

2021

annual report



dream explore connect



Doubtful Sound

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About YHA New Zealand

YHA New Zealand is a leading provider of quality budget accommodation delivered through 33 hostels across New Zealand.

We are a membership-based incorporated society and a registered charitable organisation, operating in New Zealand since 1932.

Our affiliation with Hostelling International (HI) maintains our status as part of the world's first and largest budget accommodation network and ensures our members receive reciprocal benefits worldwide.

Our mission is delivered through a balance of YHA-managed hostels and our independently owned Franchise and Associate partners.

We give equal consideration to our social, economic, and environmental impact. Our Annual Report reflects this triple bottom-line commitment.

Our mission is:

To deliver quality budget accommodation and travel experiences which enrich people's understanding of each other, the environment, and New Zealand.

We are committed to:

- Living our values of respect, integrity, passion, and excellence
- Focusing on sustainability through our triple bottom line of People, Planet, and Profit
- Recognising and respecting the status of Māori in Aotearoa New Zealand
- Providing a safe and healthy workplace and hostel experience for all.

We seek to operate a profitable and sustainable hostel network that:

- Delivers the best possible experience for guests and staff
- Makes smart use of technology
- Shows our commitment to the environment.



*Simon Cartwright,
General Manager*



*Ian Lothian,
National Chair*

Notice to Members

Events in recent weeks and months have been fast-moving and uncertain as the financial condition of YHA New Zealand has deteriorated materially due to the impact of Covid-19 and consequential international and national travel restrictions.

Members should be aware that facts and events may change further between the time of this publication and the Special General Meeting and Annual General Meeting, resulting in a risk that information conveyed here becomes inaccurate. The National Board intends to update members on any such material changes at the Special General Meeting

Executive Summary

The National Board have called a Special General Meeting preceding the 2021 AGM to engage with members on the status and future direction of YHA New Zealand.

At the upcoming Special General Meeting, the National Board and YHA management will report to members on the status of YHA New Zealand, its people, the Association's financial condition, and plans for the realisation of its properties to address YHA New Zealand's financial obligations. As this report is published the future for YHA New Zealand is uncertain. Decisions regarding the continuation of any operations beyond 2021 are largely dependent upon the net financial position of YHA New Zealand after the matters noted below are complete.

During the course of this year and, especially in recent weeks, the National Board and YHA Management have been working intensively with specialist professional advisers including financial, restructuring and legal advisers, to review and to address the fast deterioration of the financial position of YHA New Zealand resulting from Covid-19 and the consequential international and national travel restrictions.

Discussions with YHA New Zealand's primary lender have progressed through-out this period as YHA New Zealand established whether additional material support could be obtained. Arrangements are expected to be finalised prior to the Special General Meeting, enabling YHA New Zealand to restructure and to undertake an orderly realisation of properties.

A summary of key events since YHA New Zealand's last Annual General Meeting in March 2021 follows:

- Active marketing activity to maximise domestic revenue - doubling our annual domestic income and increasing New Zealander guest nights by 130% compared with the previous financial year.
- The pursuit of options for leasing our properties for MIQ or social services - without success.
- The partial opening of the borders with Australia in April and then full closure again in July.

- A further national Covid-related lock-down in July leading to an extended Auckland lock-down.
- Restructure of YHA New Zealand resulting in a halving of staff numbers and operating our existing 11 YHA-managed hostels, Our Dog Friday Cafe and National Office, on skeleton staffing numbers.
- Significant support received from our landlords for rent reductions and favourable payment terms.
- Material deterioration overall in the financial position of YHA due to Covid-related revenue reduction.
- New debt facilities secured in principle from RPL to provide working capital for an orderly realisation of properties.

As part of the planning for the orderly realisation of its properties, YHA New Zealand is undertaking a further staff restructure and reduction. As a result YHA New Zealand will close all 11 YHA-managed hostels and Our Dog Friday café on 15 December 2021. This is very much regretted by the National Board, but is an essential part of reducing the risks of a disorderly wind-up of the Association.

The consequences of Covid-19 have been severe for YHA New Zealand, as they have been for many others in the tourist accommodation sector. The future for YHA New Zealand after 2021 is uncertain. In the coming months the National Board will work with YHA New Zealand's primary lender, assess the net financial position of the Association after the orderly realisation of its properties, and it expects to report further to members in due course.

In the meantime, the audit of the annual financial statements for the 2021 financial year has been paused pending clarification of the uncertainty around going concern, the appropriateness of the going concern basis of YHA's reporting, and the most relevant valuation basis to be applied to remaining property assets. An extension to YHA's reporting due date to 31 March 2022 has been obtained from Charities Services.



Simon Cartwright
General Manager
November 2021



Ian Lothian
National Chair
November 2021

Farewell to Mark

It is entirely appropriate that we make special acknowledgement of the outstanding contribution that our outgoing Chief Executive made to YHA New Zealand.

Mark Wells guided the organisation through some challenging times during his 17 years in the role, including the Christchurch earthquakes, the Global Financial Crisis and of course the current pandemic.

At the same time Mark also oversaw some major celebrations during his time with us including the purchase of YHA Rotorua and YHA Wanaka, the refurbishment of YHA Queenstown Lakefront and YHA Auckland City, and the planning, construction and opening of YHA Lake Tekapo.

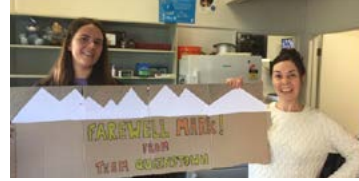
Mark established the organisational values of Respect, Integrity, Passion and Excellence that underpin everything that we do at YHA New Zealand today, and although he may have left YHA, these values will continue to guide us into the future.

We wish Mark a relaxed and enjoyable retirement.

» *From top and left to right: YHA Aoraki Mt Cook, YHA Wellington, YHA Franz Josef, YHA Te Anau, YHA Wanaka, YHA Rotorua, YHA Queenstown Lakefront, YHA Queenstown Central, YHA Christchurch.*



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Our Hostels

The Hostel Network

The closure of New Zealand's international border in response to the global pandemic has resulted in a number of changes to the YHA hostel network.

The sale of YHA Auckland City and discontinuation of the lease on YHA Christchurch, Rolleston House means that our direct managed network has reduced to 11 hostels, however it is important to note that we still maintain a presence in Auckland and Christchurch.

The sale by the owners of YHA Oamaru, The Red Kettle has reduced our associate partner network to 19 hostels. It is sad to lose this beautiful hostel from our network, after such a long association with YHA New Zealand.

