



YHA^{Ltd}



Year in Review 2011



Background to YHA



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Mission Statement

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

The House And Tree Symbol

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

YHA In Australia

The first youth hostel was established in Germany in 1909. In 1932 Hostelling International (HI) was formed and now has member associations in 90 countries that are operating more than 4,000 hostels. There are 100 YHA hostels in Australia, including 53 in the ACT, NT, NSW and Queensland. The first YHA Ltd hostel was opened in 1943 under the sponsorship of the National Fitness Council of NSW, with the first hostel in Queensland opening in 1962.

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

Corporate Objectives

1. To be the market leader in the provision of low cost, quality accommodation in the ACT, NSW, the NT and Queensland and to at least maintain current market share.
2. To be the market leader in providing services to free independent travellers (FITs).
3. To be a dynamic market driven organisation responsive to change.
4. To develop the business and activities of YHA in accordance with the national and international aims and objectives of the organisation.
5. To achieve the most effective structure for YHA in Australia.

6. To provide an annual operating surplus to reinvest in the further growth and development of YHA services and resources.
7. To continue to exercise the organisation's social, cultural, economic, educational and environmental responsibilities as a major international membership organisation.
8. To continue to develop YHA's human resources as a means of achieving the above objectives.
9. To manage risk through selected strategies and regular review.

YHA Ltd

- Operates as YHA.
- Is a company limited by guarantee under the Corporations Act (2001)
- Is a not-for-profit organisation.
- Retains and reinvests all surpluses. There is no distribution of surpluses as dividends.
- Provides low cost accommodation for individual and group YHA members from ACT, NSW, NT and Queensland, other Australian states and overseas.
- Has 30,827 individual and group members in the ACT, NSW, the NT and Queensland.
- Operates its own fully licensed travel agency trading as YHA Travel.
- 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 operate simple hostels and organise social and outdoor activity programs.
- Is a member body of YHA Australia which is affiliated with Hostelling International.

Introduction

Dear Members & Friends

This report sets out YHA's activities and achievements over 2011 in the ACT, NT, NSW and Queensland, providing a high quality accommodation network for travellers. YHA is a not-for-profit, member-based organisation, with 30,827 individual and group members, and a further 18,749 international visitors who joined while travelling there.

Results

In the two States and two Territories, the network comprises 53 properties, either owned or leased by YHA or privately operated. In 2011, a total of 1,019,763 overnight stays were recorded by guests and a surplus of \$1.89 million was achieved on a turnover of \$32.45 million. Hostels in urban centres, including Brisbane and Sydney, generally fared well, however some regional destinations hosted fewer visitors, compounded in Queensland by the disruption of flooding and Cyclone Yasi in early 2011. Flow-on effects of the global economic downturn, coupled with the strength of the Australian dollar against foreign currencies also had an impact, with Australia becoming a more expensive destination for international visitors, particularly Europeans and North Americans. YHA is adapting to this new reality by targeting more guests from Asia and Australia, including individual travellers and groups (up 22%).

YHA was successful in acquiring the long-term leasehold for Railway Square YHA in Sydney for \$11.25 million, having been a tenant since its opening in 2004. The organisation's administration building in Sydney was sold for \$3.85 million to help finance the purchase.

Awards

Several hostels won prestigious awards, including Thredbo YHA winning the Canberra & Capital Country Award for 'Best Backpacker Accommodation' for the third year running; Brisbane City YHA winning the equivalent award in Queensland, and Alice Springs YHA winning the NT award. Sydney Central YHA won a gold award from the Accommodation Association of Australia, while Bundanoon YHA and Pittwater YHA won local business excellence awards. YHA is also proud that since opening two years ago, Sydney Harbour YHA has won over twenty awards, including 'Best New Tourism Development in Australia' and a Jury Commendation for Innovation at the 2011 UNESCO Asia-Pacific Heritage Awards for Cultural Heritage Conservation.

Celebrating YHA's history

During the year, a plaque of Australian sandstone was placed below a statue of the founder of Hostelling International, Richard Schirrmann, at Altena, Germany (the location of the world's first permanent YHA) with members of the Schirrmann family and the town Mayor present. Closer to home, a series of history posters was produced for hostels with interesting stories to tell, including Bundanoon, Blue Mountains, Canberra, Newcastle, Pittwater and Thredbo YHAs. Bundanoon YHA also celebrated its 40th anniversary.

Towards a national merger

YHA made another substantial step towards becoming a national organisation in late 2011, when members in Victoria voted overwhelmingly to merge with YHA Ltd from 1 January 2012. The decision followed a successful shared service accounting arrangement, due diligence undertaken by the Board and management and careful planning for the integrated organisation. The merger will achieve savings and efficiencies and better, streamlined services across the ACT, NSW, NT, Queensland and Victoria.



Left to right: Julian Ledger (CEO) & Helen Harms (Chairperson)

Sustainability

Various sustainability initiatives took place, including installing solar panels to generate electricity at Alice Springs YHA. This was assisted by a federal government 'Solar City' grant and a Carbon Reduction Program grant contributed to by guests booking through yha.com.au.

Future focus

YHA in Australia has committed to working collaboratively with YHA New Zealand over the long-term, including developing mutually beneficial systems to enable easy exchange of members and guests. A major focus for 2012 is developing new property management and customer relationship systems, whilst maintaining and increasing demand for YHA's services.

YHA maintains its original mission of providing opportunity for young people for education through travel, to bring about friendships and an understanding of the world. Thanks go to our members, guests, staff, volunteers and industry partners for helping this to happen.

Julian Ledger CEO

Helen Harms Chairperson

2011 in Summary: Discussion and Analysis of Financial Results

Highlights

- Purchase of a very well located hostel in Sydney
- Planning for the merger of YHA Victoria into YHA Ltd
- Operating surplus of \$1.89M due to the surplus on sale of a property
- YHA honoured with various tourism and other awards

YHA Accommodation

- 2,800 people accommodated each night in the ACT, NT, NSW and Queensland
- Fewer visitors from Europe, North America and Japan, mostly offset by more guests from Australia and some Asian countries
- Increased usage in Brisbane and Sydney but reduced travel to regional areas
- Growth of 22% in overnight stays by organised groups
- Acquisition of the Railway Square YHA, Sydney
- Installation of solar panels to generate electricity at Alice Springs YHA, with grant assistance from the Federal Government's solar city fund and YHA's Carbon Reduction

Program, contributed to by guests booking through yha.com.au

- All large YHA operated hostels in the network accredited under Hostelling International's quality scheme (HIQ).

Marketing and Member Services

- Australian membership of 30,827 (-10%) and International membership of 18,749 (-7%) and Group membership of 777 (+13%)
- Sydney Harbour YHA received over twenty prestigious awards since opening (late 2009) including best new tourism development in Australia, and a Jury Commendation for Innovation at the 2011 UNESCO Asia-Pacific Heritage Awards for Cultural Heritage Conservation
- Alice Springs, Brisbane, Sydney Harbour and Thredbo YHAs won best backpacker accommodation in their region
- Sydney Central YHA won a gold award from Accommodation Association of Australia, and Bundanoon YHA and Pittwater YHA won local business excellence awards

Finance

- Total turnover of \$32.45M (\$32.65M in 2010)
- Earnings before interest, taxation, depreciation and amortisation (EBITDA) of \$9.38M (\$7.8M in 2010)
- The administration office at 422 Kent Street, Sydney sold for \$3.85M contributing \$2.6M to the trading result

Merger & Shared Services

- Provision of shared accounting services to YHA Victoria, YHA South Australia, and the YHA National Office
- Due diligence and planning for proposed merger of YHA Victoria into YHA Ltd. YHA Victoria members voted to merge effective 1 January 2012
- Relaunch of national membership renewals campaign by email

Governance

- AGM held in Brisbane and Members' Information Meeting held in Sydney
- The Board of YHA Ltd operated with nine directors and two sub committees with meetings split between Sydney and Brisbane
- Strategic Planning meeting held in Byron Bay
- Two Directors from YHA Victoria attended Board meetings as visitors and were co-opted to the Board from 1 January 2012



The Management Team.

Left to right: Julian Ledger (CEO); Janet McGarry (Marketing Manager); Stephen Lynch (CFO); Kimberly Mustchin (Northern Region Manager); Robert Henke (Operations/Eastern Region Manager)

Five Year Comparison

		Consolidated			2009	2008	2007
		2011	2010	% Change			
		\$	\$		\$	\$	\$
Total revenue		32,452,403	32,650,890	(0.6)	29,014,855	25,659,011	23,941,030
Total expenses		30,557,470	32,270,359	(5.3)	28,885,766	25,923,987	22,239,728
Operating surplus after tax		1,894,933	380,531	398.0	129,089	(264,976)	1,701,302
Capital expenditure		13,528,159	841,305	1,508.0	32,958,484	7,384,512	4,089,102
Total assets		100,598,372	90,258,135	11.5	93,381,661	63,521,845	53,899,785
Total borrowing		67,849,000	59,840,000	13.4	62,340,000	34,123,374	23,185,225
Total equity		26,714,729	24,819,797	7.6	24,439,265	24,460,627	24,725,603
Gearing	(note A)	0.72	0.71	1.5	0.72	0.58	0.48
Interest cover	(note B)	2.40	2.01	19.3	2.47	1.46	3.40
Number of members	(note C)	30,827	34,175	(9.8)	38,396	41,430	
Number of hostels	(note D)	53	54	(5.6)	56	37	54
Number of employees	(note E)	277	269	-	260	228	222

