONAL OFFICE CONSOLIDATION

The management structure was reviewed and planning put in place for consolidation of the former Central (South Australia) and Southern (Victoria) regions into one Southern Region from 1 January 2016. The Southern Region office will continue to be spread between the Melbourne Central and Adelaide Central YHA hostels. This complements the regional offices based in Brisbane (Northern Region) and Sydney (Eastern Region).

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. During the year, YHA in Australia provided detailed feedback to HI regarding proposed changes to the structure of hihostels.com, and continues to be represented on a Task Group convened by the CEO of HI to steer the future direction of the global website. YHA also works closely with YHA NZ, including having a reciprocal arrangement where each organisation sends a representative to the other's annual conference. YHA uses the same property management system (GuestCentrix) in both Australia and New Zealand, and is guided by a joint steering committee for closer collaboration, with the aim of sharing costs of future development. Additionally, YHA Australia provided advice to the YHA/HI Associations in Hong Kong and the USA who also now use the same property management system.



YHA Directors and management attended the official opening of the new Fremantle Prison YHA in WA

RETIRING DIRECTORS

At the Annual General Meeting (AGM) held in Sydney in April 2015, YHA paid thanks to two long-standing Board members who were retiring. Cameron Quinten initially joined the YHA Board in Victoria in 1998 and in 2001 was elected as Chair. During his term in office Apollo Bay YHA and Melbourne Central YHA were opened. In 2012, following the merger of YHA Victoria into YHA Ltd, Cameron was co-opted, and subsequently elected, to the YHA Ltd Board, holding the position of Vice-Chair and also Chair of the Nominations & HR Committee. Helen Harms was initially elected to the Board of the former YHA NSW in 2007 and in 2008 was elected as Chair, a position that she held for five years, the maximum permitted. Helen was also an active member of the Audit & Risk Committee. As Chair, she provided leadership during an important part of YHA's history, including the opening of the hostel Sydney Harbour YHA; introducing advances in IT systems, and guiding mergers with YHA in Queensland, Victoria and South Australia. YHA thanks both Helen and Cameron for their significant contribution over the years.

IN MEMORIAM

YHA regrets to advise of the passing of several long standing members; Barbara Neill, Geoff Charlesworth and Pat Davis (a regular attendee at AGMs over the years). It was with deep sadness that YHA also farewelled Bruce Morison OAM and Joan Morison OAM – seminal figures in canoeing in Australia and life-long YHA members. Both became involved with the sport through YHA and went on for over 65 years at local, state and national levels, and through their lobbying efforts helped to establish national training centres in Queensland and Tasmania. Joan was also of great help in working as a volunteer sorting YHA's archives. YHA extends sincere condolences to the family and friends of these members.

Governance

DIRECTORY OF THE ORGANISATION at 31 December 2015

PATRON Vacant

PRESIDENT Mr James Tomkins, OAM

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

HONORARY LIFE MEMBERS

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

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 Rob McGuirk
Vice Chairperson Euan Prentice
Chief Executive Officer 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, the Nominations & HR Committee, and the Audit & 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, and minutes of committee meetings are presented at subsequent Board meetings. All Directors are permitted, within the Board meeting, to request information from the Chair or members of the Committees.

NOMINATIONS AND HR COMMITTEE

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

AUDIT AND RISK COMMITTEE

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

BOARD MEETINGS

The Board of Directors met in person seven times between January and December 2015, including a meeting held at Fremantle Prison YHA in WA, in conjunction with the official opening of that hostel. In addition, the Nominations and HR Committee held six meetings and the Audit and Risk Committee held six meetings throughout 2015, with both these committees undertaking detailed work on behalf of the Board.

BOARD MEMBERS

From the Annual General Meeting (AGM) held in April 2015, 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.

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 30 sets out their qualifications and experience.



The Board of Directors and CEO, L to R: Robert McGuirk (Chair), David Neish, Dana Ghinzel, Euan Prentice (Vice-Chair), Robyn Antill, Tracey Powell, Julian Ledger (CEO), Leonie Thijssen, Matthew McNeil, Ross McDougall.

CORPORATE OBJECTIVES

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

Human Resources

At 31 December 2015

WORKFORCE PROFILE

At the year end, YHA employed 327 people in the ACT, NSW, NT, Queensland, SA and Victoria. YHA Ltd employs over thirty-five different nationalities, creating a rich cultural diversity of employees. The median age of staff was 30 with 64% under 35 years old. The workforce profile was distributed between females (56%) and males (44%), with the number working either full-time or permanent-part time at 89% (93% in 2014), with 84% 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 2015, these included sporting events, Clean Up Australia Day, Earth Day, 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 principles 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, safety, staff management, and Business Planning courses tailored specifically for the organisation. YHA ensures that all senior hostel staff are 'Provide First Aid' certified, and for the first time in 2015 YHA also provided Mental Health First Aid training for 28 senior YHA hostel staff. YHA also supports its staff in gaining further qualifications relating to the business, by contributing up to 50% of tuition fees for approved courses.

YHA encourages exchanges between hostels and during the year, several exchanges took place involving staff from Alice Springs, Byron Bay, Brisbane, Cairns,

Melbourne and Sydney. Additionally, YHA participates in university internships and student work experience programs and during the year hosted and assisted in training a Hostel Manager and operator of two private hostels in Guilin China for a 4-week program. During the year several staff members were promoted internally, including Monique Ribeiro to Manager of Canberra City YHA; Wim Hanse to Application Support Officer; Boizen Platon to Deputy Manager of Melbourne Metro YHA, and Alice Pidgeon to Deputy Manager of Thredbo YHA. YHA Ltd also worked with YHA Tasmania in recruiting a new Manager for Hobart Central YHA; this position was filled by former Thredbo YHA Manager, Nadia Fadel, on secondment from YHA Ltd.

ONLINE INFORMATION & TRAINING

As a geographically-spread organisation, having robust online training systems is crucial in ensuring that staff from all across the country have access to consistent, effective, and high-quality training. YHA's intranet, Egor, is an interactive resource centre of current documentation and information from around the network and contains resources, tools, guides, information sheets, and manuals to aid hostel staff in their day-to-day work. Additional online training is delivered through an interactive eLearning system, Trainee, which is optimised for staff to use on portable devices. Eight eLearning modules are currently available; these modules were accessed over 1,000 times by staff in 2015, and additional modules are currently in development. In 2015 after consultation with YHA Ltd, YHA NZ also purchased the same eLearning software, creating potential for the two organisations to streamline online training processes in the future.

Staff on induction



EMPLOYEE ENGAGEMENT SURVEY

During the year, YHA Ltd conducted the organisation's third Employee Engagement Survey, with participation also from HI Australia. YHA NZ conducted the same survey in the same time frame to allow benchmarking between the two organisations. YHA received a very high response rate of 81% (263 out of 323 possible respondents) and achieved a positive 'agreement' average of 74.39%, which was higher than previous years and reflected good staff engagement and a high level of interest in making a difference within the organisation. The results were loaded onto the intranet, and staff meetings were held to present the findings. Opportunities identified in the survey related to system efficiencies, learning and development; 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 2015 'Employee of the Year' prize was awarded to Amy Brown, Deputy Manager at Alice Springs YHA. Blue Mountains YHA Group Reservations Coordinator Kylie McInerney was awarded 'Employee of the Year' in the Blue Mountains Business Awards. Several staff members also reached significant service milestones during the year. Congratulations to Stuart Briggs (Accounts), Filomena DeAngelis (YHA Travel and Tours) and Marilyn Langeveld (Melbourne Metro YHA) who have worked for YHA for 20 years; and Silke Kerwick (Marketing), Arlene Eksiklioglu (Sydney Central YHA), Steve Weekes (Sydney Central YHA) and Marlene Forrester (Melbourne Metro YHA) who have all achieved 15 years of service; Ronald Dart (Cairns Central YHA), Cheryl D'Silva (Sydney Harbour YHA), Craig Tester (Glebe Point YHA), and Natalia Yang (Adelaide Central YHA) who have all achieved 10 years of service. YHA's Membership Manager, Susan Archer, retired after 30 years and was acknowledged for her long service in achieving integrity and accuracy of YHA's membership records, by being bestowed a Life Membership.