11

YHA-MANAGED HOSTELS

19

ASSOCIATE PARTNERS

3

FRANCHISE PARTNERS

33

TOTAL HOSTELS

YHA-Managed Hostels

YHA Aoraki Mt Cook
YHA Auckland International
YHA Christchurch
YHA Franz Josef
YHA Lake Tekapo
YHA Rotorua
YHA Queenstown Central
YHA Queenstown Lakefront
YHA Te Anau
YHA Wanaka
YHA Wellington

Franchise Partners

YHA Bay of Islands, Paihia
YHA Nelson, By Accents
YHA Taupo, Finlay Jacks

Associate Partners

YHA Ahipara Backpackers & Holiday Park
YHA Arthur's Pass, Mountain House
YHA Bay of Islands, The Rock Adventure Cruise
YHA Gisborne
YHA Glenorchy, Kinloch Lodge
YHA Golden Bay, Annie's Nirvana Lodge
YHA Hanmer Springs, Kakapo Lodge
YHA Hokitika, Birdsong Accommodation
YHA National Park Backpackers
YHA New Plymouth, Sunflower Lodge
YHA Ohakune, Station Lodge
YHA Picton, The Villa
YHA Punakaiki, Te Nikau Retreat
YHA Raglan, Solscape Eco Retreat
YHA Springfield, Smylies Accommodation
YHA Waitomo, Juno Hall
YHA Westport, Triplnn
YHA Whanganui, Braemar House
YHA Whangarei Falls Holiday Park



YHA Lake Tekapo



Kea visiting YHA Aoraki Mt Cook

Quality

Combined guest satisfaction levels for YHA New Zealand hostels remained high at 86.3 % which is particularly encouraging given the significant change in guest origin from international guests to New Zealanders.

Our Dog Friday guest satisfaction ratings also remained high at 89.1%.

All YHA-managed hostels have retained their Qualmark Gold Sustainable Tourism Business status.

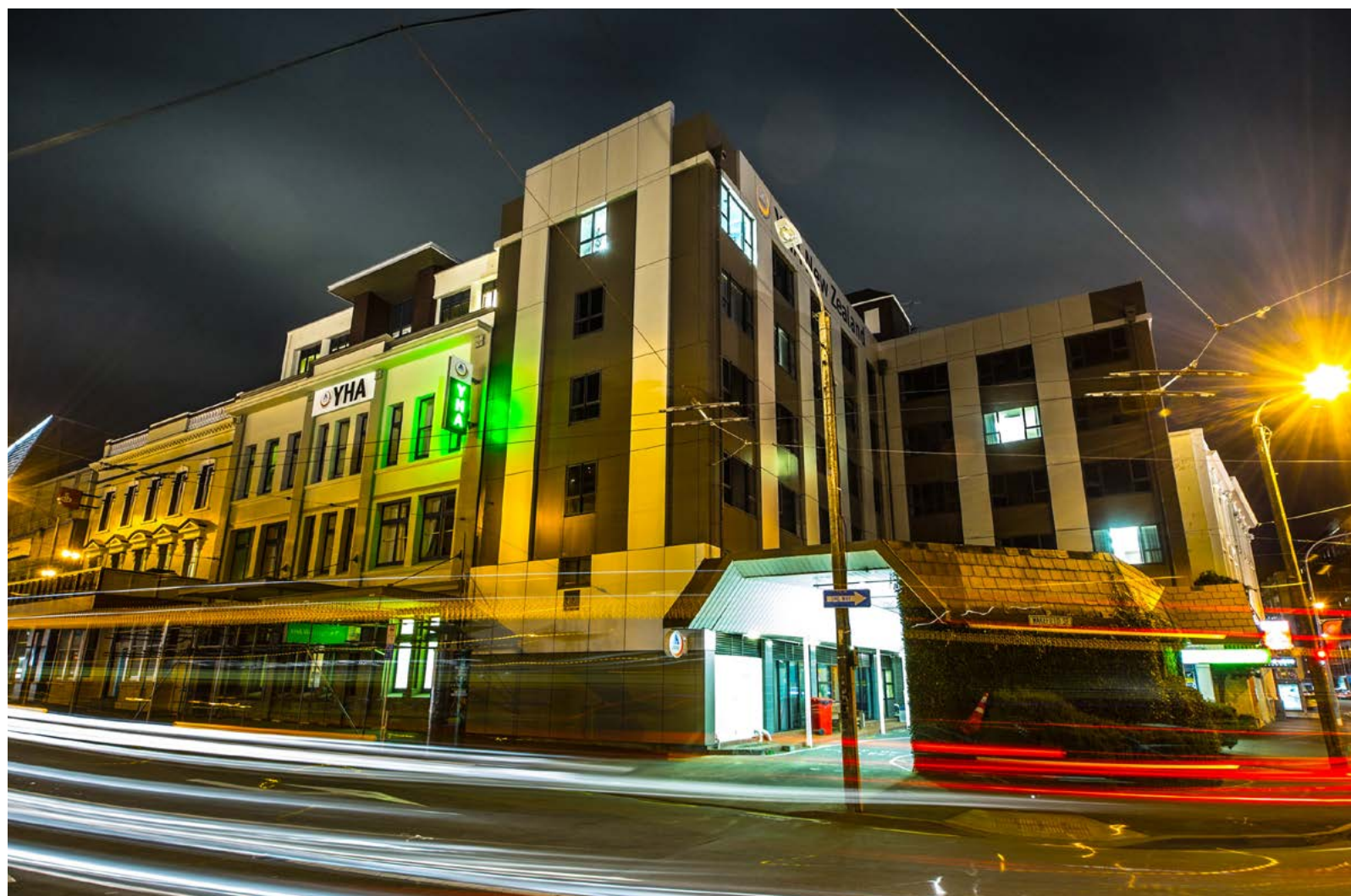
Post Covid-19

At a combined occupancy of 35% Hostel occupancy levels for the year were better than anticipated albeit well down on a normal year.

Particularly pleasing was the continued success of YHA Lake Tekapo at 49% and YHA Wanaka at 46% which highlights the popularity of these hostels with New Zealanders.

YHA Wellington occupancy also remained solid at 41% courtesy of a buoyant school group market.

Our Dog Friday continues to be an outstanding success with revenue levels dropping by only 15% compared with pre-Covid business levels despite border closure and an extremely challenging local labour market that has restricted our opening hours.