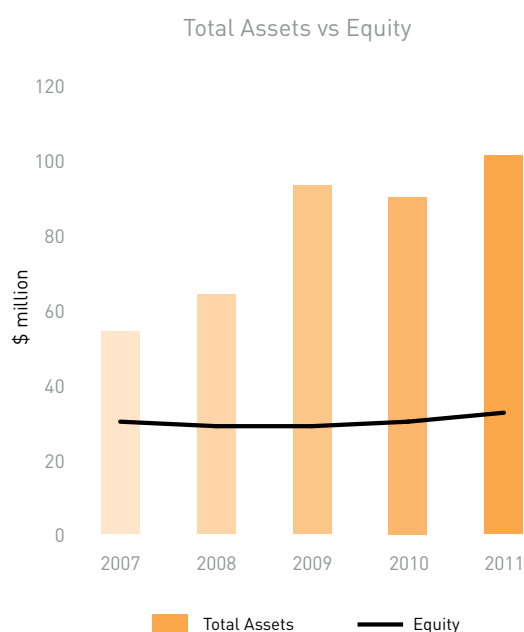
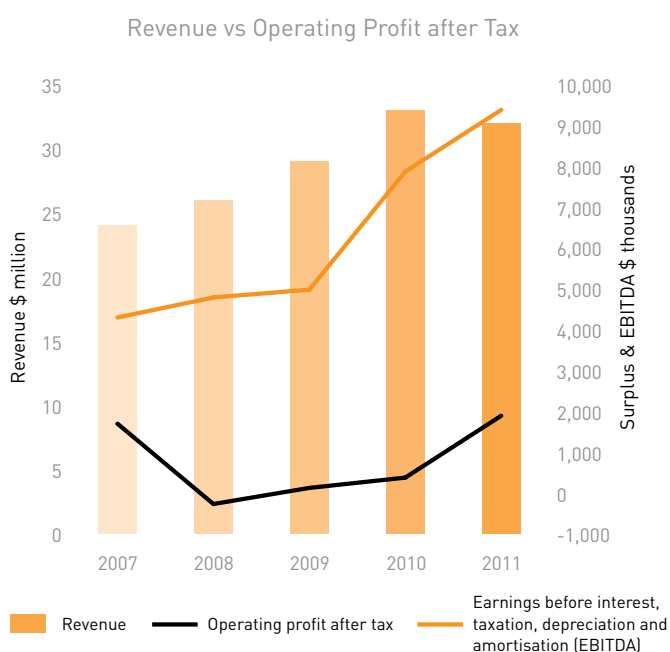
Note A: Based on current and non-current borrowings as a percentage of total borrowings and total accumulated funds

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

Note C: Includes adult, under 18, group and life members

Note D: Includes staff operated, leased and associate hostels

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



*Safe and
reliable*



YHA Accommodation

Sources of guests

YHA's largest source of guests is international 'Free Independent Travellers', making up 65% of hostel usage. A proportion of these are working holiday makers from many countries including Canada, Germany, Japan, Scandinavia, the UK and USA. However in 2011 there was a reduction in the number of guests from these countries, with small growth from Ireland, primarily due to the global economic downturn and the high Australian dollar making Australia a more expensive destination. This was mostly offset though by more Australian guests, particularly groups.

The Australian domestic traveller makes up 25% of guests, and the balance of 10% of hostel nights is groups, where there is good growth potential (group usage grew 22% during the year). YHA also encourages young Australians travelling overseas to take out membership and use the Hostelling International global network of 4,000 hostels.

Results

In 2011 1,019,763 overnight stays were recorded at 53 hostels in the ACT, NSW, NT and Queensland (compared to 1,037,132 overnight stays in 2010, a drop of 1.7%). Of these, 240,324 overnight stays (24%) were booked via

yha.com.au and a growing proportion came through other online booking engines. While occupancy was strong in urban locations, including Brisbane and Sydney, it was under pressure in regional areas. In particular, Tropical North Queensland suffered from a drop off in tourism in the wake of Cyclone Yasi in early 2011, especially affecting Cairns Central YHA.

Hostel network

Regional hostels play an important role in dispersing both Australian and international travellers throughout the country, especially on the popular touring route of the Pacific Highway. Tour desks at hostels encourage guests to experience regional activities and adventures, and to stay with YHA on their travels. The year saw campervan use grow in popularity and also more guests book tours direct or delay purchase to point of departure.

Development

Having been a tenant since 2004 when Railway Square YHA, Sydney opened as a hostel, YHA acquired this property in 2011 for \$11.25M on a 93 year lease. The property is in an excellent location with rapid train access to the airport.

Following the development of several major hostels in recent years, YHA is now going through a period of consolidation. However

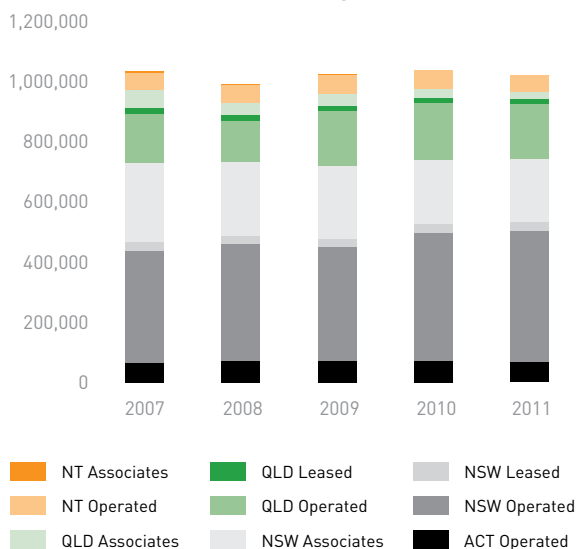
a program of \$865,000 of capital works was maintained including the refurbishment of bathrooms at Canberra City YHA at a cost of \$420,000.

Agreement was entered into with Sydney City Council for the award of heritage floor space rights at Sydney Central YHA, after a long process including heritage treatment and interpretation of the building. YHA has been awarded 1,970 square metres and this is now available for sale or transfer to another site under development. Based on the 2011 average market rate for the sale of space, YHA's awarded space has a potential value of just over \$700,000.

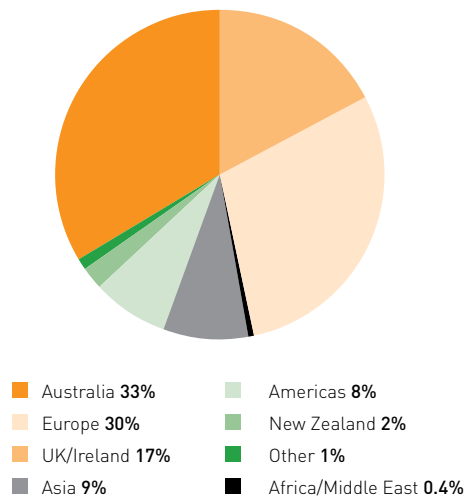
Brisbane City YHA

Brisbane City YHA is a purpose-built hostel located near the Suncorp Stadium and diagonally opposite the Southbank cultural centre complex, with roof-top views of the river and an onsite café/bar. The hostel, which is on high ground, was not directly affected by the floods of early 2011, however visitation reduced. As part of the relief effort, in conjunction with 'The Body Shop', YHA hosted three teams of volunteers. By mid-year, however, tourism to Brisbane had recovered and the hostel recorded growth on the previous year's occupancy levels.

Total Overnights



2011 Overnights by Country of Origin



YHA Accommodation

Sydney Harbour YHA

Sydney Harbour YHA is a purpose-built hostel, located on a significant historic site in The Rocks, with panoramic views across Sydney Harbour. Since opening two years ago, the hostel has proved popular with both Australian and international guests. The development was honoured during the year with several awards, bringing the total number of awards received to date to over twenty.

The hostel's Big Dig Archaeology Education Centre provides an onsite facility for students taking history and archaeology education programs, presented by Sydney Learning Adventures and Historic Houses Trust. Over the year, 4,200 school students participated in educational programs. During National Archaeology Week in May, YHA hosted The Big Dig Archaeology Weekend, when a team of professional and amateur archaeologists (ranging from teenagers to sexagenarians, and coming from as far afield as Alice Springs and South Africa) excavated an area on the site as part of an immersive, 'hands-on' public archaeology program. Interesting artefacts were unearthed, including crockery and glassware from early Australian colonial times.

YHA was particularly honoured when Sydney Harbour YHA and 'The Big Dig' received a Jury Commendation for Innovation at the UNESCO Asia-Pacific Heritage Awards for Cultural Heritage Conservation. The award was presented by Dr Tim Curtis of UNESCO Bangkok at a function onsite in October, which recognised the many people who had contributed to the project.

Accommodation packages

City Break packages for key destinations including Brisbane and Sydney were available through yha.com.au, primarily targeted at the domestic and NZ markets, with 1,200 packages sold at Sydney Harbour YHA. Special 'Culture Culture' packages including accommodation and tickets to blockbuster art exhibitions in Brisbane, Canberra and Sydney were also created to provide opportunities to visit cultural events. Specials for regional hostels were available too on yha.com.au, including a 'Family Fun' package at Coffs Harbour YHA and a '3 nights for 2' school holidays offer at Blue Mountains YHA, promoted by Destination NSW and the media. A Sydney Central YHA 'Stay & Play' package was promoted, primarily to international travellers through travel shows in the UK and France, and online advertising.



*Value for
money*

Managers' conference

A successful Hostel Managers' Conference was held in Brisbane in May with over 100 delegates attending. Representatives from hostels, YHA Australia, interstate YHA associations and YHA New Zealand also attended. The seminar covered topics such as quality, sustainability and harnessing social media.

Regional meetings

Regional meetings also took place to strengthen relations between hostel managers in various parts of the network. Four regional meetings were held during October, in Narooma (NSW south coast meeting), Brisbane (northern NSW & southern Queensland), Port Macquarie (NSW mid-north coast) and Cairns (northern Queensland). These meetings covered marketing, operations and cross-referrals of customers.

Innovations

YHA's web-based loyalty program, eNights, offered a low-season special of ten or fifteen nights' extra good value accommodation from June to August, with positive take up. The eNights system was also trialled for special offers to members, with a campaign offering a free overnight stay at selected hostels enticing 88 lapsed members to re-join YHA. For the first time, an online ski-season booking system for Thredbo YHA was successfully implemented on yha.com.au with an increase in advance bookings as a result.

Number of hostels on 31 December 2011

	2009	2010	2011
Operated and/or Owned	19	20	19
Associates	35	32	32
Temporary	2	2	2
Total	56	54	53

Number of beds on 31 December 2011

	2009	2010	2011
Operated and/or Owned	3,233	3,233	3,228
Associates	2,429	2,317	2,276
Temporary	244	244	244
Total	5,906	5,794	5,748

It is assumed that at those Associate Hostels which operate another business alongside the YHA hostel, that the given number of beds is the maximum normally used by YHA members/backpackers.