ENTERPRISE AGREEMENT

In 2015, YHA commenced negotiations for a new Enterprise Agreement which covers 273 staff who work in hostels. A proposed Agreement was reached through collaborative efforts between hostel staff and YHA management, and 216 YHA hostel staff (80%) voted 94% in favour of the proposed Agreement. The Enterprise Agreement was lodged with the Fair Work Commission and approved on 1 March 2016 and will run until 2019.



YHA's Membership Manager, Susan Archer, retired after 30 years of loyal service

EQUAL EMPLOYMENT OPPORTUNITY

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

WORKPLACE HEALTH & SAFETY

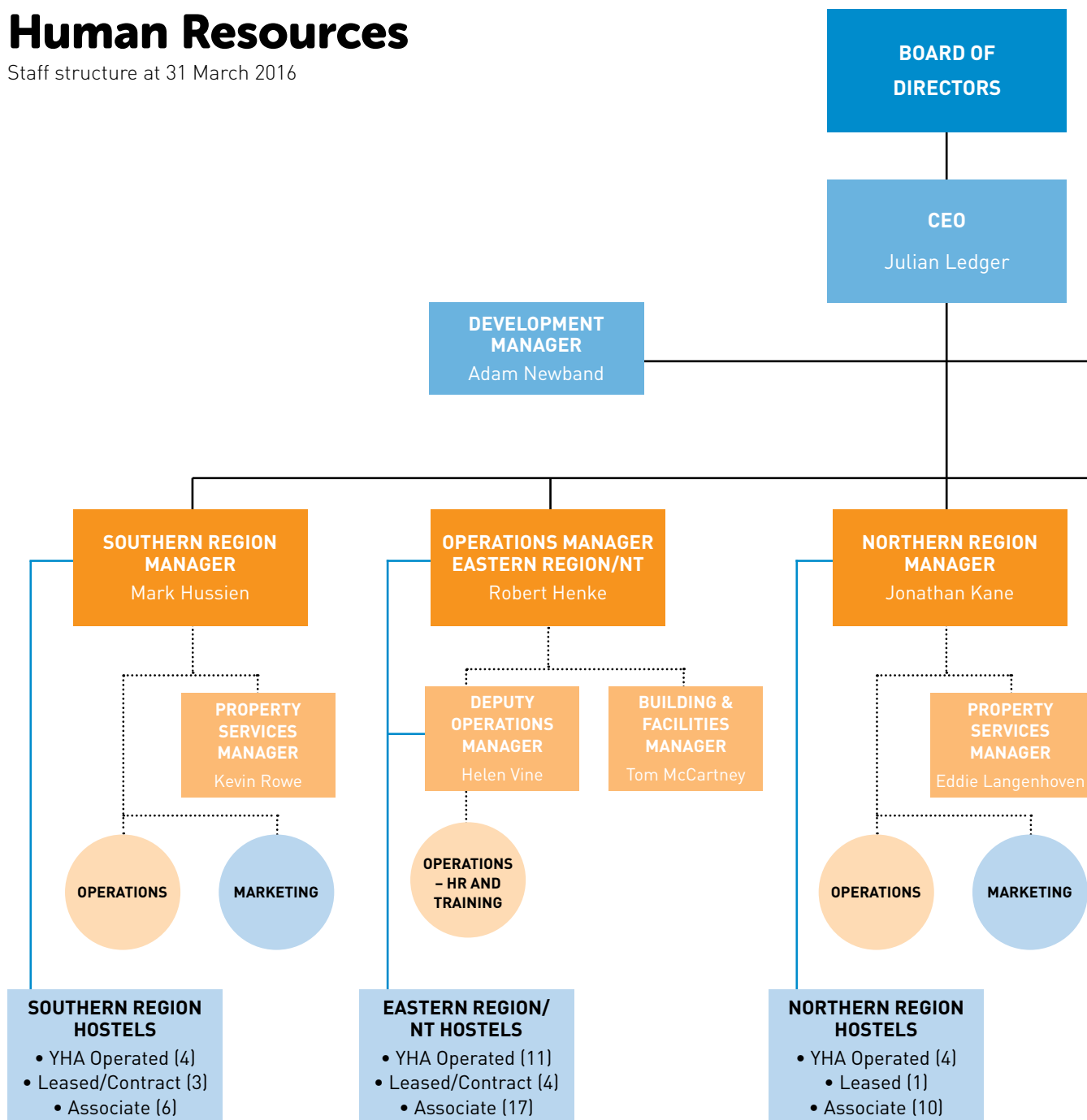
Safety is an important issue for YHA and the organisation has a very good record with workplace safety and injury management. Workplace health and safety best practice means that YHA and its employees are all responsible and accountable. The YHA Ltd Workplace Health & Safety Consultative Group consists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

WELLBEING

As part of its commitment to its people, YHA records staff sick leave against total hours worked. This allows YHA to monitor and react early to changes in staff wellbeing. Staff worked a total of 536,504 hours during the year and recorded 7,808 hours personal leave (sick leave and carers' leave), comprising 1.45% 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.

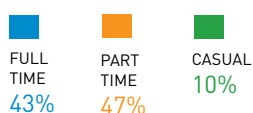
Human Resources

Staff structure at 31 March 2016

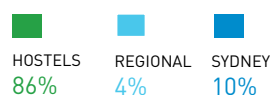
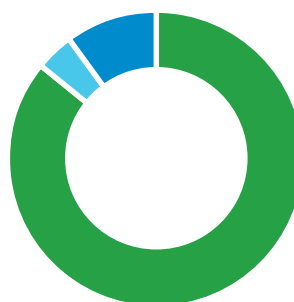


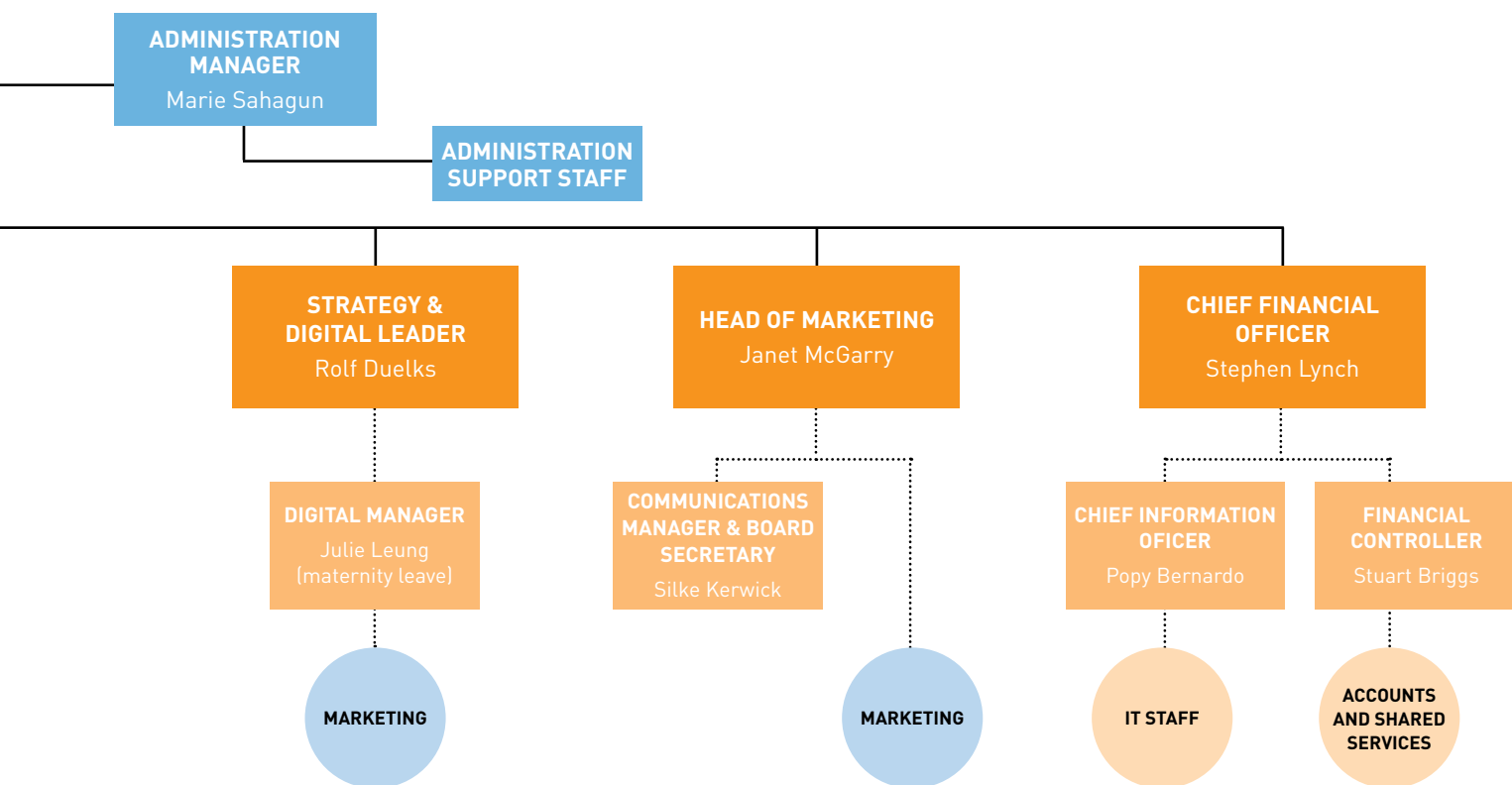
STAFF STATISTICS SNAPSHOT AS AT 31 DECEMBER 2015