YHA Wellington

Our People

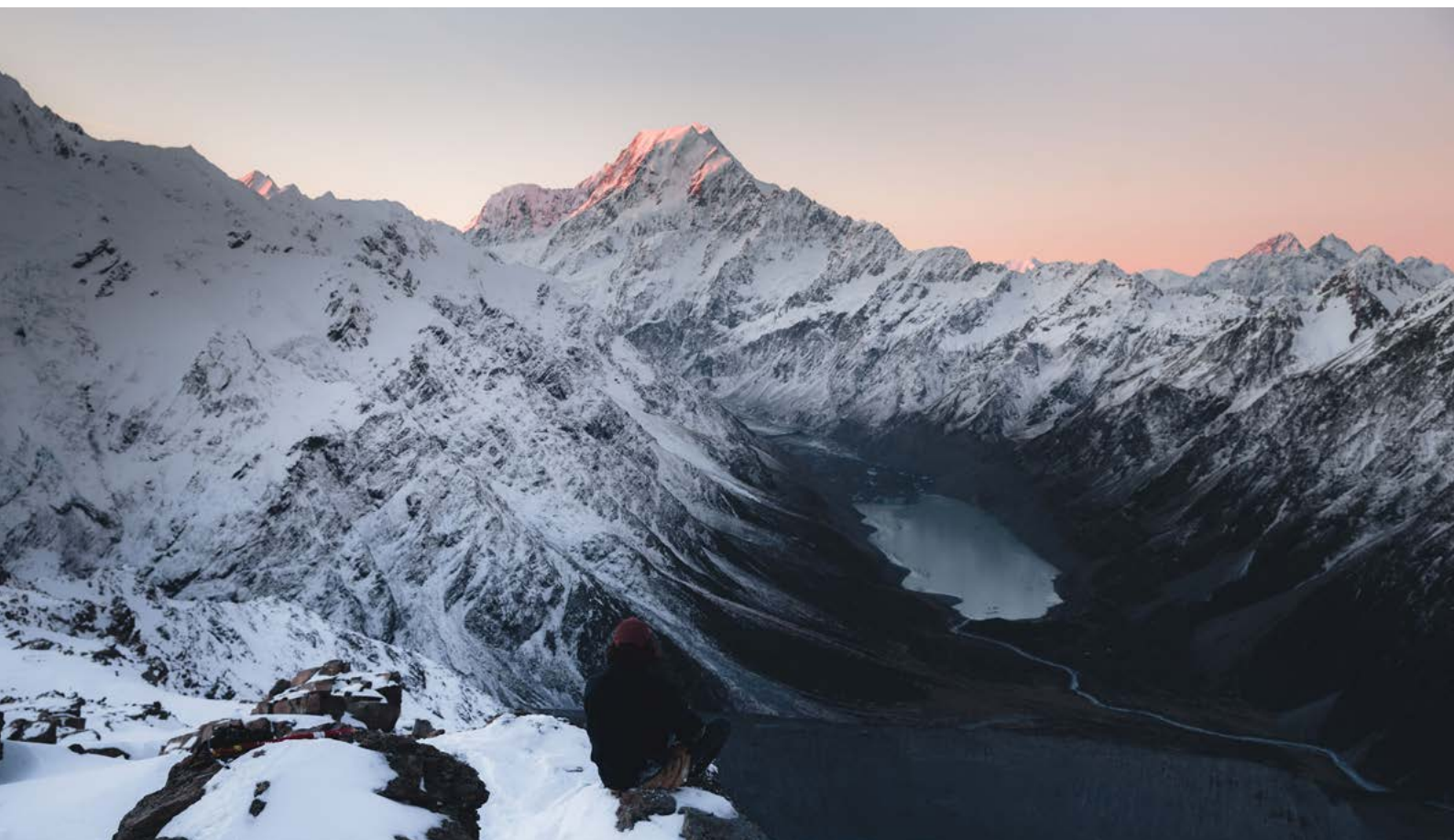
People and Culture

Covid continues to have an impact on our staff and their families. Staff have been operating under a skeleton structure that has seen everyone having to adapt to a new way of working. Staff have shown great resilience over the past 12 months which has seen our managers performing all roles within the hostels.

Through our job chats we have identified and recognised our staff have found the past 12 months challenging, however there was a theme of gratitude for the support we have provided that includes:

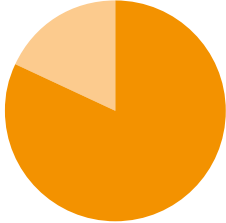
- Continued access to mental health, wellbeing, family and financial counselling through EAP Services
- Use of the Government Covid wage subsidy scheme that supports our desire for staff to stay home if they are unwell.
- Regular wellbeing checks with our managers via skype and staff
- Closely monitoring hours worked and proactively scheduling time to ensure staff get breaks

There have been many changes in the past 12 months that has seen our Senior Leadership team, the leaders of the organisation, change significantly. 30 June 2021 signalled Mark Wells final day as CEO after 17 years of leading YHA New Zealand through some challenging, but equally importantly exciting times. Mark will be missed but his legacy will live on through the organisational values he established and embedded.



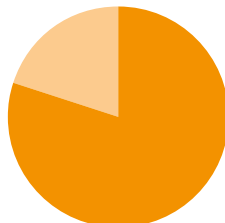
A Snapshot of Our People, 30 June 2021

HEAD COUNT



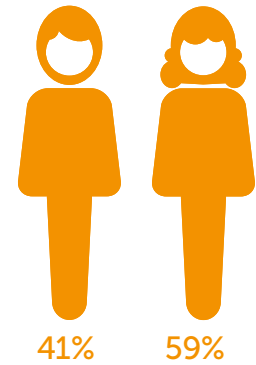
- Hostels: 82% (84 staff)
- National Office: 18% (19 staff)

FULL-TIME EQUIVALENTS (FTE)



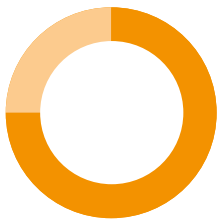
- Hostels: 80% (55.4 FTEs)
- National Office: 20% (16.6 FTEs)

GENDER BREAKDOWN



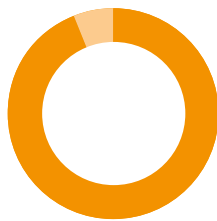
LOCATION AND EMPLOYMENT AGREEMENT TYPE

Permanent



- Hostels: 75% (52 staff)
- National Office: 25% (17 staff)

Fixed Term / Casual



- Hostels: 94% (32 staff)
- National Office: 6% (2 staff)



Roys Peak

Staff Composition

We employed a total of 103 people as of 30 June 2021 with a full-time equivalency (FTE) of 69. This compares to 106 people and 71 FTEs in 2020.

Permanent staff turnover for the year was 35%. This is an annualised figure calculated using permanent staff departures against our average head count over a 12-month period.

Our FTE's have changed as a result of recalibrating the network. 20% at National office compared with 22% in F20 and 80% at Hostels compared with 78% in F20.

59% of staff are female and 41% are male and 82% of all staff work in hostels.

25 nationalities are represented still reflecting the international nature of our business.

New Zealanders comprise 40% of staff with the next four nationalities being British (17%), Indian (5%) and French and Japanese (4%)

Long Service

Congratulations to our team members who have reached a significant milestone during the year, and thank you for the significant contribution you've made to YHA.

5 years Kathryn Halligan, National Office
 Andrew Claughan, YHA Queenstown
 Shannon Alker, National Office

Health and Safety

The ongoing Pandemic has required us to implement robust safety systems that enable us to operate in a manner that provides adequate protection measures for our guests and staff. Utilising existing YHA New Zealand Pandemic planning documentation and specific Covid-19 control advice from the Ministry of Health, comprehensive Hostel Covid-19 Control Measures detailing response guidelines have been implemented in all hostels and Our Dog Friday. These measures identify the additional cleaning and hygiene protocols required relevant to each Government Alert Level and outline expectations of guests, staff, contractors and suppliers.

Implementation of these measures has also required us to review, and update where necessary, existing Health and Safety systems to ensure they do not compromise Covid-19 specific requirements.