Number of overnights on 31 December 2011

	2009	2010	2011
Operated and/or Owned	721,813	777,375	770,665
Associates	300,417	258,672	248,071
Temporary	1,318	1,085	1,027
Total	1,023,548	1,037,132	1,019,763

Overnights

By Australians	263,159	310,440	340,437
By Non Australians			
From HI Countries	749,822	713,109	666,818
From Non HI Countries	10,568	13,583	12,076
Total Overnights	1,023,549	1,037,132	1,019,331

Ratios - permanent only

Beds per hostel	105	107	108
Overnights per hostel	18,930	19,924	19,975
Overnights per bed	181	187	185



*Environmentally
friendly*



Quality and Awards

YHA has rigorous systems in place to assure quality, ranging from customer ratings on yha.com.au to internal assessments. Hostelling International (HI) which is based in the UK coordinates a program known as HI Quality (HIQ) and during the year all remaining major hostels were certified under the scheme, including Brisbane City and Cairns Central YHAs. YHA also runs a mystery shopper program, providing valuable feedback for from visits throughout the network.

YHA is generally acknowledged as having the highest quality hostels in Australia and the world and many awards were bestowed throughout the year.



Sydney Harbour YHA & The Big Dig Archaeology Education Centre received a Jury Commendation for Innovation at the UNESCO Asia-Pacific Heritage Awards for Cultural Heritage Conservation. Left to right: Julian Ledger (CEO); Alison Frappell (Education Officer); Ross Lardner (Hostel Manager); Dr Tim Curtis (UNESCO).

Sarah Polomka of Pittwater YHA receiving an award for Outstanding Tourism Services (Sydney Northern Beaches Business Awards)



Awards 2011

Alice Springs YHA

- Best Backpacker Accommodation ('Brolga' NT Tourism Awards)

Brisbane City YHA

- Best Backpacker Accommodation (Queensland Tourism Awards)

Bundanoon YHA

- Winner, Excellence in Accommodation 9+ Rooms (Southern Highlands Business Awards for Excellence)

Pittwater YHA

- Winner, Outstanding Tourism Services (Northern Beaches Local Business Awards)

Port Stephens YHA

- 'Hall of Fame' (NSW Mid North Coast Tourism Awards)

Sydney Central YHA

- Backpacker Accommodation Gold Award (Accommodation Association of Australia)

Thredbo YHA

- Best Backpacker Accommodation (Canberra & Capital Region Tourism Awards)

Sydney Harbour YHA

- Jury Commendation for Innovation (2011 UNESCO Asia-Pacific Heritage Awards for Cultural Heritage Conservation)
- Award for Tourism Projects (National Trust, NSW, 2011)
- Award for Education (National Trust, NSW, 2011)
- Best Backpacker Accommodation (NSW and Australian Tourism Awards)
- Best Hostel in Australia (Golden Backpacks Awards)
- Award of Excellence for Oceania (HostelBookers)
- Best Hostel in Australia and Oceania, 2010 ('Hoscars' - hostelworld.com awards)
- Best Tourism & Leisure Property, and Best Heritage and Adaptive Re-use Property (Property Council of Australia)
- Green Youth Travel Accommodation Award (World Youth Student Travel Confederation - WYSTC)
- Heritage Award (Keep Australia Beautiful, Sustainable Cities)
- Sustainability Award for Best Small Commercial Property in Australia (Building Product News - BPN)

Sustainability

Alice Springs goes solar

Solar power was installed on the roof at Alice Springs YHA with 50% of the funding coming from the Federal Government's 'Solar City' project, and a contribution of \$13,600 from YHA's 'Hostel Carbon Reduction Fund' (made up of guest contributions as part of the online booking process at yha.com.au). The system has already generated electricity credits for the hostel.

Energy audits

In 2011, final reports were received on energy audits conducted at three properties (Sydney Central YHA, Byron Bay YHA and Blue Mountains YHA) by Exergy Australia. Energy inefficiencies were identified at all locations and business cases presented, indicating the cost and payback times to improve energy efficiency. Several of the recommended changes have been implemented and further are underway.

YHA has made substantial progress over the years in designing and operating sustainable buildings. YHA hostels by their nature are also simple and more energy efficient than more luxurious forms of accommodation. However, there remains still much to be done to reduce the YHA network's carbon footprint and save on energy costs, as the cost of energy increases substantially ahead of CPI into the future.



Carbon audits

The 2011 carbon audits show the two busiest YHA properties have recorded a decrease in their carbon footprint per overnight guest. Sydney Central YHA had a 7% decrease, from 12.08kg carbon dioxide equivalents (CO₂-e) per overnight guest in 2010 to 11.2kg CO₂-e in 2011. Sydney Harbour YHA had a 6% decrease in CO₂-e per overnight guest (from 7.72kg in 2010 to 7.24kg in 2011.)

Sustainability Advantage

In 2011, YHA was awarded Silver Partnership Status in the NSW Office of Environment and Heritage 'Sustainability Advantage' program for achievements across seven operated properties. YHA is one of only 24 organisations (out of 540 participating organisations) to have been awarded Silver or Gold Partnership Status, and the only tourism accommodation provider to achieve this recognition. YHA's main achievement was a reduction in greenhouse gas emissions, electricity and gas usage, both in terms of gross usage and usage per overnight guest.

YHA was also invited to participate in a Sustainability Advantage Leaders Group, providing a strategic review of the organisation's progress in sustainability and additional support for internal 'sustainability champions'. In Brisbane, hostel managers and office staff attended a workshop for Sustainable Business practices convened by the Queensland Tourism Industry Council, focussing on how to evaluate and assess sustainability initiatives.

Sustainability awards

YHA was a finalist in Community Sustainability at the NSW Green Globe awards in 2011. Sydney Harbour YHA was the inaugural winner of a World Youth & Student Travel Confederation (WYSTC) Green Initiative Award, recognising leadership in sustainability in global youth tourism. This property was also the winner of a 2011 Building Product News Sustainability Award for Best Small Commercial Building in Australia, and a 2011 'Keep Australia Beautiful' Sustainable Cities Heritage Award.

Sustainability survey

An online survey of visitors to yha.com.au was conducted, to understand how sustainability issues influence travel decisions and to gauge opinions of YHA's sustainability actions and priorities. Over 1,900 guests responded, with the majority indicating that they are concerned about the environment and that these concerns play a role in their choice of destination. A minority were aware of environmental initiatives at YHA properties, and the majority said they would like more information. Survey respondents suggested that YHA should focus environmental initiatives on solar power and water heating and rainwater tanks.

Events

YHA participated in the 'Clean Up Australia' Business Day, with staff collecting litter at Bicentennial Park in Glebe, NSW. Numerous hostels also participated in 'Earth Hour', turning off the lights for an hour on the evening of 26 March. Several staff participated in 'National Ride to Work Day' in October, forming a YHA peloton through the streets of Sydney.

Refillable water bottles

In 2011, as a trial, Railway Square YHA and Sydney Harbour YHA stopped selling bottled water to reduce plastic waste. Guests can buy YHA branded refillable bottles in two sizes at a similar cost to a bottle of water.



Experience

Member Services

Member Services

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

Membership Trends

There are 30,827 YHA members in the ACT, NSW, NT and Queensland and a further 18,749 international members who joined while in Australia. During the year Australian membership decreased by 10% while group membership (taken out by educational, cultural and sporting organisations) grew by 13%. International membership decreased by 7% due to a corresponding drop in occupancy by international guests at hostels.

More than half of YHA's members (51%) join online and 39% renew online at yha.com.au, with a further 11% renewing via BPAY. YHA runs a direct mail campaign on behalf of the other states to encourage existing members to renew, and a new campaign was launched in 2011 using email as the primary means of communication. As an incentive to join or renew online, competitions were also run on yha.com.au. The new campaign increased online renewals by 21%, and reduced print, postage and processing costs by \$40,000, while keeping the overall renewal rate relatively steady at 32%.

YHA also has an agent network, including hostels, and a 'read and write' version of the membership database was installed at larger hostels to enable membership details to be recorded in the system upon check-in, creating greater efficiencies. Training in the database system was carried out. New promotional materials, translated into key languages, were produced to encourage sales of memberships to international guests at hostels.

Membership Statistics as at 31 December 2011

ACT, NSW, NT & QLD	2009	2010	2011	%
Youth	3,341	3,063	2,439	-20
Adult	26,782	22,829	19,978	-12
Life	7,681	7,594	7,633	1
Group	592	689	777	13
Individual & Group Membership	38,396	34,175	30,827	-10
Internationals	19,269	20,110	18,749	-7
Total Membership	57,665	54,285	49,576	-9

YHA Online

YHA's website - yha.com.au - records an average of 7,000 user sessions each day, with the typical user spending 5 minutes on the site. In 2011, a Facebook booking application was launched by YHA Australia, targeting young, net-savvy travellers. Several videos were produced to promote YHA online, highlighting membership benefits and hostels in Australia and overseas, with over 4,000 views to date. YHA also engaged in social media marketing during the year through Facebook - facebook.com/backpackingmate - reaching over 5,000 travellers. A time-lapse video of the Vivid Festival, shot from Sydney Harbour YHA went viral, being promoted in social media by Australian Traveller magazine and Tourism Australia (with 1.6 million 'fans' and over 200 'likes' of YHA's posting).

Marketing To Members

A range of marketing activities was carried out in 2011 including media liaison, brochures, tactical campaigns and e-communications. State-based activities are complemented by national and international marketing carried out by YHA Australia, including coordination of the website, yha.com.au, and production of the annual YHA Accommodation Guide. During the year, ongoing public relations, advertising, social media, direct mail and cooperative marketing with tourism partners took place to promote YHA.

Media Coverage

There was coverage of YHA in a range of media, including the Sydney Morning Herald and Sunday Telegraph. The annual Hostel Managers' Conference was covered by ABC TV and radio in Brisbane. International media coverage came from familiarisation visits for journalists from around the world, including from Brazil, Canada, Germany, Ireland and the UK (The Times). Bloggers were hosted in conjunction with Tourism Australia. Many items were published or broadcast about YHA in metropolitan newspapers, on online news and travel sites, and in industry publications. Promotional footage of hostels is available on websites such as youtube.com, with over 250,000 views to date, and YHA also features regularly on travel web and blog sites.

Communications

YHA's members' magazine, Backpacker Essentials, is mailed to over 30,000 members, nationally three times a year. A digital flip version is sent to a further 30,000 members. It is complemented by a website - backpackeressentials.com.au - with over 350,000 unique visits a year, and a Customer Relationship Management (CRM) system which delivers welcome emails to new members and a bi-monthly e-newsletter.

The 2010 YHA Ltd Year in Review received a Bronze award at the Australasian Reporting Awards.