EMPLOYEES



LOCATION





GENDER



■ FEMALE 55%
■ MALE 45%

STAFF TURNOVER



■ CONTINUING STAFF 70%
■ NEW STAFF 30%

Strategic planning & outlook

STRATEGIC PLANNING

YHA has a national Strategic Plan to guide the organisation to 2018, and 2015 was the second year of working towards the plan's goals. The Strategic Plan is driven by four major themes: brand, network development, growth and governance.

Progress against the plan's key performance indicators is reported on regularly. Under the Strategic Plan are a number of subsidiary plans including the Hostel Development Plan, the Marketing Plan and the IT Plan.

Hostel development priorities for the coming year include construction of the Byron Bay YHA extension, and further evaluation of options on the Gold Coast and in Darwin, where YHA currently has short term leasehold premises.

OUTLOOK

GENERAL OUTLOOK

TRENDS

Australian inbound tourism enjoyed a strong year in 2015 with traditional markets returning and the upsurge from China continuing. The Australian dollar was favourable for inbound visitors and this was combined with good airline capacity into Australia, additional flights, new routes and competitive fares aided by falling oil prices. These trends are expected to continue and there may be seasonal capacity issues in some gateways.

YOUTH TOURISM

Overall, approximately 596,000 backpackers visited Australia in 2015, staying for an average of 84 nights, and spending around \$6,000 each while in Australia. Arrivals were up marginally and nights were steady. Backpacker tourism has therefore not been growing at the pace of overall tourism and one factor is the reciprocal working holiday scheme. At any one time, there are nearly 180,000 working holiday makers in Australia, however this number has been declining for several years now. It is believed that the high visa fee of \$440 acts as a deterrent, and that the proposed removal of a tax-free threshold for working holiday makers from 1 July 2016 will be a significant challenge. The tourism industry is actively petitioning the federal government on these issues. On the positive side, China now joins over thirty countries who are able to access working holiday visas for their youth, with the first 5,000 visas released being taken up very quickly.

Focusing on working holidays is an important strategy as the Australian economy remains relatively strong and casual work, including seasonal work such as harvesting, is available to young international visitors. This source of flexible labour is crucial for farmers dealing with the uncertainties of weather and harvesting. Money earned in Australia is mostly spent here and research has found the scheme is actually a net creator

of employment for Australians. A positive initiative has been the introduction of more flexible employment arrangements for working holiday makers in Northern Australia which is expected to promote travel to Tropical North Queensland and the Northern Territory.

DISRUPTIVE EFFECTS

The so-called 'sharing economy' channels for booking short term accommodation continue to be of concern. During the year, YHA made a submission to a NSW Parliamentary Inquiry into the issue, outlining how web booking platforms are facilitating a boom in unsafe, illegal accommodation across Australia, particularly in major cities. This is having a negative effect on residential amenity and the three levels of government have been too slow to address this issue. YHA supports a practical licensing scheme which places responsibilities on the booking platforms and landlords and which is resourced to ensure compliance.



YHA plans to further develop the hostel network on the popular touring route between Sydney and Brisbane



YHA is gearing up to welcome more guests from Asia

OUTLOOK FOR YHA

In 2016, the focus will be on growing YHA's occupancy whilst maintaining yield, and carefully managing booking channels. That is, to make use of them as required and to provide a clearer message to customers to book direct for the best deals. Most of the growth is expected to come from international visitors.

The continuing low interest rate environment is controlling borrowing costs and strengthening financial ratios, enabling YHA to develop the hostel network and placing it in a stronger position for the time when interest rates inevitably rise in the future. Making the right decisions about where to deploy capital will be the most important determinant of future success.

YHA has a comprehensive program to continue to develop its IT capability. In 2016 the biggest investment is a major data capture and data integrity project resulting in an integrated and more comprehensive database of members.

Whilst numbers from the Asia Pacific Region were disappointing in 2014/5, there will be increased focus on this area in 2016. YHA's hostels offer self-catering, and with their focus on quality and cleanliness appeal to this market. Initiatives on the website include upgrading the Chinese, Japanese and Korean language translations; responsive design for mobiles and tablets, as well as app developments. There will be continuing focus on international students who often spend too much time with their own nationalities and miss opportunities to meet Australians and visitors from other countries. YHA will continue to work with the tourism trade and inbound agents.

Finally, 2016 will see the fruition of ten years' work to simplify YHA's organisational structure. Moving forward the organisation will be able to take advantage of the streamlined administration and decision-making process as YHA Ltd steps into the role of YHA Australia. Shared service agreements are in place with the two remaining State Associations yet to merge, being YHA Tasmania and YHA WA. Merger discussions have now started with YHA Tasmania.

In July 2016 a National Strategic Planning Conference will take place in South Australia, providing an opportunity for the YHA Ltd Board and management, along with representatives from YHA Tasmania and YHA WA, to update the road-map for the future direction of YHA in Australia.

Relations with the Government and other organisations

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

COMMONWEALTH GOVERNMENT

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

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

STATE, TERRITORY & LOCAL GOVERNMENTS

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

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

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

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

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

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

INDUSTRY REPRESENTATION

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

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:

ACT Convention Bureau
ACT & Region Chamber of Commerce & Industry
Adelaide West End Association
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 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 Australia Ltd
Glebe Chamber of Commerce
Gold Coast Tourism (GCT)
Gold Coast Adventure Travel Group (GCATG)
History Teachers' Association of NSW
Museums Australia
Nature Conservation Council of NSW
National Parks Association of NSW
National Trust of Australia (NSW)
Newcastle City Tourist Association
NSW Business Chamber
Outdoor Recreation Industry Council of NSW
Queensland Tourism Industry Council (QTIC)
South Australia Tourism Industry Council
Southern Queensland Tourism
Study Brisbane
Study Cairns Australia
Study Gold Coast
The Legendary Pacific Coast
The Rocks Chamber of Commerce
Thredbo Chamber of Commerce
Tourism Noosa
Tourism Snowy Mountains
Tourism Top End
Tourism Tropical North Queensland (TTNQ)
Victorian Tourism Industry Council (VTIC)
Victorian Employers' Chamber of Commerce and Industry (VECCI)
Whitsundays Marketing and Development
Wilderness Society
Women in Tourism (WIT)
YHA Australia (HI Australia)
Youth Action