These measures are reviewed regularly to ensure they reflect changing Government advice and current industry best practice.

In addition to Hostel Covid-19 Control measures a Worksafe Covid-19 safety plan has been developed and implemented to ensure the safety and wellbeing of our National Office team. Central to this plan is providing staff with the tools and support required to work from home.

As an organisation, we participated in the Mental Health Awareness week. The theme this year was 'Reimagine wellbeing together' acknowledging the past 12 months has had significant impact on staff and their families, all were encouraged to participate in themed activities during the week.

As a result of combined contribution, we received lots of great pictures, have made a YHA Cook Book, an 'uplifting' play list of music and shared our favourite Wellbeing Apps with one another. All resources were made available on our Wellbeing page on the intranet. The best thing about participating, it created conversation among staff and their families and all hostels and national office contributed.

35%
STAFF TURNOVER

25
NATIONALITIES



Global Challenge



PERMA - V Model



Flexible working arrangements



Numbers you can call for support



Staff photo competition submissions on Design A Mask Day and Get Outdoors Day, for Mental Health Awareness Week.

Our Guests

A domestic focus

We experienced an immediate lift in hostel occupancy as soon as the national lockdown ended in July.

This was aided by a generous support from a MediaWorks advertising grant which enabled us to advertise nationally over a five-week period prior to the lifting of lockdown restrictions.

YHA's investment over the past five years in terms of repositioning YHA to the domestic market has enabled a smoother transition to domestic only promotions.

These promotions and the general desire of New Zealanders to support travel by exploring new places has resulted in significant growth in this segment.

Non-group domestic guest nights have increased by 134% over the previous year with revenue up by 107%.

Group business has also been very strong despite multiple short term lockdowns. Group guest nights increased by 18% and revenue by 35%.

Short Trans-Tasman Bubble impact

The Trans-Tasman quarantine free travel period offered some potential for increased visitation, however it was clear that during the early period of this bubble the focus of travel would be oriented towards friends and family travel.

As a result, there was no surge in Australian visitation, although we did maintain close to normal revenue while the border was open.

International guests

Many international travellers and longer-term temporary visa holders remained in New Zealand and YHA has developed some long-term stay options to capitalise on these guests. As the year progresses the proportion of these guests has diminished.

In the first quarter of the financial year international guests made up 47% of all guests. In the last quarter that has reduced to 28%.

Minimal marketing resources making maximum impact

A decision was made early in the year to focus marketing resources on tactical campaign activity maximising our profile on the most cost-effective mediums.

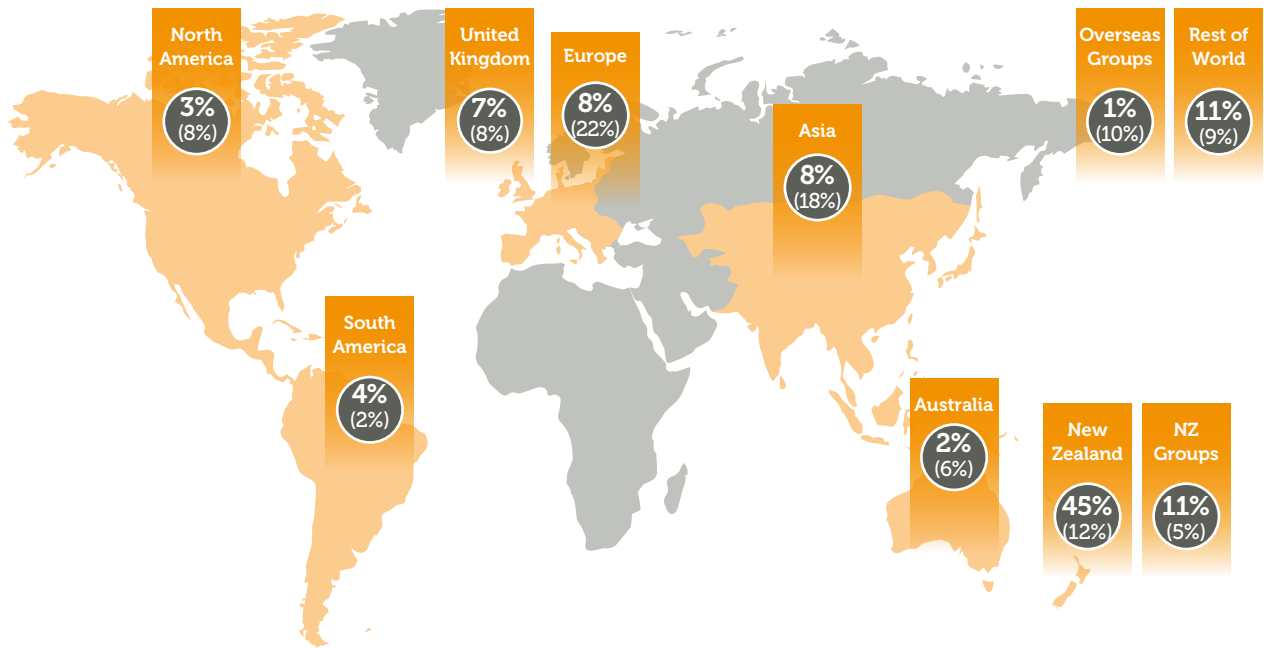
This resulted in a considerable amount of in-house production work to build digital campaigns across multiple digital platforms such as Tik Tok, Facebook, Instagram, YouTube and Google search.

We also maximised our profile across Online Travel Agency sites like Booking.com and Airbnb.

The resulting lift and continued success of our domestic revenue growth is testament to the work done by the marketing team.

The customer services team and marketing team also reduced in size with the hibernation of the GM, Marketing and Sales, and reduction in hours of some team members.

Where Our Guests Come From (compared with FY20)



Membership

This year we continued to see a decline in total members in the face of border closures due to Covid-19. However, the Gold membership sale boosted domestic membership numbers and was an incredible success, bringing in much needed income.

We extended the Gold Membership sale through to the end of the 2020 calendar year and held a 3-day "Black Friday" sale for 1-year domestic memberships at the end of November. Following such a positive response to the reduced price of Gold memberships we then reduced the price from \$350 to \$225 starting in January 2021.

Throughout the Covid-19 pandemic we have continued to regularly communicate with our members via three email newsletters YHA HorizoNZ, YHA News, and the newly introduced Member Deals for digital membership holders highlighting Frequent Values deals available to YHA members.

YHA HorizoNZ is our key communication filled with travel advice, stories, and hostel highlights tailored to our domestic audience with a more inspirational version sent to our international members and subscribers. This newsletter continues to outperform industry averages for open rates and click-through rates.

Members as at 30 June 2021

	International	Domestic	Total
2015	11,804	15,129	26,933
2016	9,761	15,116	24,877
2017	8,446	14,650	23,096
2018	7,371	14,706	22,077
2019	7,850	13,245	21,095
2020	6,461	13,213	19,674
2021	1,200	13,648	14,848

589

TOTAL GOLD MEMBERSHIP SALES

Total membership sales for the financial year:

- 2129 Domestic membership sales (excluding gold) compared to 1426 in FY20.
- 589 Gold membership sales compared to 372 in F20 and 17 in F19.
- 101 existing memberships renewed as Gold members.
- 811 International membership sales compared to 6038 in F20.