Member Services

Events

YHA staff attended the Sydney Adventure Travel & Backpackers Expo, and the Holiday & Travel XPO, with a '2 years for 1' membership special offer. YHA was also promoted at university 'O Weeks' in Canberra, Newcastle and Sydney and at community events such the Blue Mountains Winter Magic Festival, as well as sponsored walkathons, bike rides and student shows. YHA participated in an Australia & New Zealand Agent Workshop (ANZAW) to develop links with education agents and language school representatives, and promoted at a Sydney pre-departure meeting of 300 Camp Counsellors USA (CCUSA) participants.

Queensland Bounces Back

In February, to promote that Queensland was back in business after the floods, a function was hosted for the tourism industry at Brisbane City YHA, attended by fifty guests including tour operators and regional hostel managers who stayed overnight on a familiarisation visit. Another major event was YHA's sponsorship of Tourism Queensland's 'Best Expedition in the World' campaign, following the winner of the 'Best Job in the World' (Ben Southall) as he kayaked from the town 1770 to Cooktown, promoting conservation. Several YHA hostels en route hosted events, including Airlie Beach, Magnetic Island, Mission Beach and Cooktown, and the journey was live streamed to the UK and covered in local media.

Partnerships

YHA works with various partners in the tourism, youth and cultural fields. Joint promotions took place throughout the year including cooperative marketing with National Youth Week, the National Trust and Sydney University. Cooperation also took place with YHA New Zealand, including trans-Tasman promotions, especially in the wake of the Christchurch earthquake.

Groups

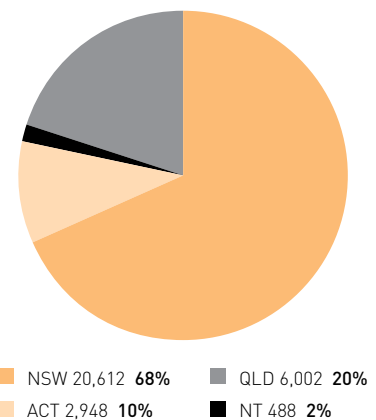
Targeted marketing was undertaken to increase the awareness of YHA hostels for local and international groups. The focus was on key city properties, and smaller regional hostels (through the exclusive-use Rent-a-YHA promotion).

Travel Services

YHA Travel and Tours provides services for the needs of Australian and international YHA members travelling overseas and around Australia. YHA Travel and Tours offers 'Australian Adventures' packages for travel around the country, promoted in brochures and on yha.com.au. YHA Travel and Tours has a branch at Sydney Central YHA that is supported by tour desks operating at hostels in key locations throughout the network. During 2011, YHA trialled an electronic ticketing system at a number of hostels, as part of a move to streamline and increase sales of day tour and local travel product at hostel receptions.

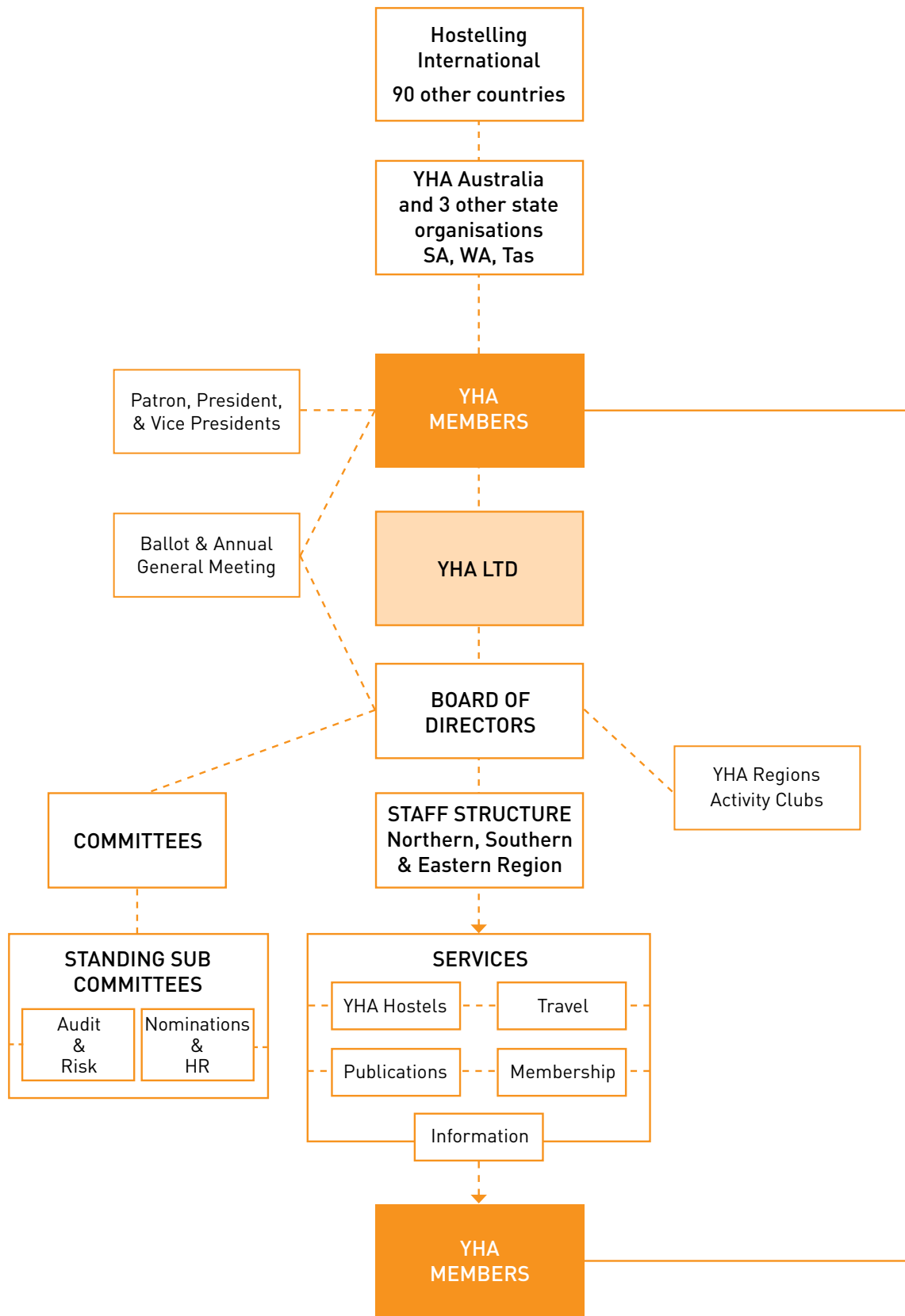
YHA Travel and Tours also has alliances with key travel operators, focusing on industry leaders who share a common goal of providing affordable, quality travel services. YHA works with a range of national transport providers including Greyhound and Adventure Tours Australia and negotiates national agreements,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

2011 Individual Members by State



On the rooftop at group-friendly Brisbane City YHA

Structure of the Organisation



Governance

Directory Of The Organisation

PATRON

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

HONORARY LIFE MEMBERS

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

PRESIDENT

Mr Bob Bimrose

VICE PRESIDENTS

Mr Greg Mortimer OAM
Mr Hugh Andrew
Mr Paul Page
Mr David Wardle
Miss Edna Lytle OAM
Mr Ray Temperley
Mr Jim Whitehead
Mr Bruce Hart
Mr Russell Thomson

The Board of Directors

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

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

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

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

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

Chairperson

Ms Helen Harms

Vice Chairperson

Ms Leonie Thijssen

Chief Executive Officer

Mr Julian Ledger

Board Committees

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

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

Nominations and HR Committee

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

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

Directors and CEO

Left to right: John Bowles; David Neish; Helen Harms; Janet Richardson; Rob McGuirk; Cameron Quinten; John Clancy; Leonie Thijssen; Toni Vincent; Julian Ledger (CEO); Gen Fox; Sam Vella

Audit and Risk Committee

The Board recognises risk management is an integral component of good corporate governance and 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 eight times between January and December 2011. In addition the following two committees met six times annually and made recommendations to the Board: Nominations & HR Committee, and Audit and Risk Committee.

Board members

During 2011 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. The Board of YHA Queensland has the same Directors as YHA Ltd. With the merger of YHA Ltd and YHA Victoria Limited on 1 January 2012, two YHA Victoria Directors, Robert McGuirk and Cameron Quinten, were co-opted onto the Board on that day.

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 32 sets out their qualifications and experience.





Honest & trustworthy

Corporate Affairs

Communicating with members

The Annual General Meeting (AGM) was held in Brisbane in April, preceded by a Members' Forum targeted at 18-30 year olds. A members' information meeting also took place in Sydney, including a Younger Members' Forum, to update interested members and seek feedback.

YHA Victoria merger

During the year, the Board of YHA Victoria Limited approached YHA Ltd regarding a merger. The two Boards entered into a Memorandum of Understanding (MoU) and then the management and Board undertook a thorough due diligence process led by the Chief Financial Officer. The output included a comprehensive plan to implement a series of cost saving and revenue generating measures post-merger to strengthen the YHA business in Victoria. As part of this process, YHA Ltd leased the bar at Melbourne Central YHA, to allow a previous and unsatisfactory agreement to be terminated, and then sublet it on new commercial terms. Agreement was also reached with YHA Ltd's bankers, who were the same as YHA Victoria's, to consolidate financing on merger, on more favourable terms than those YHA Victoria had been subject to.

An Explanatory Memorandum was sent out to members in Victoria outlining details of the merger, why the Board was recommending the proposal, and what were the advantages and possible risks. At a Special General Meeting of members in Melbourne, 97% of votes were in favour of the merger, either in person or by proxy. On 1 January 2012 YHA Victoria merged into YHA Ltd, and integration of the two organisations was quickly placed underway. To complete the merger, YHA members in Victoria have been invited in early 2012 to transfer their membership to YHA Ltd.

The former CEO of YHA Victoria, Shelley Lavender, retired in December 2011 after sixteen years of service to YHA and having a key role in guiding the merger. The YHA Ltd head office is based in Sydney with a Northern Region office

in Brisbane and a Southern Region office based in Melbourne, led by the position of Southern Region Manager. Separate state organisations continue to operate in South Australia, Tasmania and Western Australia. There is also a national office, HI Australia, (based in Sydney in adjoining offices to YHA Ltd) which coordinates functions such as the website and international marketing. A similar merger process will be used in the event of future mergers with the other state organisations.

Shared services

During the year, YHA Ltd set up accounting shared services for YHA South Australia, YHA Victoria and HI Australia. IT integration also established a single exchange server and common email domain name.