YHA Ltd Hostels

YHA HOSTELS IN THE ACT, NSW, THE NT, QUEENSLAND, SA AND VICTORIA

As at 31 December 2015

ACT

NSW

HOSTEL	MANAGED BY	BEDS	OWNERSHIP	STATUS	NOTES
CANBERRA CITY 7 Akuna St, Canberra	Monique Ribeiro	284	O	F	Converted office block.
ALBURY 372 Wagga Rd, Lavington	Kerrie Day, Craig Richardson	24	A		Building in caravan park.
BATEMANS BAY Cnr of Old Princes Hwy & South St	Francis McLaughlin & Brent Bruen	40	A		Converted building in caravan park.
BELLINGEN 2 Short St	Rowan Simon	32	A		Converted commercial building with extensions.
BLUE MOUNTAINS 207 Katoomba St, Katoomba	Bronwen Johnston	200	O	F	Converted guesthouse.
BLUE MOUNTAINS – HAWKESBURY HEIGHTS 836 Hawkesbury Rd	Carolyn & John Beazley	12	O	L	Land leasehold; purpose built hostel owned by the organisation.
BONDI BEACHOUSE Cnr Fletcher and Dellview St, Bondi Beach	Kati Farthing	94	A		Converted guesthouse.
BUNDANOON 115 Railway Ave	Glenn Robinson & Alison Shaw	36	O	F	Leased to manager. Converted guesthouse.
BYRON BAY 7 Carlyle St	Paul Cason	107	O	F	Purpose built hostel.
CAPE BYRON Cnr Byron & Middleton Sts, Byron Bay	Todd Batston	130	A		Purpose built hostel.
COFFS HARBOUR 51 Collingwood St	Brett Banwell	92	O	F	Leased to manager. Purpose built hostel.
CRONULLA BEACH Level 1, 40-42 Kingsway, Cronulla	Michael Keogh	66	A		Converted commercial building with extensions.
GLEBE POINT 262-264 Glebe Point Rd, Glebe	Craig Tester	151	O	F	Converted motel.
HUNTER VALLEY 100 Wine Country Drive, Nulkaba	Nigel Worton	46	A		Purpose built hostel.
LENNOX HEAD 3 Ross St	Graeme & Anna Dicker	42	A		Purpose built hostel.
MURWILLUMBAH 1 Tumbulgum Rd	Tassie Duff	24	A		Private residence converted into hostel.
NAROOMA 243 Princess Hwy	Heather & Les Smith	35	A		Holiday accommodation converted into hostel.
NEWCASTLE BEACH 30 Pacific St, Newcastle	Damian Parkhouse	99	A		Converted heritage building.
NIMBIN ROX 74 Thorburn St, Nimbin	Liam Brehme	28	A		Purpose built hostel.
PITTWATER Via Halls Wharf, Morning Bay	Michael Doherty & Sarah Polomka	32	O	F	Leased to manager. Converted residence.
PORT MACQUARIE 36 Waugh St	Richard Bock	59	A		Private homes extended into hostel.

YHA Ltd Hostels

YHA HOSTELS IN THE ACT, NSW, THE NT, QUEENSLAND, SA AND VICTORIA

As at 31 December 2015

HOSTEL	MANAGED BY	BEDS	OWNERSHIP	STATUS	NOTES
PORT STEPHENS Frost Rd, Anna Bay	Mark & Sandy Munday	31	A		Purpose built hostel.
RAILWAY SQUARE 8-10 Lee St, Sydney	Dean Grasselli	280	O	L	Leasehold from Rail Corporation NSW. Converted parcels office.
SYDNEY BEACHOUSE 4 Collaroy St, Collaroy Beach	James Dakin	214	A		Purpose built hostel.
SYDNEY CENTRAL 11 Rawson Place, Sydney	Sam Badans	556	O	F	Converted heritage office building.
SYDNEY HARBOUR 110 Cumberland St, The Rocks	Ross Lardner	354	O	L	Leased from Sydney Harbour Foreshore Authority. Purpose-built hostel raised above archaeological remnants, with onsite education centre.
TAMWORTH 169 Marius St	Carol Hobden	43	A		Converted commercial building.
THREDBO 8 Jacks Adam Pathway	Bianca Bott	48	O	S	Land sub-leased from Kosciuszko Thredbo Pty Ltd, on lease from National Parks & Wildlife Service.
WOLLONGONG 75-79 Keira St	Mary Sparks	32	A		Purpose built hostel, serviced apartments and student complex.
YAMBA 26 Coldstream St	Shane & Justin Henwood	90	A		Purpose built hostel.
ALICE SPRINGS Cnr Parsons St & Leichhardt Tce	Roger Wileman	108	O	F	Converted open air cinema.
DARWIN 97 Mitchell St	David Boyce	168	O	S	Sub-leased from Globies P/L
AIRLIE BEACH 394 Shute Harbour Rd	Dean Thexton	88	O	F	Converted motel.
BRISBANE CITY 392 Upper Roma St	Mitchell Wilkins	373	O	F	Two lots amalgamated. Purpose built hostel.
CAIRNS CENTRAL 20-26 McLeod St, Cairns	Courtney Preo	228	O	F	Purpose built hostel.
CAPE TRIBULATION 152 Rykers Rd	Matthew Isabella	132	A		Purpose built cabins within rainforest.
COOKTOWN 9 Boundary St	Scott Orchard	66	A		Converted motel.
COOLANGATTA 230 Coolangatta Road, Bilinga	Warren Nicholas	82	O	L	Land leased from Department of Environment and Resource Management, Queensland. Building owned by organisation and leased to manager. Purpose built hostel.
HERVEY BAY 820 Boat Harbour Dr	Karen Inglis	100	A		Purpose built hostel also offering cabins and camping.
MAGNETIC ISLAND 40 Horseshoe Bay Rd	Brett & Janelle Flemming	120	A		Purpose built, offering cabins and camping.

NT

QLD

HOSTEL	MANAGED BY	BEDS	OWNERSHIP	STATUS	NOTES
MISSION BEACH 49 Porter Promenade	Richard & Anthea Gilroy	30	A		Purpose built hostel.
NOOSA 2 Halse Lane, Noosa Heads	Drew Pearson	95	A		National Trust Heritage listed building with additional purpose built hostel.
PORT DOUGLAS Port St	Tom Quealy	120	A		Converted motel.
ROCKHAMPTON 60 MacFarlane St	Auzen Mercader	62	A		Purpose built hostel.
STRADBROKE ISLAND 132 Dickson Way, Point Lookout	Zoe Asingh	62	A		Purpose built hostel with dive centre.
SURFERS PARADISE Mariners Cove, 70 Seaworld Drive, Main Beach	Nathan McGregor	100	O	S	Sub-leased from Sunland Group. Converted office.
SA ADELAIDE CENTRAL 135 Waymouth St, Adelaide	Tanya Schroeder	230	O	F	Converted office building.
KANGAROO ISLAND 33 Middle Terrace, Penneshaw	Bill & Sally Ulstrup	48	A		Converted motel.
MT LOFTY Cleland Conservation Park	Managed via Adelaide Central YHA	10	O	L	Stone cottage leased from SA Department of Environment, Water & Natural Resources (DEWNR).
PORT ELLIOT 13 The Strand	Anthea & Richard Gilroy	60	O	F	Leased to Manager. Converted guest house.
PORT LINCOLN 26 London St	Debi & Robert Forster	71	A		Converted sporting facility.
WIRRABARA Forest Rd	Managed via Adelaide Central YHA	20	O	L	Former schoolhouse on Crown land. Closed during 2014 due to bushfires in area.
VIC APOLLO BAY 5 Pascoe St	John & Gail Affleck	72	O	F	Management service contract. Purpose built hostel.
BALLARAT Magpie St	Neil Robbins	12	A		Converted worker's cottage.
FOSTER 40 Station Rd	Mohya & John Davies	10	A		Converted worker's cottage.
GRAMPIANS/HALLS GAP Cnr Grampians and Buckler Rd	Stuart & Rebecca Usherwood	64	O	F	Management service contract. Purpose built hostel.
MELBOURNE CENTRAL 562 Flinders St	Bronwyn Adams	244	O	F	Converted heritage hotel building.
MELBOURNE METRO 78 Howard St, North Melbourne	Dooshyant Jhowry	360	O	F	Purpose built hostel.
PHILLIP ISLAND 10-12 Phillip Island Tourist Rd, Newhaven	Larson Henderson	104	A		Purpose built hostel.
PORT FAIRY 8 Cox St	Alison & Kadir Zehir	50	A		Converted heritage building.