811

INTERNATIONAL MEMBERSHIP SALES

2129

DOMESTIC MEMBERSHIP SALES



Governance

National Board

Our organisation is governed by a National Board, which comprises six elected senior financial members and up to two co-opted members. The Board's role is to act in the best interests of YHA as a whole in order to deliver on our aims and objects and ensure our long-term sustainability. The Board is supported by its three sub-committees – Remuneration, Audit and Risk, and Awards.

Our Board members are volunteers and receive no payment for the substantial commitment of time and talent they make to YHA. However, they are able to claim reimbursement for actual and reasonable expenses.

The Board works hard to maintain a diverse base of skills and to balance the organisation's commercial realities with our not-for-profit charitable aims and objects. It aligns its processes with the Institute of Directors' best practice.

The Board meets at least six times each year, although for the first two quarters of 2020/21 they have met more regularly through the Covid-19 period and to finalise the sale of and lease back of some of our hostels. The Board exercises its leadership of YHA through a close working relationship with the General Manager.

Board Members as at 30 June 2021

Ian Lothian, National Chair
Nancy Ward, Deputy Chair
Hayley Groves
Darin Cusack
Rachael Shadbolt
Maureen McCloy
Mark Ebrey
Harry Guitry
James Bishop, Intern

Nancy Ward is also the Convenor of the Audit and Risk Committee, whilst Hayley Groves is the Convenor of the Remuneration Committee.

Member Engagement

Engaging our large membership base with matters of governance is an ongoing challenge. We share Board and governance-related updates with YHA News email subscribers, distribute email newsletters on behalf of Branches and Member Groups, hold occasional member meetings over morning tea or lunch, and provide a social media forum to facilitate ongoing member interaction.

All Senior Financial Members are, upon eight or more weeks' current membership, entitled to vote in all YHA elections and on Constitutional Notices of Motion. Members are encouraged to participate in the AGM in order to gain insight into YHA's strategic direction and performance. Prior to the 2020 AGM 8100 members were registered on the electoral roll. As the required number of nominations were received, no elections were held and the four National Board nominees were declared elected unopposed. The AGM was held in Christchurch and was attended by 30 members.

Members can join or form local Branches or Member Groups. There is currently one Branch, Auckland, with a core of 10-15 members involved in local Branch activities. There are also two Member Groups - Christchurch and Opoutere, each of these being a less formal network of interested members. The Opoutere Group is currently inactive but has not yet wound up.

Service and Merit Awards

At the 2020 AGM we thanked Ray Salter for his service to YHA by awarding him with an Honorary Life Membership. Ray first joined the Board in July 2011 and was subsequently elected to the Board in November 2013. He served for just under the full nine-year term which he completed at the conclusion of the 2019 AGM. For part of his term on the Board, Ray was the Convenor of the Remuneration Committee and the Awards Committee. Ray also served as Chair from 2017 through until he retired from the Board in 2019.

Ray is originally from Auckland and has lived in Wellington for many years. He has travelled extensively and holds a professional tourism interest in travel as well. Previous to joining the Board, Ray was the former General Manager of the Ministry of Tourism and held a number of senior management roles within the Ministry for the Environment. While on the Board, Ray was an independent tourism consultant, providing advice to tourism businesses and government agencies throughout New Zealand.

Throughout his time on the Board Ray consistently demonstrated the YHA values and had set this example from the top. Ray's tourism experience was invaluable, and YHA's National Board is very grateful for the significant voluntary contribution he has made to the organisation over a long period of time.



The National Board as at June 2021: clockwise from top left: Darin Cusack, Harry Guitry, Ian Lothian (Chair), Maureen McCloy, Mark Ebrey, Hayley Groves, James Bishop (intern) and Nancy Ward (Deputy Chair), Rachael Shadbolt (insert)

Our Community

Community Projects

YHA staff are committed to participating in community wellbeing projects despite the pressures of Covid and the much-reduced staffing levels in hostels. While projects are smaller this year than previous years the desire to do more beyond YHA remains strong across our network.

These are a some of the activities our hostel staff participated in:

YHA Auckland

- Supporting Auckland City Mission with items that are donated by our guests, and any redundant bedding that the hostel has
- Advertising of volunteer projects at the hostel for our guests to attend these including Motutapo Island, Moutihe island and volunteering with the Boomerang bag collective
- Supporting Lifewise and the Merge Café by placing our packed lunch orders with this charity that provides help, info, counselling and meals for the homeless of Auckland
- Supporting SPCA centres with old and worn bedding/towels for animal bedding

YHA Rotorua

- Donating to Salvation Army and Op shops in Rotorua

YHA Wellington

- Victoria University sustainability tour educating 40 students and judging assessments based around this project
- Victoria University guest lecture regarding employment in the Tourism Industry
- Donating to SPCA

Lake Tekapo School Partnership

During all school holiday periods we will be donating \$0.50 from each kids' burger sold to Lake Tekapo School.

The funds raised will go towards projects such as a school garden, where we can help students learn about food and our local community.

OUR DOG FRIDAY
BURGERS + BAR
LAKE TEKAPO NEW ZEALAND

Our Dog Friday school donation initiative.

YHA Christchurch

- Donating to local homeless shelters
- Donating to City Mission
- Supporting visiting artists working at the Christchurch Arts Centre

YHA Lake Tekapo & Our Dog Friday

- Our Hostel manager is chair of the regional park group which undertakes tree planting in local regional park, completing bike tracks and disc golf course as well as fundraising for these projects.
- Our Dog Friday donates a portion of sales from kids burgers during the school holiday periods to Lake Tekapo School. This is an ongoing initiative.

YHA Aoraki Mt Cook

- Our YHA Aoraki Mt Cook hostel manager volunteers for the village and area St Johns ambulance service

YHA Franz Josef

- Participating in local children's Christmas activities
- Donating to Civil Defence for major incident preparations