Connecting with regional partners

YHA is proud to be a leader in the Hostelling International (HI) network, particularly in terms of quality of hostels and sustainability initiatives. During the year, the former Manager of Cairns Central YHA took up a new HI position as one of two Asia Pacific Region Coordinators, bringing expertise gained in Australia to the role.

Small Hostels Development Fund

In early 2011, YHA received a bequest of \$10,000 from Janet Linnell that was used to establish a Small Hostels Development Fund. A contribution to the fund of \$500 was also received from the NSW Rogaining Association from the 2011 Paddy Pallin Rogaine. This funding will assist YHA in works at small hostels in regional areas. YHA is currently negotiating with NSW National Parks & Wildlife Service and insurers to consider the feasibility of re-building a hostel in one of the organisation's earliest locations in Australia - Royal National Park - following the accidental burning down of Garie Beach YHA in late 2010.



An Australian paving stone joins others below the statue of Hostelling International founder, Richard Schirrmann, in Altena, Germany - site of the world's first permanent youth hostel. Pictured: Julian Ledger (CEO) with Schirrmann's daughter Gudrun, his grandson and great grandsons, together with the Mayor of Altena. © Alexander Schirrmann-Ayeni

Honouring YHA's founder

YHA is proud to remember its roots as a not-for-profit organisation founded in 1909 in Germany by a school teacher named Richard Schirrmann. The first youth hostel, at Altena Castle in Germany, still survives and hosts travellers each year from around the world. During the year, the CEO visited Altena, and in the presence of the town mayor and descendents of Richard Schirrmann placed a YHA Australia paving stone at the foot of a statue of YHA's founder; the event was covered for publication by local media and the German youth hostels association.

Milestones and histories

In August, at Bundanoon YHA, an event took place, covered by local media, to celebrate forty years of the hostel being in the YHA network. A poster covering the history of YHA in the NSW Southern Highlands was unveiled, and a series of history posters were also installed at other hostels with interesting stories, including Blue Mountains, Canberra, Newcastle and Thredbo YHAs. Pittwater YHA held an open day, attended by over 100 people, to unveil its poster.

Human Resources

as at 31 December 2011

Workforce profile

At the year end, YHA employed 277 people in the ACT, NSW, NT and Queensland. A survey showed that YHA Ltd employs over thirty-five different nationalities, showcasing the rich cultural diversity of employees. The average age of staff was 32 with 69% under 35 years old. The workforce profile was distributed between females (57%) and males (43%), with the number working either full-time or permanent-part time increasing to 91% (85% in 2010), and 89% 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 together. In 2011 these included the City to Surf fun run and staff blood donations to the Australian Red Cross.

Training & developing staff

Training and staff development are important components of YHA's recruitment and retention policy, with both in-house and external training

provided. YHA conducts an induction program for new staff in Sydney, Blue Mountains, Canberra and Brisbane as well as Sales/Customer Service and Business Planning courses tailored specifically for the organisation. YHA also supports its staff in gaining further qualifications relating to the business, by contributing up to 50% of tuition fees for approved courses.

YHA actively encourages exchanges between hostels and during the year several two to four week exchanges took place involving staff from Alice Springs, Canberra, Cairns, Darwin, Thredbo, Perth and Sydney. YHA also encourages transfers and promotions between States and Territories, and during the year staff members from Blue Mountains and Sydney Central YHAs were respectively promoted to management positions in Darwin and Airlie Beach YHAs, whilst the Darwin YHA manager was promoted to manage the larger YHA in the national capital. YHA also participates in university internships and student work experience programs.

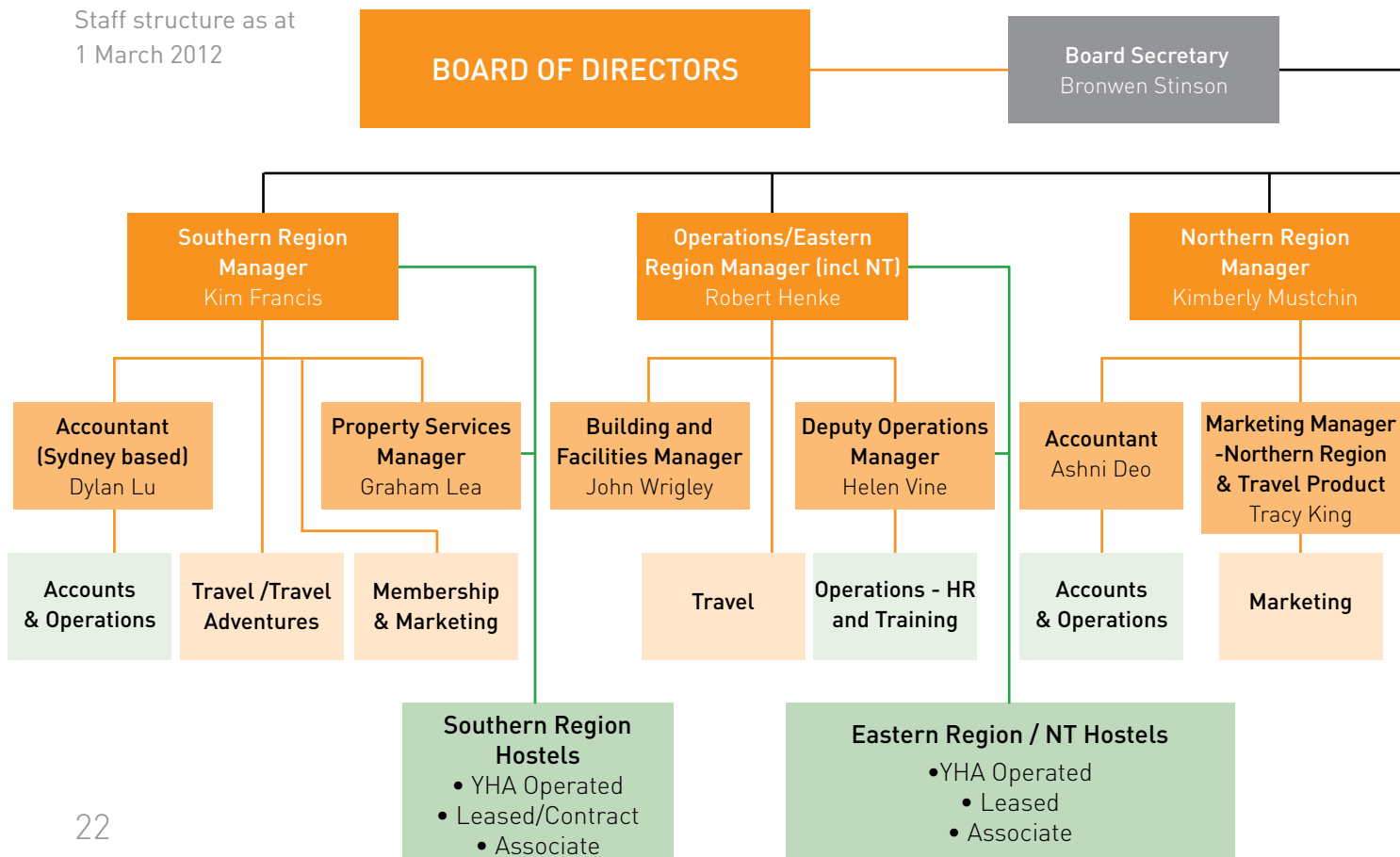
Recognising staff

YHA recognises and rewards performance through an 'Employee of the Month' scheme. The 2011 'Employee of the Year' was Byron Bay YHA Receptionist, Miranda Brouwer. Several staff members also reached significant service milestones during the year. Congratulations to Liz Bush who has worked at Blue Mountains YHA for twenty years, and David Boyce (Darwin YHA), Ross Lardner (Sydney Harbour YHA), Tina Tram Vu (YHA Travel) and Ann Westgate (Blue Mountains YHA) who each reached ten years of service.

Highlights of the year included:

- The development of a Refresher Training Program for Reception staff, with five sessions held covering network knowledge, sales, customer service, eNights and systems training.
- The Deputy Manager of Sydney Central YHA gave a presentation at the YHA New Zealand Managers' Conference.

Staff structure as at 1 March 2012



- The Manager of Sydney Harbour YHA gave a keynote presentation at the Hostelling International (HI) Gateway Managers' Meeting in Vienna.
- Groups Reservations Coordinators from Sydney Harbour YHA and Sydney Central YHA attended the Young ATEC (YATEC) Leadership Conference.
- A Groups Reservations Coordinator from Sydney Central YHA participated in the Rotary Youth Leadership Award (RYLA)
- The Operations Manager successfully completed the AICD Company Directors' course.

Enterprise Agreement

The YHA Workplace Agreement was successfully renegotiated by staff and management. The new agreement covers all 247 hostel staff, and is now named YHA Enterprise Agreement. It was approved by Fair Work Australia and runs from 2011 to 2015. YHA was commended by Fair Work Australia for the collaborative approach taken.

Technology innovations

YHA's Intranet, named Egor, was rolled out to YHA in Victoria, South Australia and Western Australia. Each month the home page receives an average of 12,500 visits. Besides many operational and communication tasks, the Intranet is also used for distribution of papers for the both the YHA Ltd and HI Australia Boards.

YHA is committed to training staff across the network, and during the year developed an eLearning system, Trainee, to deliver online training. A successful trial of the system has been completed.