OWNERSHIP KEY

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

STATUS KEY

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

Financial Summary

OVERVIEW

Total income for 2015 before sale of assets was \$42.9M. This was \$1.2M above the previous year. The net surplus was \$0.983M. The number of overnight stays by guests from traditional international markets improved during 2015. Domestic guest numbers were similar to 2014 and maintained their share of the market mix. The Australian dollar declined against both the UK pound and US dollar and is now in more normal ranges from the highs reached in 2011 and 2012. This continues to improve the buying power of international travellers.

BORROWINGS

The cash advance facility with ANZ lowered the yearly interest expense as expected and the lower official cash rate for the full year also assisted. The facility has no requirement to be reduced over the term and this gives YHA the flexibility to accumulate cash reserves for acquisitions or development. This made the acquisition of Newcastle Beach YHA soon after the 31 December 2015 balance date possible without increasing loan facilities. Further cash accumulation will be used to fund the Byron Bay YHA development, growing the number of beds operated and the asset base without increasing borrowings.

CASH FLOW

Operating cash flows were higher than 2014 with an increase in receipts from customers. Finance costs paid were significantly lower in 2015 as the lower line and margin fees and interest rates were in place for the full year and 2014 included one-off borrowings costs related to refinancing in that year. Cash flows from investing activities includes expenditure on existing hostels of \$2.67M compared to \$2.91M in 2014. A deposit for the acquisition of the Newcastle Beach YHA was paid, whilst 2014 included the purchase of land adjacent to the Byron Bay hostel. Cash flows from financing activities was nil as cash was accumulated for development projects in 2016 and 2017.

Cash holdings were \$5.462M, which was higher than the previous year as funds were being held in preparation for acquisition and development costs in 2016.

CAPITAL EXPENDITURE

Capital expenditure other than the Newcastle Beach YHA deposit was \$2.67M (2014: \$2.90M); spent primarily on maintaining the standards of plant, furniture and equipment of the hostels, as well as an investment in systems and sustainability initiatives.

HOSTEL DIVISION

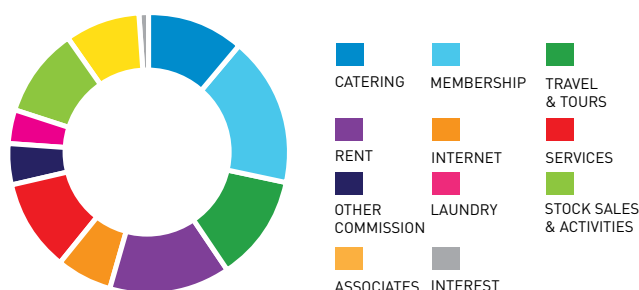
Operated hostel international overnights increased by 2.8% while domestic overnights decreased by 1.7%. Overnights from groups increased by 1.3%. Unlike 2014, the year was not as affected by travellers heading to other parts of the world to attend major events such as the FIFA Soccer World Cup. Working holiday makers declined in number, with the high visa fee continuing to be an issue.

There was an increase in total YHA guest overnights from the UK and Europe and North American countries of 4.5% or 30,000 overnights (2014, decreased 7.0%). Overnights from Asia decreased by 3.4% or 5,200 overnights (2014 decrease 11.8%).

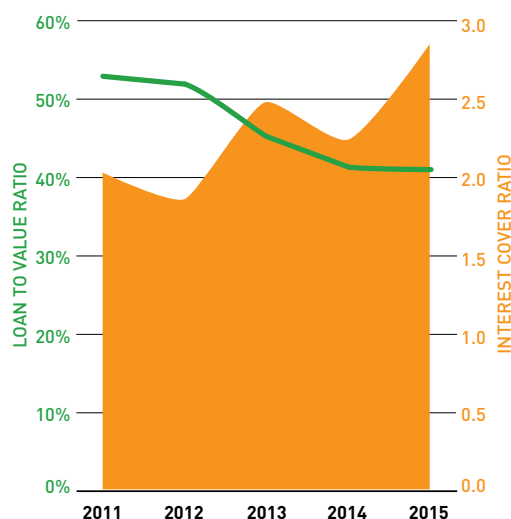
MEMBERSHIP DIVISION

Australian memberships increased by 1.6% for the year whilst international membership sales also increased as a result of lowering the membership pricing. Income from membership sales was similar to last year, although with the simplified pricing, membership income is no longer deferred. Deferred income from 2014 and earlier was recognised in 2015 (refer to note 15 in the Annual Report).

SOURCE OF OTHER OPERATING INCOME



LOAN TO VALUE AND INTEREST COVER RATIO



Annual Report for the year ended 31 December 2015

YHA Ltd [ACN 008 387 791]

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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 2015.

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
Robyn Joan Antill	BSc, MSc(Maths), MSc(Operations Research), PMP,GAICD	YHA member since 2014. HI Member since 1990. Project Management Consultant.		April 2018
Dana Denise Ghinzel	BCom, CPA, GAICD	YHA member since 1983. Accountant with public sector.		April 2017
Helen Margaret Harms	BSc, MBA, GAICD	YHA member since 2007. Former member of YHA NSW Board. General Manager IT, Financial Services company.		April 2015
Ross Peter McDougall	BA, LLB, GAICD	YHA member since 2012. Solicitor.		April 2017
Robert Anthony McGuirk	BA LLB, FFin, GAICD	YHA member since 1990. Former member of YHA Victoria Board, held roles of Chair, Vice Chair. Former HI Vice President. Lawyer, Property Manager, IT Consultant.	Chair. YHA Victoria Limited delegate to National Board.	April 2016
Matthew McNeil	BArch(Hons)	YHA member since 1988. Architect.		April 2016
David John Neish	BArch Melb, FRAIA MAICD	YHA member since 1976. Former member of YHA Queensland Board. Architect.		April 2017
Tracey Michelle Powell	BBus, GAICD	YHA member since 2011. Former member of YHA South Australia Board, held role of Chair. Director and Principal of Business & Marketing Consultancy.	YHA Ltd delegate and Vice Chair to National Board. Chair Nominations & Human Resources Committee from Apr 2015.	April 2018
Euan Gordon Prentice	BCom, A Fin	YHA member since 2009. Owner of capital markets research business.	Vice Chair. YHA Queensland delegate to National Board.	April 2018
Cameron James Quinten	BEd(Sec), BSc(Hon), Grad Dip AppSci, DipBus, Dip Sustainability, Cert IV Train & Assess, AIMM	YHA member since 1995. Former member of YHA Victoria Board, held role of Chair. Enterprise Manager in the Vocational Training and Education sector.	Chair Nominations & Human Resources Committee to Apr 2015.	April 2015
Leonie Isabelle Thijssen	BCom, CPA, GIA (Cert), GAICD	YHA member since 2000. Former member of YHA Queensland Board. Held roles of Treasurer YHA Queensland and Vice Chair of YHA Ltd. Specialist in tax and compliance.	Chair Audit & Risk Committee.	April 2016

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
Robyn Antill	7	6	4	4
Dana Ghinzel	10	9	6	6
Helen Harms	3	3	2	1
Ross McDougall	10	9	4	3
Robert McGuirk	10	9	6	5
Matthew McNeil	10	10	6	6
David Neish	10	10	6	6
Tracey Powell	10	10	4	4
Euan Prentice	10	10	7	6
Cameron Quinten	3	3	2	2
Leonie Thijssen	10	10	6	6

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

3. SHORT AND LONG TERM OBJECTIVES

The objects of the company are:

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

Directors' Report continued

4. STRATEGY FOR ACHIEVING OBJECTIVES

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

5. PRINCIPAL ACTIVITIES

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

6. OPERATING RESULTS

The consolidated surplus for the financial year ended 31 December 2015 was \$982,973 (2014 surplus of \$867,254).

The group uses occupancy percentage or utilisation of the hostel beds as a measure of performance together with quality ratings from guests. The hostel bed occupancy in 2015 for operated hostels was 65.3% (2014 65.4%), ratings were in the desired range and many 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 improved over the prior year with an increase in international traveller visitation. Domestic and group guest nights were similar to previous year. Other income increased though free Wi-Fi internet service commenced and lower membership fees were introduced.

8. DIVIDENDS

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

9. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Directors 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 2015.