YHA Wanaka

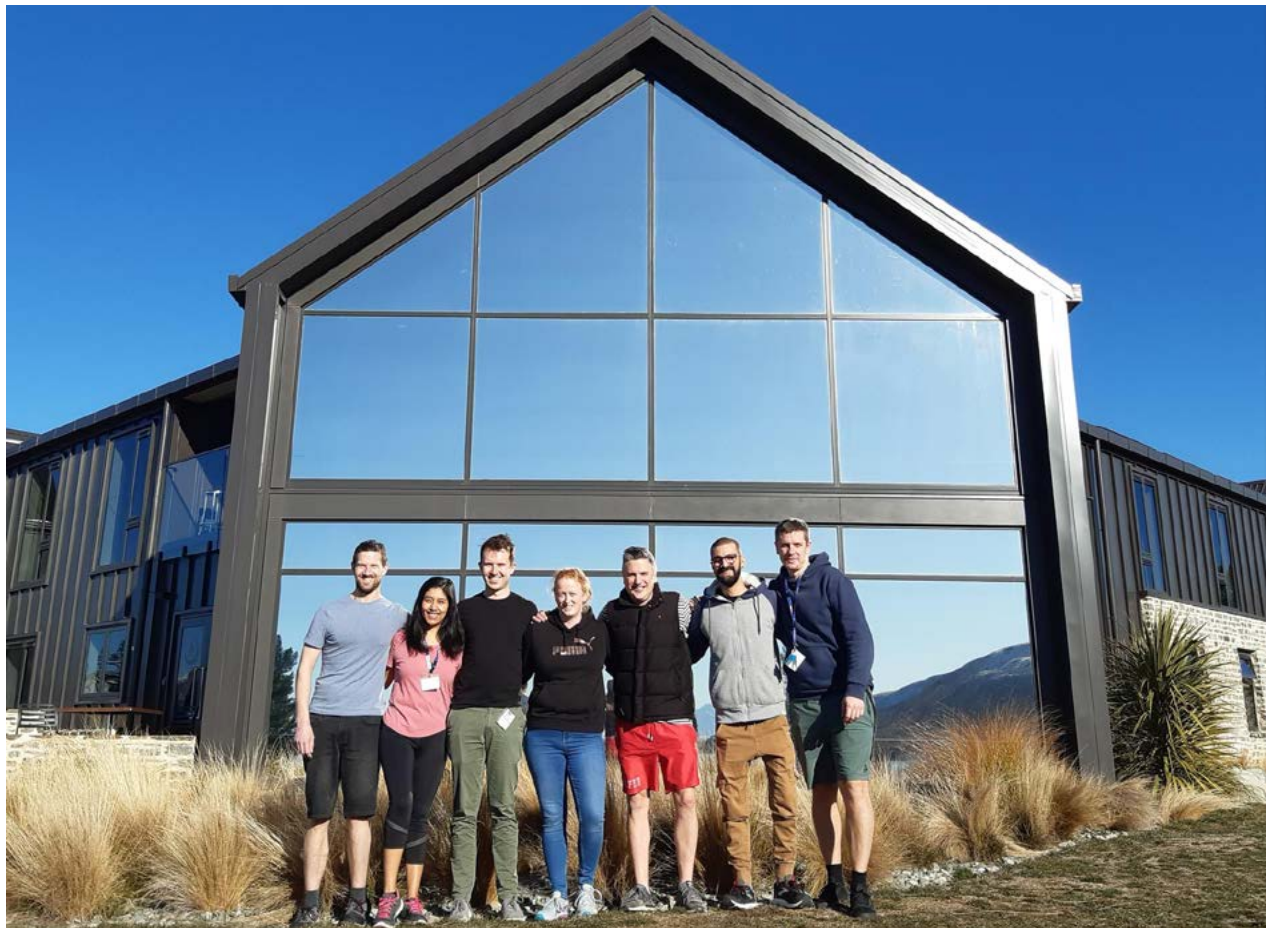
- Our Hostel Manager is a member of the local fire service
- Volunteering to support local festivals and events
- Fundraising for the Wanaka Youth Centre
- Participating in the annual clean up Wanaka weekend event.

YHA Queenstown Hostels

- Staff participating in Queenstown Beach Clean-up.
- Fundraising for Mental Health Foundation
- Fundraising for World Vision

YHA Te Anau

- Hostel staff assisted with the community Santa Parade.
- Hostel staff volunteering as Race Marshalls in the annual Kepler Challenge.
- Our YHA Te Anau hostel manager volunteering as a civil defence recorder
- YHA Te Anau assisted in clean up of the lakefront 2021
- Donating any uncollected lost property to the hospice shop or for local families in need
- Giving our organic waste to the local community gardens to teach primary school children about composting



YHA Lake Tekapo Team

Our Environment

Our environmental commitments extend right back to our establishment in the early 1930s. Our first objects, set out in the 1933 Handbook, were “To help all, but especially young people, to a greater knowledge, care and love of our land; to promote good-fellowship between trampers of all classes.”

Almost 90 years later our commitment remains, from our local initiatives right through to our global responsibilities. We know our guests and staff value and expect our continued kaitiakitanga – our guardianship of the environment.



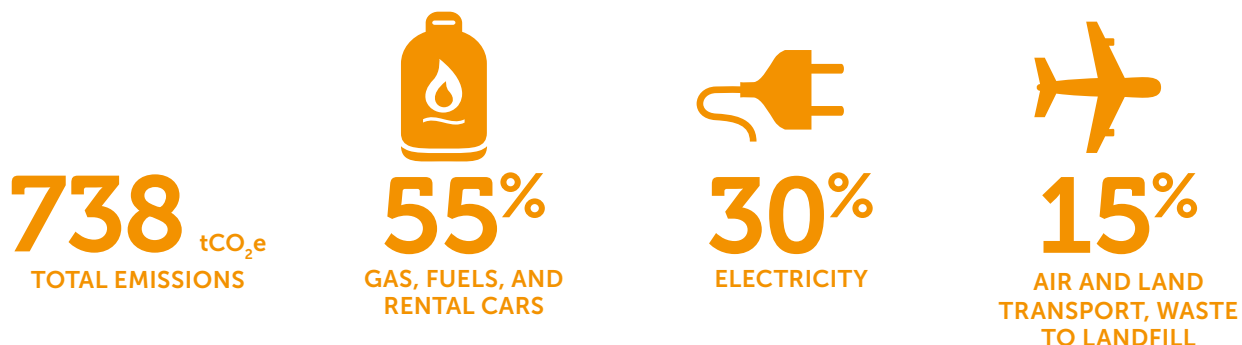
Toitū Cert™ Certification

Toitū is the new name for Enviro-Mark Solutions and the certification programme previously known as Enviro-mark solutions and carboNZero certification.

We remain committed to the measurement and offsetting of our greenhouse gas emissions. Our commitment to the environment is unaltered despite the significant challenges we currently face.

Access to New Zealand offsets has become scarce. Our desire is to support New Zealand projects but we are confident the international projects remain valid and contribute to the global offsetting of greenhouse gases..

Our Carbon Emissions 2019/20



See meridian.co.nz/certified

Our overall carbon emissions for 2019/20 increased in raw terms by 3% (719 tonnes of carbon dioxide equivalent (tCO₂e) to 738 tCO₂e) as a direct result of the addition of YHA Lake Tekapo and Our Dog Friday to our network. Fortunately, the acquisition of renewable energy certificates (REC'S) from our electricity provider (Meridian Energy) certifies the electricity that we use from the grid is matched with 100% renewable electricity generated by Meridian exclusively from renewable sources. This allows us to report our Scope 2 electricity emissions as zero under the GHG Protocol's Scope 2 Standards.

The acquisition of REC's has the additional benefit of supporting Meridian to reinvest into initiatives that reduce demand on fossil fuel power generation facilities and/or decarbonisation projects.