Equal Employment Opportunity

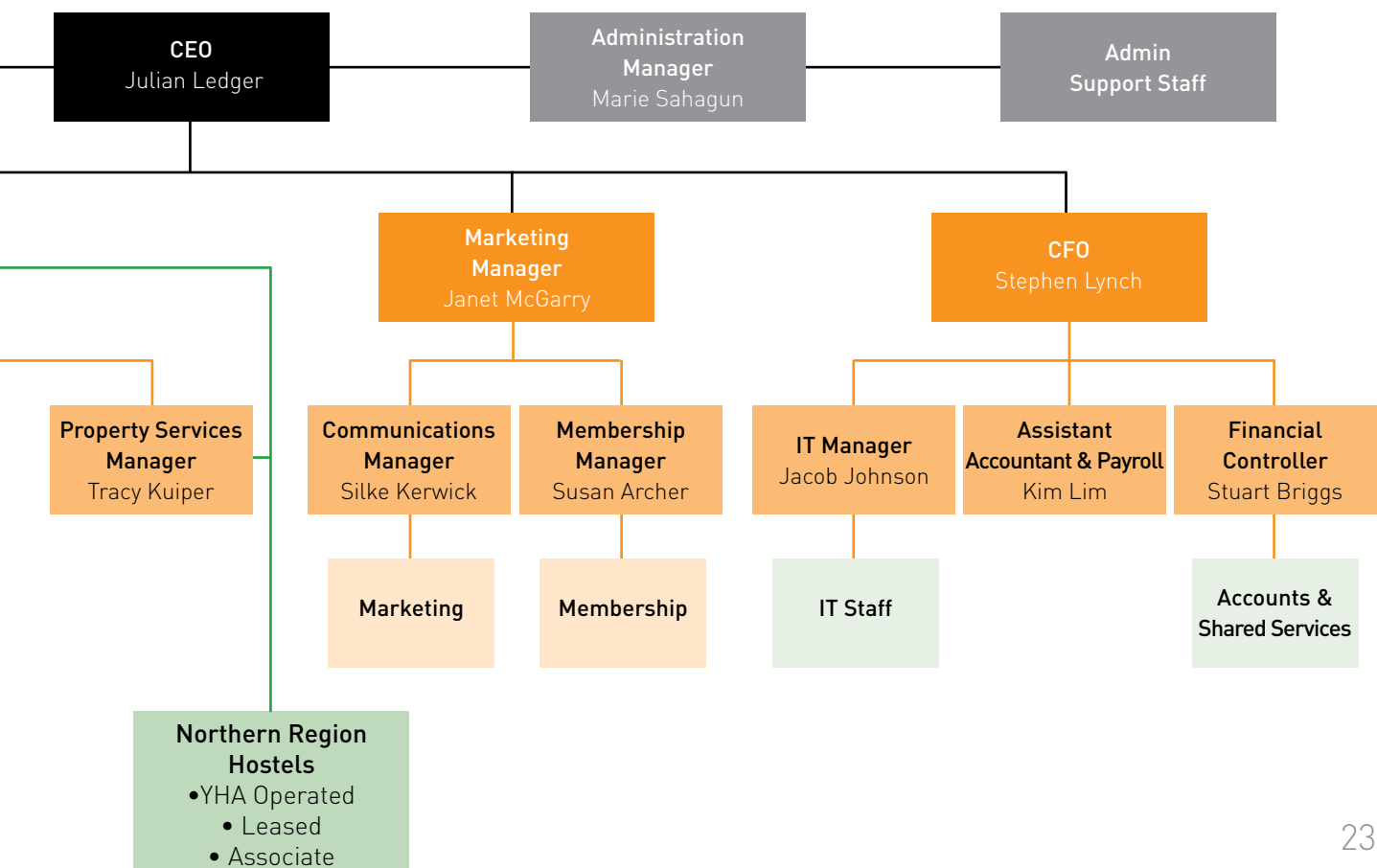
YHA is committed to the principles of Equal Employment Opportunity (EEO) and each year submits a report to the Equal Employment for Women in the Workplace Agency (EOWA). YHA continues to promote an inclusive and positive workplace environment, including training to prevent discrimination and harassment,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

Work Health & Safety

Safety is an important issue for YHA and the organisation has a 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. YHA has Work Health & Safety Committees based in both Sydney and Brisbane, with representatives from hostels and administration offices meeting four times a year.

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 408,423 hours during the year (378,147 in 2010) and recorded 6,097 hours personal leave (sick leave and carers' leave), comprising 1.5% of total hours worked. This was the same ratio as the year before and low by external standards. Flu vaccinations are offered to staff as a preventative measure.



Strategic Planning & Outlook

Strategic planning

The Board having adopted a 2011-2015 Strategic Plan held a review session for Directors and senior management in Byron Bay in July. The Strategic Plan emphasises the organisation's core values, designed to dovetail with those of YHA Australia nationally, that feed into components of the plan.

The Strategic Plan encompasses a range of critical success factors designed to focus the business and ensure that it remains a market leader. These include an emphasis on high quality hostels in the right locations; an emphasis on delivering the best guest experience; a culture of sustainability; having

skilled, motivated staff, and efficient and effective processes; being change ready; developing industry relationships in Australia and overseas, and delivering effective governance and risk management. The backdrop to the plan are strategies for achieving financial growth for the organisation as it develops in the next decade.

At the planning session in 2011 the Board also examined in detail the feasibility of the purchase of Railway Square YHA and the merger with YHA Victoria. Both projects subsequently proceeded successfully.

Core Values

- Environmentally Friendly
- Safe and Reliable
- Honest and Trustworthy
- Loyalty
- Value for Money
- Experience



General Outlook

In 2011 the tourism sector continued the weakness which had commenced the year before, caused mainly by the poor economic environment in Europe and the US, and lessening confidence to travel long-haul to Australia. The Australian dollar also rose sharply against the British pound, the Euro and the US dollar, making Australia a relatively more expensive destination than at any recent time, and overseas trips more affordable for Australians.

Overall backpacker numbers have remained stable, however average length of stay reduced slightly, with proportionally more time spent in the cities and less in regional areas. The result was a drop in occupancy from international guests, and a lull in the backpacker sector in general. On a positive note, the numbers taking advantage of working holiday visas into Australia grew in 2010/11 and by a further 11% in the second half of 2011, with the Department of Immigration and Citizenship forecasting this trend to continue. New working holiday agreements are also being entered into, with Argentina joining the scheme in early 2012, and promising negotiations with Mexico underway.

To minimise YHA's exposure during the downturn, savings were made to operational and capital expenditure programs to keep costs under control, and extra promotion took place to attract guests in low season and to increase the number of Australians staying with YHA. The latter grew to make up a third of YHA's overall occupancy and growth of this share is expected to continue.

Long-term tourism trend predications are positive, with the World Tourism Organization (UNWTO) predicting that global international arrivals will reach 1 billion, for the first time ever, in 2012. The largest growth is expected in the Asia/Pacific region. China is predicted to overtake the USA as the world's largest economy within ten years, and already has 97 cities larger

than Sydney. There are opportunities too, with the launch of Singapore Airlines' new low-cost offshoot, Scoot, flying between Australia and Singapore, and with Air Asia X flying between Australia and Malaysia. Together they are expected to bring an additional 100,000 visitors. A recovery in international student numbers is also occurring.

YHA Outlook

- YHA's website yha.com.au is already translated into Chinese, Japanese and Korean, and YHA is building its strategies to proactively market to, and cater for, international visitors from strong emerging economies, to grow the number of guests from the Asian region.
- The high dollar will maintain pressure for competitive accommodation rates. However, paradoxically it is also some of the relatively higher priced hostels which score best on 'value for money' ratings, pointing to the willingness of many to pay for quality. As the operator of many of the top quality hostels in the country, YHA is well placed for when the economies of traditional source markets pick up, and travel to Australia by these international visitors returns to growth.
- YHA's priority is to maintain and build occupancy at key city hostels, which in turn feed the regional network by dispersing travellers throughout the country.
- The future of YHA's membership structure will be under review, following a decade of decline in the number of new members joining to travel overseas. Membership organisations charging fees to join are under mounting pressure, in general, in recruiting and retaining members. The YHA transition to lower cost online channels is now almost complete. In early 2012, Hostelling International launched an e-membership available for sale on the international website

hihostels.com in conjunction with hostel bookings and this immediately proved popular.

- No major hostel projects are planned in 2012 except for remodeling works at Melbourne Central YHA in Flinders Street, which will bring the hostel up to its design capacity.
- The biggest 2012 project relates to IT infrastructure and involves the rolling out of a new property management system, Guest Centrix, already used by YHA New Zealand, along with a redevelopment of YHA's website, yha.com.au, and associated booking systems. This project has been codenamed Starfish and will involve all hostels.
- In terms of organisational structure, YHA will continue to work towards a national merger, including integration of YHA Ltd and the YHA national office. In April 2012, YHA Ltd and HI Australia will move into a new, co-located office in Sydney, paving the way for improved processes and greater efficiencies. Discussions are also scheduled with YHA South Australia with the objective of a merger in 2013.



Loyalty



Relations with the Government and other Organisations

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

Commonwealth Government

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

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

State, Territory & Local Governments

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

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

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

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

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

YHA Travel is registered under the NSW Travel Agents Registration Act, Licence No: 2TA002692, under the NT Consumer Affairs and Fair Trading (Travel Agents) Regulations, Licence No: 148 and in Queensland Licence No: 497.

YHA leases land at modest rent from the National Parks and Wildlife Service in NSW and from the Department of Natural Resources and Water in Queensland.

Throughout the course of the year, YHA ensured the NSW State Government, the ACT Government, the NT Government, the Queensland State Government 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 over 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. Local operators participated in the Adventure Travel & Backpackers Expo in Sydney, with stands promoting regional backpacking in NSW.

The Northern Region Marketing Manager is on the committee of Backpacking Queensland (BQ); a committee member of the Gold Coast Adventure Travel Group (a group funded by Gold Coast City Council and Gold Coast Tourism) and also assists Women in Tourism.

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 Operations Coordinator is a member of the YATEC (YATEC) NSW Committee.

The CEO was a Director on the Board of Tourism New South Wales to June 2011 and chaired the Youth & International Education Panel of the Visitor Economy Taskforce set up by the NSW Government. The CEO is also a member of the Tourism Visa Advisory Group of the Department of Immigration & Citizenship (DIAC).