10. SIGNIFICANT EVENTS SINCE THE END OF FINANCIAL YEAR

A contract of sale for the acquisition of the Newcastle Beach YHA was executed prior to the end of the year and settlement achieved on 29 January 2016. The Newcastle Beach YHA has been operating as an associate hostel since 1998, has 99 beds and is in a converted building that started its life as the Newcastle Club in 1911 and soon after became a nurses quarters for the Newcastle Hospital.

An integration and shared services agreement was made between the members of Hostelling International Australia Incorporated (HI-Australia); YHA Ltd, YHA Tasmania and YHA Western Australia in 2015 to allow for YHA Ltd to take up all the activities of HI-Australia. These agreements came into effect on 1 January 2016 with the activities, assets and liabilities of HI-Australia transferred to 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.

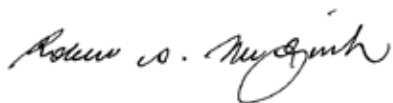
14. PROCEEDINGS ON BEHALF OF THE COMPANY

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 54.

Signed in accordance with a resolution of the Directors.



ROBERT MCGUIRK
DIRECTOR
27 February 2016



LEONIE THIJSEN
DIRECTOR
27 February 2016

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Note	2015 \$	2014 \$
REVENUE OR OTHER INCOME			
Rendering of services		42,066,801	41,245,594
Other income		876,266	733,097
	3	42,943,067	41,978,691
EXPENSES			
Employee benefits expense	4	(17,165,506)	(16,588,180)
Depreciation & amortisation	4	(4,637,293)	(4,561,637)
Finance costs	4	(4,243,514)	(4,717,184)
Other expenses	4	(15,913,781)	(15,283,370)
		(41,960,094)	(41,150,371)
SURPLUS BEFORE INCOME TAX			
		982,973	828,320
Income tax (expense) / benefit	5	–	38,934
Surplus after income tax		982,973	867,254
Other comprehensive income		–	–
Total Comprehensive Income		982,973	867,254

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 31 December 2015

	Note	2015 \$	2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	5,462,676	1,766,758
Trade and other receivables	7	532,683	479,189
Inventories	8	93,357	101,541
Other current assets	9	301,597	864,327
Total Current Assets		6,390,313	3,211,815
Non-current Assets			
Property, plant and equipment	10	116,073,752	117,839,164
Intangible assets	11	1,507,685	1,563,022
Total Non-current Assets		117,581,437	119,402,186
TOTAL ASSETS		123,971,750	122,614,001
LIABILITIES			
Current Liabilities			
Trade and other payables	12	2,911,891	2,621,739
Derivative financial instruments	16	367,750	688,963
Provisions	14	1,861,702	1,818,771
Other liabilities	15	2,803,349	2,752,105
Total Current Liabilities		7,944,692	7,881,578
Non-current Liabilities			
Trade and other payables	12	62,505	213,448
Borrowings	13	75,000,000	75,000,000
Derivative financial instruments	16	932,690	356,179
Provisions	14	161,072	152,565
Other liabilities	15	–	122,413
Total Non-current Liabilities		76,156,267	75,844,605
TOTAL LIABILITIES		84,100,959	83,726,183
NET ASSETS		39,870,791	38,887,818
Accumulated surplus		34,412,445	33,429,472
Revaluation reserve		5,458,346	5,458,346
TOTAL EQUITY		39,870,791	38,887,818

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2015

	Note	Revaluation Reserve \$	Accumulated Surplus \$	Total Equity \$
Balance at 1 January 2014		5,458,346	33,607,360	39,065,706
Adjustment to opening balance for recognition of derivative financial instruments	17	–	(1,045,142)	(1,045,142)
Restated balance as at 1 January 2014		5,458,346	32,562,218	38,020,564
Total Comprehensive Income for the year		–	867,254	867,254
Balance at 31 December 2014	10	5,458,346	33,429,472	38,887,818
Total Comprehensive Income for the year		–	982,973	982,973
Balance at 31 December 2015		5,458,346	34,412,445	39,870,791

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 \$	2014 \$
Cash flows from operating activities			
Receipts from members and customers		47,601,540	46,845,384
Other receipts		–	213,030
Payments to employees		(15,451,949)	(15,772,722)
Payments to suppliers		(22,130,762)	(20,700,584)
Income taxes paid		–	(196,706)
Interest received		53,837	22,938
Finance costs paid		(3,503,307)	(5,589,536)
Net cash provided by operating activities	23	6,569,359	4,821,804
Cash flows from investing activities			
Purchase of plant, equipment & software		(2,670,441)	(2,910,558)
Purchase of property		(203,000)	(1,417,937)
Transfer acquisition of property – YHA Ltd		–	(7,616,436)
Proceeds from transfer of property – YHA South Australia Inc.		–	7,616,436
Proceeds from sale of property, plant & equipment		–	27,865
Net cash (used in) investing activities		(2,873,441)	(4,300,630)
Cash flows from financing activities			
(Repayment) of borrowings – bank refinance		–	(74,600,000)
(Repayment) of borrowings – bank		–	(4,098,543)
Proceeds of borrowings – bank		–	76,450,000
Net cash (used in) provided by financing activities		–	(2,248,543)
Net increase (decrease) in cash and cash equivalents		3,695,918	(1,727,369)
Cash and cash equivalents – beginning of period		1,766,758	3,494,127
Cash and cash equivalents – end of period	6	5,462,676	1,766,758

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2015

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), as appropriate for not for profit orientated entities and the Corporations Act 2001. The consolidated financial report of the group as at and for the year ended 31 December 2015 comprises the company and its controlled entities which include Youth Hostels Association of Queensland 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.

New, revised or amending Accounting Standards and Interpretations adopted

The group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The company has adopted AASB 1053 'Application of Tiers of Australian Accounting Standards' and AASB 2011-2 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements'. No other new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have been early adopted. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

The following Accounting Standards and Interpretations are most relevant to the company:

AASB 1053 Application of Tiers of Australian Accounting Standards

The company has adopted AASB 1053 from 1 January 2015. This standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements, being Tier 1 Australian Accounting Standards and Tier 2 Australian Accounting Standards – Reduced Disclosure Requirements. The company being classed as Tier 2 continues to apply the full recognition and measurements requirements of Australian Accounting Standards with substantially reduced disclosure in accordance with AASB 2011-2.

AASB 2011-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements

The company has adopted AASB 2011-2 from 1 January 2015. These amendments make numerous modifications to a range of Australian Accounting Standards and Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities in preparing general purpose financial statements. The adoption of these amendments has significantly reduced the company's disclosure requirements.

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.

Notes to the Financial Statements

For the year ended 31 December 2015

DEPRECIATION

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

The estimated useful lives are:

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

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

FINANCIAL INSTRUMENTS

Recognition

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

Receivables

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

Financial Liabilities

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

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

Impairment

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

Impairment of Non-Financial Assets

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

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.

Leases

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 year terms also. Membership Fees are recognised as revenue in the year that they are sold and are not refundable.

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.

Trade and other payables

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

Notes to the Financial Statements

For the year ended 31 December 2015

Borrowings

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

Borrowing costs

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

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

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

Principles of consolidation

Subsidiaries

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

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

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

Income tax

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

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

Current and deferred tax is recognised in profit or loss.

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.

Employee benefits

(i) Short-term obligations

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

(iii) Other long-term employee benefit obligations

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

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

Deferred Tax Assets

Recovery of tax losses

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

Notes to the Financial Statements

For the year ended 31 December 2015

NOTE 3 – REVENUE

	2015 \$	2014 \$
Hostel	35,386,155	34,829,874
Catering	859,288	816,170
Other hostel	2,564,933	2,458,902
Membership	1,291,760	1,297,304
Travel & tours commission	920,933	850,165
Rent	1,043,732	993,179
Rendering of services	42,066,801	41,245,594
Sundry income	798,984	481,218
Gain on disposal of assets	–	221,212
Interest	77,282	30,667
Other Income	876,266	733,097
Total revenue and other income	42,943,067	41,978,691

The Gain on disposal of assets in 2014 was for the proceeds from the sale of the remaining Heritage Floor Space Rights at Sydney Central.