Solar Generation

Investment in solar generation technology at YHA Lake Tekapo, YHA Aoraki Mt Cook, YHA Franz Josef and YHA Wellington, has been instrumental in managing carbon emission reduction by generating a total of 148,236 kWh.

While our commitment to reduce emissions remains strong, our ability to invest in new and more energy efficient upgrades continues to be hampered by a lack of available funding caused by the impact of the current pandemic on our trading result.



International

YHA New Zealand is an active member of the International Youth Hostelling Federation known as Hostelling International. This membership is strategically important for YHA New Zealand, especially during these tough times and remains a key competitive advantage.

We remain committed and contributing members of HI and enjoy a positive relationship with our sister Associations.

There have been no international forums during the pandemic as associations have grappled with their own domestic issues and travel has been restricted globally.

However, YHA New Zealand has remained in contact with key associations across Australia, North America, Europe, and the UK. These associations closely match our operating model and the connections have been useful in terms of learning different approaches to the impacts of the pandemic.

Specifically, we have an active involvement in the following:

PacRim Marketing Collaboration

We work with YHA Australia, HI Canada and HI USA on collective marketing projects but this year our focus has been on understanding the impacts of Covid and how we are each refocusing on domestic campaigns and domestic product development ideas.

HI General Participations

YHA New Zealand continues to contribute positively to HI at a general level as well as support key meetings. Chief Executive, Mark Wells and General Manager, Simon Cartwright attend online CEO meetings discussing the strategic consequences of the pandemic both locally and globally.

YHA Australia Relationship

We continue to enjoy a very close collaborative working relationship with YHA Australia at both management and operational levels. This includes structured meetings among senior management as well as staff participation in each country's key meetings. These meetings have all been online and as the Trans-Tasman bubble develops remain critical for joint marketing and operational activity.

Many international associations have had extensive support for staff costs from their respective governments enabling them to maintain more staff and rebuild from lockdowns more effectively. They have also had a more difficult domestic environment to manage with longer lockdowns and serious exposure risks to Covid to contend with.

It is likely most associations will rebound in the coming year as their countries enable more travel freedoms in larger base markets.

Our Financials

Youth Hostels Association of New Zealand Inc

These Summary Financial Statements provide a summary of the audited Annual Financial Statements for the Year ended 30 June 2021. To safeguard the interests of members in relation to the current property sales process, copies of the audited Annual Financial Statements will be made available to members following the conclusion of the commercially sensitive property sales negotiations in which YHA New Zealand is currently involved.



Our Financials

Youth Hostels Association of New Zealand Inc



SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR YEAR ENDED 30 JUNE 2021

	2021 \$ 000s	2020 \$ 000s
GROSS REVENUE	6,981	14,492
TOTAL EXPENDITURE INCLUDING OVERHEADS	(14,227)	(16,845)
Deficit before Financing Costs	(7,246)	(2,353)
Interest Received	5	1
Interest Paid	(1,307)	(1,217)
Deficit after Financing Costs	(8,548)	(3,569)
Gain/(Loss) on Sale of Assets	43	0
(Impairment) of Goodwill	0	(1,402)
Loss on Asset Revaluation	0	(3,040)
(Impairment) of Property, Plant & Equipment	(26,371)	0
NET DEFICIT FOR THE YEAR	(34,876)	(8,011)
Revaluation of Land and Buildings	65	(1,364)
TOTAL COMPREHENSIVE DEFICIT	(34,811)	(9,375)



SUMMARY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	2021 \$ 000s	2020 \$ 000s
TOTAL COMPREHENSIVE DEFICIT FOR THE YEAR	(34,811)	(9,375)
Net Movement in Equity for the Year	(34,811)	(9,375)
Equity at Start of the Year	19,749	29,124
TOTAL EQUITY AT END OF THE YEAR	15,062	19,749



SUMMARY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

FUNDS OF THE ASSOCIATION	2021 \$ 000s	2020 \$ 000s
Accumulated Funds	(23,549)	8,550
Revaluation Reserve	8,487	11,199
TOTAL ASSOCIATION FUNDS	(15,062)	19,749

These were represented by:

	2021 \$ 000s	2020 \$ 000s
ASSETS		
Current Assets	3,477	412
Long-term Lease paid in advance	-	1,527
Assets Classified as Held for Sale	-	6,892
Property Plant & Equipment	15,724	39,580
Intangible Assets	2,030	3,019
TOTAL ASSETS	21,231	51,430
LESS LIABILITIES		
Current Liabilities	4,898	31,681
Term Liabilities	31,395	-
TOTAL LIABILITIES	36,293	31,681
NET ASSETS PER THE ASSOCIATION'S FUNDS	(15,062)	19,749

On Behalf of the National Board



I Lothian - National Chair

SUMMARY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	2021 \$ 000s	2020 \$ 000s
Net Cashflows From Operating Activities	(4,525)	(880)
Net Cashflows From Investing Activities	28,429	(953)
Net Cashflows From Financing Activities	(18,225)	289
NET INCREASE / (DECREASE) IN CASH	5,679	(1,544)
Add Opening Cash Balance	(2,402)	858
CLOSING CASH AND BANK BALANCES	3,277	(2,402)
REPRESENTED BY:		
Cash at Bank and on Hand	3,277	-
Bank Overdraft	-	(2,402)
	3,277	(2,402)





Michele Duguay,
Finance Manager

Notes to the Summary Financial Statements

For the year ended 30 June 2021

These are the Summary Financial Statements of the Youth Hostels Association of New Zealand Incorporated (YHA) for the year ending 30 June 2021. YHA is a public benefit entity, incorporated under the Incorporated Societies Act 1908 and a registered charitable entity under the Charities Act 2005.

The specific disclosures in these summary financial statements have been extracted from the full annual financial statements authorised for issue on 25 February 2022.

Basis of Preparation

These summary financial statements comply with PBE FRS43: Summary Financial Statements. The presentation currency is New Zealand dollars, rounded to the nearest thousand dollars. They do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as the full financial statements. All specific accounting policies have been applied on the same basis as those used in YHA's full financial statements.

The full financial statements have been prepared in accordance with the Charities Act 2005, the generally accepted accounting practice in New Zealand (NZ GAAP), the Financial Reporting Act 2013, and Tier 2 Public Benefit Entity Standards. Reduced disclosure concessions have been applied.

Going Concern and Covid-19

Since the New Zealand borders closed to all international visitors in March 2020, YHA has been actively pursuing several options to minimise the impact of this unprecedented event, including the following.

- The discharge of existing bank borrowing through key asset sales, resulting in a greatly reduced level of borrowing from a new lender.
- The sale and lease back of YHA Rotorua, YHA Wellington, YHA Wanaka and YHA Lake Tekapo
- The closure and sale of YHA Auckland City
- Active marketing activity to maximise domestic revenue – doubling our domestic income and increasing New Zealander guest nights by 125%
- The pursuit of options for leasing our properties for MIQ or social services – without success
- Restructure of YHA New Zealand, resulting in a halving of staff numbers and operating our existing 11 YHA-managed hostels, Our Dog Friday Café and National Office, on skeleton staffing numbers
- Gained significant support from our landlords for rent reductions and favourable payment terms

Despite our best efforts in extreme market conditions, we remain in an extremely difficult position. The continued closure of international borders with no likelihood of them being opened to any significant markets during the 2022 financial year, and the prolonged closure of Auckland's borders, means forecasted market conditions are unsustainable for YHA New Zealand.