YHA Ltd is a member of the following organisations:

ACT & Region Chamber of Commerce & Industry
Australian Conservation Foundation
Australian Federation of Employers & Industries
Australian Federation of Travel Agents
Australian Institute of Management
Australian Society of Association Executives
Australian Society of Travel Writers
Australian Sports Commission
Australian Tourism Export Council (ATEC)
Backpacker Operators Association of NSW (BOA)
Backpacker Youth Tourism Advisory Panel (BYTAP)
Backpacking Queensland
Blue Mountains Tourism Association
Brisbane Marketing
Canberra Convention & Visitors Bureau
Central Australia Tourism Information Association (CATIA)
Chamber of Commerce & Industry Queensland
Coffs Tourism
Coffs Coast Marketing
Domestic Agency Programme Australia (DAPA)
ecoBiz Partner Program (DERM)
Ecotourism Association of Australia
Glebe Chamber of Commerce
Gold Coast Tourism (GCT)
Gold Coast Adventure Travel Group (GCATG)
History Teachers' Association of NSW
Museums Australia
Nature Conservation Council of NSW
National Parks Association of NSW
National Trust of Australia (NSW)
Newcastle City Tourist Association
Outdoor Recreation Industry Council of NSW
Property Council of Australia
Queensland Tourism Industry Council (QTIC)
Snowy Mountains Tourist Association
Southern Queensland Tourism
Sydney Convention & Visitors Bureau
Thredbo Chamber of Commerce
Travel Compensation Fund
Tourism Industry Council NSW
Tourism Industry Council ACT & Regions
Tourism Top End
Tourism Whitsundays
Tourism Tropical North Queensland (TTNQ)
Wilderness Society
Women in Tourism (WIT)
YHA Australia (HI Australia)
Young ATEC (YATEC)
Youth Action and Policy Association

YHA Hostels in the ACT, NT, NSW and QLD

as at 31 December 2011

Hostel	Managed by	Beds	Status
Airlie Beach 394 Shute Harbour Rd, QLD 4802	Carmen Arnold	86	Freehold owned by organisation. Converted motel.
Alice Springs Cnr Parsons St & Leichhart Tce, NT 0870	Roger Wileman	108	Freehold owned by organisation. Converted open air cinema.
Blue Mountains 207 Katoomba St, Katoomba NSW 2780	Ann Westgate	200	Freehold owned by organisation. Converted guesthouse.
Blue Mountains Hawkesbury Heights 836 Hawkesbury Rd, NSW 2777	Carolyn & John Beazley	12	Land leasehold; purpose built hostel owned by the organisation.
Brisbane City 392 Upper Roma St, QLD 4000	Peter Miller	373	Freehold owned by organisation. Two lots amalgamated. Purpose built hostel.
Bundanoon Railway Ave, NSW 2578	Glenn Robinson & Alison Shaw	44	Freehold owned by organisation and leased to the manager. Converted guesthouse.
Byron Bay 7 Carlyle St, NSW 2481	Paul Cason	107	Freehold owned by organisation. Purpose built hostel.
Cairns Central 20-26 McLeod St, Cairns, QLD 4870	Kate Fox	235	Freehold owned by organisation. Purpose built hostel.
Canberra City 7 Akuna St, Canberra, ACT 2600	Wim Hanse	282	Freehold owned by organisation. Converted office block.
Coffs Harbour 51 Collingwood St, NSW 2450	Graeme Diffey	92	Owned by organisation and leased to manager. Purpose built hostel.
Coolangatta 230 Coolangatta Road, Bilinga, QLD 4225	Warren Nicholas	82	Owned by organisation and leased to manager. Purpose built hostel.
Darwin 97 Mitchell St, NT 0800	David Boyce	168	Sub-leased from Globies P/L
Glebe Point 262-267 Glebe Point Rd, Glebe, NSW 2037	Craig Tester	150	Freehold owned by the organisation. Converted motel.
Pittwater Via Halls Wharf, Morning Bay, NSW 2105	Michael Doherty & Sarah Polomka	32	Freehold owned by organisation and leased to manager. Converted residence.
Railway Square 8-10 Lee St, Sydney, NSW 2000	Dean Grasselli	280	Leasehold from Rail Corporation NSW. Converted parcels office.
Surfers Paradise Mariners Cove, 70 Seaworld Drive, Main Beach, QLD 4217	Heath Pickering	100	Sub-leased from Raptis. Purpose built hostel.
Sydney Central 11 Rawson Place, Sydney NSW 2000	Jon Hutchinson	556	Freehold owned by the organisation. Converted heritage office building.
Sydney Harbour 110 Cumberland St, The Rocks, NSW 2000	Ross Lardner	354	Leased from Sydney Harbour Foreshore Authority. Purpose- built hostel raised above archaeological remnants, with onsite education centre.
Thredbo 8 Jacks Adam Pathway, NSW 2625	Nadia Fadel	48	Land leasehold. Building owned by organisation but reverts to lessor (National Parks & Wildlife Service) on expiry of lease if not renewed.

Associate Hostels - privately owned	Managed by	Beds	Status
Albury 372 Wagga Rd, Lavington NSW 2641	Sophie Lebner	24	Building in a caravan park.
Armidale 39 Waterfall Way, NSW 2350	Anna & Nathan Smith	36	Building in a caravan park.
Batemans Bay Cnr of Old Princes Hwy & South St, NSW 2536	Francis McLaughlin & Brent Brewin	40	Converted building in caravan park.
Bellingen 2 Short St, NSW 2454	Graham & Jo McIntyre	32	Converted commercial building with extensions.
Bondi Beachouse Cnr Fletcher and Dellview St, Bondi Beach, NSW 2026	Kati Farthing	94	Converted guesthouse.
Cape Byron Cnr Byron & Middleton Sts, Byron Bay, NSW 2481	Bob Kay	130	Purpose built hostel.

Associate Hostels - privately owned	Managed by	Beds	Status
Cape Tribulation Lot 5, Buchanan Creek Rd, Cow Bay, QLD 4873	Dean & Julie Reedy	132	Purpose built hostel within rainforest.
Cronulla Beach Level 1, 40-42 Kingsway, Cronulla, NSW 2230	Michael Keogh	66	Converted commercial building with extensions.
Cooktown 9 Boundary St, QLD 4871	Scott Orchard	66	Converted motel
Hervey Bay 820 Boat Harbour Dr, Qld 4655	John Watson	123	Purpose built hostel also offering cabins and camping.
Hunter Valley 100 Wine Country Drive, Nulkaba, NSW 2325	Nigel Worton	46	Purpose built hostel.
Lennox Head 3 Ross St, NSW 2478	Graeme & Anna Dicker	42	Purpose built hostel.
Magnetic Island 40 Horseshoe Bay Rd, QLD 4819	Brett & Janelle Flemming	120	Purpose built hostel, offering cabins and camping as well.
Manly Summer 151 Darley St, Manly, NSW 2095	Cameron McAlpine	66	Summer hostel facility in student accommodation at the International College of Tourism & Hotel Management.
Maroochydore 24 Schirrmann Dr, QLD 4558	Justin O'Byrne	48	Purpose built hostel.
Merimbula 8 Marine Pde, NSW 2548	Wayne & Betty Tuckfield	49	Purpose built hostel.
Mission Beach Frizelle Rd, Bingil Bay, QLD 4852	Harry Mendel	56	Purpose built hostel.
Murwillumbah 1 Tumbulgum Rd, NSW 2484	Tassie Duff	24	Private residence converted into hostel.
Narooma 243 Princess Hwy, NSW 2546	Darren Brass & Karli Walters	35	Holiday accommodation converted into hostel.
Newcastle Beach 30 Pacific St, Newcastle NSW 2300	Damian Parkhouse	103	Converted heritage building.
Nimbin Rox 74 Thorburn St, Nimbin NSW 2480	Liam Brehme	34	Purpose built hostel.
Noosa 2 Halse Lane, Noosa Heads, QLD 4567	Drew Pearson	95	National Trust Heritage listed building with additional purpose built hostel.
Port Douglas Port Street, QLD 4877	Wendy & Michael Smith	120	Converted motel.
Port Macquarie 40 Church St, NSW 2444	Tenielle Jones	36	Private home extended into hostel.
Port Stephens Frost Rd, Anna Bay, NSW 2316	Mark & Sandy Munday	31	Purpose built hostel.
Rockhampton 60 MacFarlane St, QLD 4701	Auzen Mercader	62	Purpose built hostel.
Rockhampton Outback 1591 Baralaba Rannes Rd, Kokotungo, Baralaba, QLD 4702	Lyn Eather	42	Purpose built hostel within a cattle station.
Stradbroke Island 1 Eastcoast Rd. Point Lookout, QLD 4183	James Griffith	62	Purpose built hostel with dive centre.
Summer YHA @ Victoria Park 96 City Road, Chippendale, NSW 2008	George Kazan	172	Summer hostel facility in student accommodation at the University of Sydney.
Sydney Beachouse 4 Collaroy St, Collaroy Beach, NSW 2097	James Dakin	214	Purpose built hostel.
Tamworth 169 Marius St, NSW 2340	Carol Hobden	43	Converted commercial building.
Terrigal 9 Ocean View Dr, NSW 2260	Matthew Castle	46	Converted guesthouse.
Wollongong 75-79 Keira St, NSW 2500	Mary Sparks	33	Purpose built hostel, serviced apartments and student complex.
Yamba 26 Coldstream St, NSW 2464	Shane, Justin & Steve Henwood	90	Purpose built hostel.

Financial Summary

Overview

Total income for 2011 was \$32.55M, which was \$198,488 below the previous year.

The net surplus was \$1.89M and includes a profit on the sale of office administration offices at 422 Kent Street, Sydney of \$2.6M. The economic background for 2011 was uncertain global conditions with the European finance crisis most likely influencing demand from this key market. The appreciation of the AUD exchange rate compared to both the Euro and USD is changing expectations and perceptions of Australia as a good value destination to one of now higher expense.

Overnights were down from international guests although there was growth from domestic visitation, particularly event and group travel driven. The strength of the local economy was an attraction for international travellers seeking working holidays. However, this demand tended to concentrate in the gateway cities, benefiting in particular Glebe Point, Railway Square, Sydney Harbour and Brisbane City YHAs, whilst limiting travel to more remote areas of the country, such as Tropical North Queensland and the Northern Territory.

Cash flow

Operating cash flows were lower than 2010 as international guests were down and operations in Queensland were affected by floods and Cyclone Yasi in the first quarter. Finance costs were up on 2010 as the finance facility was re-established for two years requiring a new establishment fee to be paid.

Capital expenditure

Capital expenditure included refurbishment of Canberra YHA bathrooms for \$420,000 with the remainder spent primarily on maintaining the standards of plant and equipment of the hostels, investment in systems and sustainability initiatives. Property capital expenditure included the acquisition of Railway Square YHA's 99 year leasehold building for \$12.02M including acquisition costs. This was funded by increased borrowings of \$13.03M. Proceeds from sale of property were \$3.85M for the sale of 422 Kent Street, Sydney and these were primarily applied to the reduction of borrowings (\$3.6M). General borrowings were reduced by \$1.42M during the year including the first of loan repayments to HI Australia for \$125,000. At year end, net borrowings had therefore increased by \$8.01M.

Contribution from divisions

The contribution of each division to the profit before interest and tax is compared in percentage terms in the graph above. The hostel division is the major contributor to overall surplus, with membership making a small contribution.