NOTE 4 – EXPENSES

	2015 \$	2014 \$
Salaries and wages	14,721,548	14,424,388
Superannuation	1,566,288	1,375,600
Other benefits	877,670	788,192
Employee benefits	17,165,506	16,588,180
Depreciation of property plant & equipment	4,558,520	4,505,049
Amortisation of software	78,773	56,588
Depreciation and amortisation	4,637,293	4,561,637
Borrowing costs	520,861	186,692
Bank interest	3,467,355	4,530,492
Fair value loss on interest rate swaps	255,298	–
Finance costs	4,243,514	4,717,184
Cost of goods sold	1,135,227	909,451
Loss on disposal of assets	56,897	113,936
Operating expenses	6,402,391	6,194,851
Administration and marketing	5,710,418	5,453,550
Property expenses	2,535,508	2,549,736
Audit	73,340	61,846
Other expenses	15,913,781	15,283,370

NOTE 5 – INCOME TAX**a) Reconciliation of effective tax rate**

Income tax expense using the domestic corporation tax rate of 30% (2014: 30%)

Tax effect amounts which are not deductible in calculating taxable income:

Income and expenses exempt under principle of mutuality

Income tax expense

	2015 \$	2014 \$
	294,892	260,176
	(294,892)	(260,176)
	–	–

b) Principle of mutuality

The estimated amount of income subject to the mutuality principle is 95% (2014: 95%).

c) Unrecognised tax losses

The following tax losses from non-mutual income have not been brought to account as a deferred tax asset:

YHA Ltd

YHA Queensland

YHA Victoria Limited

Tax losses

	9,481,611	7,273,045
	2,286,154	2,745,922
	472,347	455,202
	12,240,112	10,474,169

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

NOTE 6 – CASH AND CASH EQUIVALENTS

Cash on hand

Cash at bank

Cash on deposit

	64,567	72,593
	5,167,249	1,620,207
	230,860	73,958
	5,462,676	1,766,758

NOTE 7 – RECEIVABLES

Trade receivables

Other receivables

	532,683	360,407
	–	118,782
	532,683	479,189

NOTE 8 – INVENTORIES

Finished goods

	93,357	101,541
	93,357	101,541

NOTE 9 – OTHER ASSETS**Current**

Prepayments

Deferred expenditure

	300,442	439,331
	1,155	424,996
	301,597	864,327

Notes to the Financial Statements

For the year ended 31 December 2015

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

Freehold Land and Building

At cost	96,151,771	95,535,966
Less: Accumulated depreciation	(26,487,282)	(24,473,820)
	69,664,489	71,062,146

Leasehold Land and Buildings

At cost	47,660,288	47,554,172
Less: Accumulated depreciation	(7,898,384)	(6,883,378)
	39,761,904	40,670,794

Plant and Equipment

At cost	17,465,422	17,657,411
Less: Accumulated depreciation	(10,818,063)	(11,551,187)
	6,647,359	6,106,224

Total Property, Plant and Equipment	116,073,752	117,839,164
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Independent valuations of interest in Land & Buildings

– 2015	10,625,000	–
– 2014	173,960,000	173,960,000
– 2010	–	6,100,000
– 2008	–	290,000
– 2006	–	1,100,000
– 2004 or earlier	–	2,090,000
Total	184,585,000	183,540,000

In 2014 fourteen hostels were revalued in Queensland, Melbourne, Sydney, Adelaide & Canberra for the purpose of first mortgage security with ANZ. In 2015 a further eight hostels were revalued for accounting and first mortgage security purposes.

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT CONTINUED

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

RECONCILIATIONS

Freehold Land & Buildings

	2015 \$	2014 \$
Balance at the beginning of year	71,062,146	70,413,675
Additions	483,797	2,641,139
Transfers	132,008	22,694
Depreciation expenses	(2,013,462)	(2,015,362)
Carrying amount at the end of year	69,664,489	71,062,146

Leasehold Land & Buildings

Balance at the beginning of year	40,670,794	41,540,557
Additions	126,813	155,729
Disposal	6,159	–
Transfers	5,390	–
Depreciation expenses	(1,047,252)	(1,025,492)
Carrying amount at the end of year	39,761,904	40,670,794

Plant & Equipment

Balance at the beginning of year	6,106,224	6,278,760
Additions	2,234,162	1,518,839
Disposal	(57,823)	(125,119)
Transfers	(137,398)	(102,062)
Depreciation expenses	(1,497,806)	(1,464,194)
Carrying amount at the end of year	6,647,359	6,106,224

Total

Balance at the beginning of year	117,839,164	118,232,992
Additions	2,844,772	4,315,707
Disposal	(51,664)	(125,119)
Transfers	–	(79,368)
Depreciation expenses	(4,558,520)	(4,505,048)
Carrying amount at the end of year	116,073,752	117,839,164

Revaluation Reserve

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

Notes to the Financial Statements

For the year ended 31 December 2015

NOTE 11 – INTANGIBLE ASSETS

Liquor licence – at cost

Licences

Goodwill – at cost

Less: accumulated amortisation

Computer software – at cost

Less: accumulated amortisation

Total intangible assets

2015 \$	2014 \$
116,681	116,681
116,681	116,681
1,378,965	1,378,965
(78,965)	(78,965)
1,300,000	1,300,000
250,078	888,951
(159,074)	(742,610)
91,004	146,341
1,507,685	1,563,022

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

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	116,681	1,300,000	146,341	1,563,022
Additions	–	–	28,671	28,671
Disposals	–	–	(5,235)	(5,235)
Amortisation charge	–	–	(78,773)	(78,773)
Carrying amount at the end of year	116,681	1,300,000	91,004	1,507,685

NOTE 12 – TRADE AND OTHER PAYABLES

Current

Trade creditors

Accrued expenses

BAS payable

Other payables

Deferred revenue

Non-current

Rental bonds

Sustainability fund

Small hostels development fund

2015 \$	2014 \$
249,382	311,584
1,727,346	1,521,257
506,096	203,495
416,494	521,814
12,573	63,589
2,911,891	2,621,739
62,505	65,359
–	79,774
–	68,315
62,505	213,448

NOTE 13 – BORROWINGS**Non-current**

	2015 \$	2014 \$
Bank loans	75,000,000	75,000,000
Total Borrowings	75,000,000	75,000,000

1. The ANZ facility consists of a Cash Advance Facility of \$75,000,000 for YHA Ltd borrowings for a term of four and a half years to June 2019. The facility allows prepayment and with any prepayment a permanent reduction in the facility. An additional 12 month facility for development is also financed amounting to two million dollars though this is not drawn as at the balance date. Prepayments are not required. The ANZ facility includes an overdraft of \$750,000 though this is only available during the slower trading months from March to October each year.
2. The bank facilities are secured by a first ranking fixed and floating charge over all the assets of the group and first ranking mortgages over 14 hostel properties. The covenants within the bank borrowings require the group to maintain the loan to value ratio at less than or equal to 55% and an interest cover ratio of earnings before interest, tax, depreciation and amortisation (EBITDA) less provision for capital expenditure of 4% of hostel revenue over interest expense greater than or equal to 1.4 times. The group complied with the financial covenants of its borrowing facilities during the 2015 and 2014 reporting periods.

The bank facilities as at the balance date are:

	2015 \$	2014 \$
Credit facilities	77,875,000	77,850,000
Amount utilised	75,000,000	75,000,000
	2,875,000	2,850,000

The unused credit facilities consist of cash advance facility of \$2,000,000 (2014: \$2,000,000), bank overdraft \$750,000 (2014: \$750,000) and corporate card facility \$125,000 (2014: \$100,000).

Assets Pledged as Security

The carrying amounts of assets pledged as security are:

– First mortgage and floating charges

Total assets	123,971,750	122,614,001
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Notes to the Financial Statements

For the year ended 31 December 2015

NOTE 14 – PROVISIONS

Current

Employee benefits

Onerous contract

Non-current

Employee benefits

	2015 \$	2014 \$
Employee benefits	1,777,702	1,818,771
Onerous contract	84,000	–
	1,861,702	1,818,771
Employee benefits	161,072	152,565
	161,072	152,565

The provision for onerous contract is for the 2016 cost of fulfilling the obligations for the hosting of computer technology in the data centre for the property management system which is no longer in use.