As a result, and as agreed to with its secured lender on 24 November 2021, YHA has decided to place all its remaining properties on the market and effect an orderly wind down of its business.

These properties are YHA Auckland International, YHA Mt Cook, YHA Queenstown Lakefront, YHA Te Anau and YHA Franz Josef.

While the National Board hope that a new owner will want to retain YHA New Zealand as a tenant, the most likely scenario is that the new owner(s) will want to operate the properties either under a different brand or for an alternative use.

Based on current information, we anticipate the hostel sale and restructure of YHA will conclude by 30 September 2022. We held a Special General Meeting for members on 27 November to provide further details.

In summary, our assessment of whether the Going Concern basis is appropriate for the 2021 Annual Financial Statements recognises the following:

1. We are not operating on a profitable basis and due to the Covid pandemic, future market conditions are subject to very high risk;
2. Without the sale of most, or all, of our remaining property assets, we will have no prospect of being able to remain in operation;
3. YHA's ability to continue in operation would require new owners of the property assets to retain YHA New Zealand as a tenant. This is a possible but not expected outcome of the intended sale process. At this point in time, there is no realistic alternative available to us other than realising the value of our assets and ceasing operations.

The National Board have determined that the Going Concern basis is not appropriate and the financial statements have instead been prepared on a realisation basis.

Impact on the 2021 Financial Statements

Under the realisation basis, assets that will be sold have been restated to their expected sale price less costs to sell. Liabilities reflect those items at balance date where a present obligation exists to the Association as a result of events occurring prior to balance date. Financial liabilities are measured based on contractual cash flows at year-end with subsequent events considered individually to determine whether they are adjusting or non-adjusting. Liabilities for items where the obligation arose post balance date are not included as a liability in these financial statements. Due to the uncertainty associated with the timing and conditions associated with the property sales and outcome of negotiations on settlement of liabilities the amounts carried in the financial statements may be materially different to those realised.

More specific information on the recognition basis of significant asset and liability classes at reporting date is outlined in the full financial statements.

Audit opinion

Due to the significant level of uncertainty in determining the value of the property plant and equipment, intangibles and lease provision at 30 June 2021, the auditors were unable to obtain sufficient evidence to provide a basis for an audit opinion on the 2021 financial statements and had to issue a disclaimer of opinion on the full financial statements. Copies of these may be obtained by emailing national.secretary@yha.co.nz.

These summary financial statements are consistent with the full financial statements and have been approved by the National Board on 25 February 2021.

Auditor's Report



Independent auditor's report

To the members of Youth Hostels Association of New Zealand Inc.

Disclaimer of opinion

We were engaged to audit the financial statements of Youth Hostels Association of New Zealand Inc. (the Association) which comprise:

- the statement of financial position as at 30 June 2021
- the statement of comprehensive revenue and expense for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying financial statements of the Association. Because of the significance of the matters described in the *Basis for disclaimer of opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

As described in notes 1 and 19 to the financial statements, the Association has been heavily impacted by Covid-19 due to New Zealand's closed borders and the absence of international tourists, and on 24 November 2021 entered into an agreement with its secured lender to enable an orderly sale of the Association's properties and wind down of its operations. Consequently, the National Board has determined that the going concern assumption is no longer appropriate and the financial statements for the year ended 30 June 2021 have therefore been prepared on a realisation basis.

Note 1 describes the measurement and key judgements for the significant asset and liability classes under the realisation basis and the impact, if any, of significant subsequent events. Material uncertainties exist around the ability, timing and conditions of the property sales, and outcome of lease exit negotiations, which could result in the property, plant & equipment, intangible assets and lease provisions being realised at values that differ materially from the carrying amounts.

Due to this significant level of uncertainty, we were unable to obtain sufficient appropriate audit evidence to support the assumptions made by the Association in determining the value of the property, plant and equipment of \$15.7 million, intangibles assets of \$2.0 million and lease provisions of \$1.6 million as at 30 June 2021. As a result of this matter, we were unable to determine whether any adjustments would be required to the assets and liabilities of the Association in the Statement of Financial Position and the elements making up the statement of comprehensive revenue and expense and statement of changes in net assets.

Independence

We are independent of the Association in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Association.



Other information

The National Board is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

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

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the National Board and use our professional judgement to determine the appropriate action to take.

Responsibilities of the National Board for the financial statements

The National Board is responsible, on behalf of the Association, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as the National Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the National Board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the National Board either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Association's financial statements in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs) and to issue an auditor's report. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Who we report to

This report is made solely to the members, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Elizabeth Adriana (Adri) Smit.

For and on behalf of:

Chartered Accountants
25 February 2022

Christchurch

Acknowledgements

Bequests

We express our heartfelt appreciation to those who have left us a gift in their will. Thank you for helping us continue to deliver on our charitable aims and objects for generations to come.

Four estates provided bequests to us this year:

Gwyn Rogers	\$10,000
Doreen A Beatty	\$5,000
Helen M Trew	\$1,000

The Eric Gordon Harvey Trust provided \$3,797. In line with the trust deed this is to be used for the benefit of hostels in the South Island, so this year's amount has been applied to YHA Wanaka to replace the carpet tiles, top dining area and entrance way to keep the hostel up to standard.

Donations

YHA is very grateful for the donations of \$5,628 to our Green Footprint Project.

We also received the Covid-19 wage subsidy from the Ministry of Social Development with a total of \$384,584.

Our Structure

We are a registered charitable organisation and an incorporated society.

Our Charities Services Registration Number is CC37649.

YHA New Zealand's registered office is at Level 1, 166 Moorhouse Ave, Christchurch 8011.

Bank: Bank of New Zealand

Auditors: PricewaterhouseCoopers

Solicitors: Young Hunter, Rhodes & Co

Honorary Vice-Presidents

David Berry (to 2022 AGM)

Bruce Ward (to 2022 AGM)

Honorary Life Members

1967 Gordon Solloway

1968 Jim McKie

1978 Jean Nelson

1982 Peggy Jack (passed away May 2021)
Donald Paterson

1986 Rodney Metcalfe

1989 Ruth Wildish

1996 Peter Bugler

2001 Bill Morris
Malcolm Wade

2006 Mike Northmore
Gilbert Whalley

2007 Bruce Bertram
Moira Lipyeat

2011 Ross Butler
Lance Kiddey
Ben Mitchell
John Wilson

2012 Harry Guitry

2013 Bruce Ward

2014 David Berry
Amanda Gower

2015 Coral Laughton
Clive Croy

2019 Kevin Brewer

2020 Ray Salter

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