Aggregate liability for employee benefits provision including on-costs

Employee benefits

	1,938,774	1,971,336
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Movements in provisions

Employee

Entitlements \$

Balance at the beginning of year

Additions

Transfers

Amounts used

Balance at the end of year

1,971,336

1,525,478

196,667

(1,754,707)

1,938,774

NOTE 15 – OTHER LIABILITIES

Current

Bookings in advance

Unexpired life membership income

Unexpired other membership income

Non-current

Unexpired life membership income

Unexpired other membership income

	2015 \$	2014 \$
Bookings in advance	2,803,049	2,569,434
Unexpired life membership income	–	34,857
Unexpired other membership income	300	147,814
	2,803,349	2,752,105
Unexpired life membership income	–	71,817
Unexpired other membership income	–	50,597
	–	122,414

NOTE 16 – DERIVATIVE FINANCIAL INSTRUMENTS

The group has the following derivative financial instruments:

Current

Interest rate swap contracts – non-hedging

Non-current

Interest rate swap contracts – non-hedging

	2015 \$	2014 \$
Interest rate swap contracts – non-hedging	367,750	253,025
Interest rate swap contracts – non-hedging	932,690	850,059
	1,300,440	1,103,084

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. This classifies them as Level 2 financial instruments. In 2015 the fair value has been determined by reference to the ANZ value of the interest rate swap agreements as at 31 December 2015. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

Derivatives are classified as held for trading and accounted for at fair value through the Statement of Profit or Loss and Other Comprehensive Income unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

NOTE 17 – RESTATEMENT OF COMPARATIVE

Correction of misstatement

A misstatement was discovered in the consolidated entity's 2014 financial report whereby the fair value of the derivative financial instruments had not been recognised. YHA holds a number of interest rate swaps that are required to be recognised in the financial report. The fair value of the interest rate swaps at 31 December 2013 was \$1,045,142 and the error resulted in an understatement of liabilities and overstatement of equity. Extracts (being those line items affected) are disclosed below:

	01-Jan-14 \$ Reported	\$ Adjusted	01-Jan-14 \$ Restated
Extract			
Liabilities			
Current Liabilities			
Derivative financial instruments	–	688,963	688,963
Total current Liabilities	84,900,138	688,963	85,589,101
Non current Liabilities			
Derivative financial instruments	–	356,179	356,179
Total non-current Liabilities	399,967	356,179	756,146
Total Liabilities	85,300,105	1,045,142	86,345,247
Equity			
Accumulated Surplus	33,607,360	(1,045,142)	32,562,218
Total Equity	39,065,706	(1,045,142)	38,020,564

Notes to the Financial Statements

For the year ended 31 December 2015

NOTE 18 – COMMITMENTS

a. Capital commitments

Capital expenditure commitments contracted for:

–Capital expenditure projects

–Acquisition of Newcastle Beach YHA

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

	2015 \$	2014 \$
–Capital expenditure projects	308,182	251,412
–Acquisition of Newcastle Beach YHA	3,952,500	–
	4,260,682	251,412
Payable not later than 1 year	2,140,165	1,280,757
Later than 1 year but not later than 5 years	1,644,615	1,783,281
Later than 5 years	3,544,930	3,560,272
	7,329,710	6,624,310

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).

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 19 – 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 20 – FINANCIAL INSTRUMENTS

Financial risk management objectives

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

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

Interest rate risk

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

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

Liquidity risk

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

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

Foreign currency risk

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

Price risk

The company is not exposed to any significant price risk.

Credit risk

The company is not exposed to any significant credit risk.

NOTE 21 – 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 Head of Marketing.

	Salary \$	Superannuation \$	Total \$
2015	1,329,238	118,024	1,447,262
2014	1,086,118	103,181	1,189,299

Notes to the Financial Statements

For the year ended 31 December 2015

NOTE 22 – PARENT ENTITY INFORMATION

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

Statement of comprehensive income	Parent Entity	
	2015 \$	2014 \$
Surplus / (deficit) after income tax	494,500	949,459
Total current assets	6,317,230	2,978,046
Total assets	111,414,671	110,493,671
Total current liabilities	7,842,922	7,728,084
Total Liabilities	83,999,189	83,572,689
Equity		
Total equity	27,415,482	26,920,982

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2015.

Capital commitments

The parent entity had capital commitments for property, plant & equipment as at 31 December 2015 of \$4,260,682 and 31 December 2014 of \$251,412.

Significant accounting policies

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

NOTE 23 – RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated Entity	
	2015 \$	2014 \$
Surplus after income tax	982,973	867,254
Non-cash flow in profit		
Depreciation and amortisation	4,637,294	4,561,637
Fair value adjustment to derivatives	255,298	–
Loss on sale or disposal of property, plant & equipment	56,898	101,615
Changes in assets and liabilities		
(Increase) decrease in receivables	(53,494)	(103,862)
Decrease (increase) in inventory	8,184	(7,306)
Decrease (increase) in other assets	562,730	(227,013)
Increase (decrease) in payables	139,208	(366,634)
(Decrease) in provision for income taxes payable	–	(235,640)
Increase in provisions	51,438	124,778
(Decrease) Increase in other liabilities	(71,170)	106,975
Net cash provided by operating activities	6,569,359	4,821,804

NOTE 24 – EVENTS AFTER REPORTING PERIOD

Merger with Hostelling International Australia Incorporated (HI-A).

During the year the YHA Ltd, YHA Tasmania and YHA WA Boards decided as members of HI-A to merge the activities of HI-A and YHA Ltd on 1 January 2016. This merger was achieved on 1 January 2016 and involves an integration agreement and shared services agreement between the three parties. HI-A will still exist until it is deregistered. HI-A will be deregistered after the international representation membership with the International Youth Hostels Federation (IYHF) is formally transferred to YHA Ltd at the IYHF Annual General Meeting in September 2016. All the property of HI-A becomes the property of YHA Ltd and all the rights and liabilities become the rights and liabilities of YHA Ltd. The net assets of HI-A as at 31 December 2015 were \$619,583 (2014: \$1,005,557).

Acquisition of Newcastle Beach YHA

A contract of sale for the acquisition of the Newcastle Beach YHA was executed prior to the end of the year and settlement achieved on 29 January 2016. The Newcastle Beach YHA has been operating as an associate hostel since 1998, has 99 beds and is in a converted building that started its life as the Newcastle Club in 1911 and soon after became a nurses quarters for the Newcastle Hospital.

No other matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF YHA LTD

As lead auditor for the audit of YHA Ltd and its controlled entities for the year ended 31 December 2015, I declare that to the best of my knowledge and belief there have been:

- i. no contraventions of the auditor's independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of 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.

Pitcher Partners



Melissa Alexander
Partner

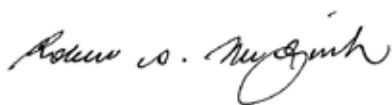
Dated in Sydney, this 27th day of February 2016

Directors' Declaration

The Directors of YHA Ltd declare that:

1. The financial statements and notes, as set out on pages 34 to 53, are in accordance with the Corporations Act 2001:
 - a. Comply with Accounting Standards – Reduced Disclosure Requirements (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 2015 and of the performance for the year ended on that date of the group and company.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



ROBERT MCGUIRK
DIRECTOR
27 February 2016



LEONIE THIJSEN
DIRECTOR
27 February 2016

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YHA LTD

Report on the Financial Report

We have audited the accompanying financial report of YHA Ltd, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors declaration of the consolidated entity comprising YHA Ltd and the entities it controlled at the years end or from time to time during the financial year.

Director's 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 – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 have given the directors of YHA Ltd a written Auditors Independence Declaration, a copy of which is included in the financial report.

Auditor's Opinion

In our opinion, the financial report of YHA Ltd and its controlled entities is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of YHA Ltd's consolidated financial position as at 31 December 2015 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

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Melissa Alexander
Melissa Alexander
Partner

Dated in Sydney, this 27th day of February 2016

YHA Ltd Hostel Locations

At 31 December 2015



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

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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.



Grampians Eco YHA, Victoria: Landscaping was carried out at this hostel in 2015 thanks to a generous bequest from a member.

YHA Ltd

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Whitehead Cooper Williams

Auditor

Pitcher Partners

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Australia and New Zealand Banking
Group Limited

Insurance Brokers

Acumen Insurance