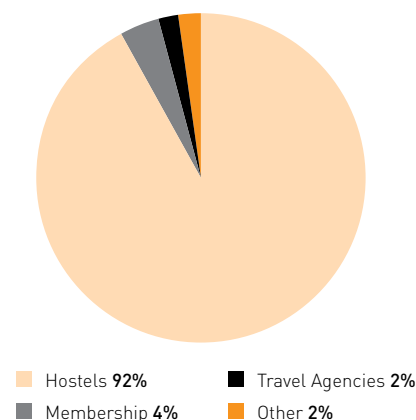
Hostel division

Arrivals of travellers from the UK and European countries were down 6.5% (2010, 6%) on the previous year. Fortunately domestic overnight growth was positive 9.7%, particularly in the capital city hostels.

Membership division

Australian memberships decreased by 10% for the year mainly due to lower numbers of new members (1,900) and renewing members (1,406). International membership sales decreased 7% to 18,749. Income decreased as the accounting for memberships in 2010 had a large adjustment due to a change in accounting for recognition of Australian membership income to be the same as the method for international members.

2011 Source of Gross Revenue



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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 2011.

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
Murray John Bowles		Elected to the YHA NSW Board in 1980. Held roles of Vice Chair, Hon Secretary and delegate to National Board. YHA member since 1971. Experience in medical regulatory affairs.		04/12
John Derry Clancy	BBus, ASA, SA Fin	Elected to the YHA NSW Board in 2005. Held role of Hon Treasurer. YHA member since 1979. Public sector employee in corporate finance and policy.	Chair Audit & Risk Committee from 1/10 to 10/11. YHA Ltd delegate to National Board from 4/11.	04/14
Geneve Nicole Fox	CPA, GAICD	Former member YHA Qld Board. Held roles of Treasurer and Secretary. YHA member since 1997. Public sector employee with financial management skills.	YHA Qld delegate to National Board from 1/10 to 12/11	04/12
Helen Margaret Harms	BSc, MBA, GAICD	Elected to the YHA NSW Board in 2007. YHA member since 2007. General Manager IT, financial services company.	Chair from 04/08.	04/12
Leonie Isabelle Thijssen	BCom, CPA, CSA (Cert)	Former member of YHA Qld Board. Held role of Treasurer. YHA member since 2000. Specialist in tax and compliance.	Vice Chair from 4/11. Chair Audit & Risk Committee from 10/11.	04/13
Salvator (Sam) Thomas Vella	F CPA, FCIS, FAICD	Elected to the YHA NSW Board in 2005. Held roles of Vice Chair, Hon Secretary. YHA member since 2003. Company Director.	Chair Nominations & HR Committee from 1/10.	04/13
Toinette Vincent	BA, Grad Cert Ad Ed & Trg, GAICD	Former member of YHA Qld Board. Held role of Chair. Held role of Vice Chair YHA Ltd. YHA member since 1990. Experience in HR and training.		04/13
Janet Richardson	M HlthSc, BAppSc(Hon), BAppSc(OHS)	Former member of YHA Qld Board. YHA member since 1999. Public Sector employee in safety, risk and emergency management.		Elected 4/11-4/14
David Neish	BA Arch(Melb) FRAIA	Former member of YHA Qld Board. YHA member since 1996. Architect.		Elected 4/11-4/14
Robert Anthony McGuirk	BA LLB, FFin, MAICD	Former member of YHA Victoria Board. Held roles of Chair, Vice Chair, HI Vice President. YHA member since 1990. Lawyer, Property Manager & IT Consultant.	YHA Victoria Limited delegate to National Board.	Appointed 1/12-4/13
Cameron James Quinten	BEd(Sec), BSc(Hon), Grad Dip AppSci, DipBus, Dip Sustainability, Cert IV Train & Assess, AIMM	Former member of YHA Victoria Board. Held role of Chair. YHA member since 1995. Business Development Manager in the Vocational Training and Education sector.	YHA Victoria Limited alternate delegate to National Board.	Appointed 1/12-4/12

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

2. Meetings of Directors

The following table on page 33 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.

Directors' Report (cont.)

Director	Board of Directors Meetings		Committee Meetings	
	Number held	Number attended	Number held	Number attended
John Bowles	8	6	2	2
John Clancy	8	7	6	6
Gen Fox	8	8	6	5
Helen Harms	8	6	7	5
David Neish	7	7	6	6
Janet Richardson	7	6	6	6
Leonie Thijssen	8	7	6	6
Sam Vella	8	8	7	7
Toni Vincent	8	7	0	0

The above meeting attendance is for YHA Ltd. Youth Hostels Association of Queensland (YHA Queensland) also held 4 board meetings and YHA Travel (QLD) Pty Ltd held 3 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.

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 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 Company 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 a travel agency and offers tour desk services. These activities are directed at achieving the specific objectives of the Company.

6. Operating Results

The consolidated surplus for the financial year ended 31 December 2011 was \$1,894,933. This included the profit on sale of 422 Kent Street, Sydney of \$2,684,651.

Aside from providing an annual surplus to reinvest for further growth, the company uses occupancy percentage or utilisation of the hostel beds as a measure of performance together with quality ratings from guests. The hostel bed occupancy for 2011 for operated hostels was 66.7% (2010 67.2%), ratings were in the desired range and several hostels achieved consistently high ratings.

Directors' Report

7. Review of Operations

The annual report is prepared on a consolidated basis and includes the operations of YHA Ltd (hostel operations, membership and travel agency), YHA Queensland (property owner) and YHA Travel (Qld) Pty Ltd (travel agency).

Revenue was affected in the first quarter by severe weather events in Queensland with floods in the South East and Cyclone Yasi in the North. This affected access to the hostels and restricted revenue during this period. Since these events Brisbane has continued to grow over last year and Sydney hostels also experienced some growth. International overnight stays were down as demand slowed with a high exchange rate for the AUD against the USD, GBP and Euro. Sales of 'eNights' pre-purchased accommodation vouchers declined for the year except in the mid-year where a low price point was successfully marketed. Domestic overnight stays grew substantially, partly driven by demand for event accommodation in the capital cities and from small to medium sized groups. Membership sales to Australians slowed though international membership sales were steady considering the lower overnights.

The 422 Kent Street building was sold and the proceeds used to repay bank loans. Further borrowings were advanced to purchase the Railway Square YHA, Sydney a hostel that YHA had been leasing since the hostel opened in 2004.

8. Dividends

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

9. Significant Changes in the State of Affairs

The Directors of the Company 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 Company, the result of those operations or the state of affairs of the Company for the year ended 31 December 2011.

10. Significant Events since the end of Financial Year

A merger of YHA Ltd and YHA Victoria Limited was approved by meetings of members in Victoria and the YHA Ltd Board and took effect on 1 January 2012. YHA Ltd now covers YHA activities in the ACT, NSW, the NT, Queensland and Victoria. Integration of operations is underway.

As part of this merger with YHA Victoria Limited, YHA Ltd and YHA Queensland borrowings were refinanced under the one Cash Advance Facility with Westpac. This refinancing gives certainty of finance for the merged organisation through to December 2014 and achieved financial close on 13 January 2012.

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 Company, the results of those operations or state of affairs of the Company in future financial years.

11. Likely Developments

Likely developments in the operations of the Company 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 Company.

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

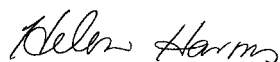
The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or State or Territory.

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 49. Signed in accordance with a resolution of the Directors.



Helen Harms

Director

22 February 2012



Leonie Thijssen

Director

22 February 2012

Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011 \$	2010 \$
Revenue or other income			
Rendering of services		31,778,280	31,861,803
Other income		674,123	789,087
	2	32,452,403	32,650,890
Expenses			
Employee benefits expense	3	(12,203,338)	(12,243,303)
Depreciation & amortisation	3	(3,764,037)	(3,581,107)
Finance costs	3	(4,528,527)	(3,908,064)
Other expenses	3	(10,061,568)	(12,527,088)
		(30,557,470)	(32,259,562)
Surplus before income tax			
		1,894,933	391,328
Income tax expense	4	-	(10,798)
Surplus after income tax		1,894,933	380,530
Total Comprehensive Income		1,894,933	380,530

The accompanying notes form part of these financial statements.

Statement of Financial Position

For the year ended 31 December 2011

	Note	2011 \$	2010 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	2,223,381	1,587,357
Trade and other receivables	6	1,085,460	348,407
Inventories	7	160,892	178,390
Other current assets	8	804,796	364,105
Total Current Assets		4,274,529	2,478,259
Non-current Assets			
Property, plant and equipment	9	94,842,050	86,281,342
Intangible assets	10	1,540,115	1,498,535
Total Non-current Assets		96,382,165	87,779,877
TOTAL ASSETS		100,656,694	90,258,136
LIABILITIES			
Current Liabilities			
Trade and other payables	11	2,748,558	2,387,828
Borrowings	12	2,625,000	2,250,000
Provisions	13	1,304,937	1,171,158
Other liabilities	14	1,741,743	1,652,842
Total Current Liabilities		8,420,238	7,461,828
Non-current Liabilities			
Trade and other payables	11	57,930	75,803
Borrowings	12	65,224,000	57,590,000
Provisions	13	62,576	96,146
Other liabilities	14	177,221	214,563
Total Non-current Liabilities		65,521,727	57,976,512
TOTAL LIABILITIES		73,941,965	65,438,340
NET ASSETS		26,714,729	24,819,796
ACCUMULATED SURPLUS		26,714,729	24,819,796

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2011

	Accumulated Surplus \$
Balance at 1 January 2010	24,439,265
Total Comprehensive Income for the year	380,531
Balance at 31 December 2010	24,819,796
Total Comprehensive Income for the year	1,894,933
Balance at 31 December 2011	26,714,729

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Receipts from members and customers		35,378,967	36,428,322
Payments to employees		(12,145,196)	(12,243,303)
Payments to suppliers		(16,650,313)	(17,157,022)
Interest received		41,075	75,364
Finance Costs		(4,315,839)	(3,904,429)
Net cash provided by operating activities	20	2,308,695	3,198,932
Cash flows from investing activities			
Purchase of plant, equipment & software		(1,505,271)	(834,639)
Purchase of property		(12,026,400)	-
Proceeds from sale of property, plant & equipment		3,850,000	636
Net cash (used in) investing activities		(9,681,671)	(834,003)
Cash flows from financing activities			
Proceeds (Repayment) of borrowings - YHA Australia		(125,000)	-
(Repayment) of borrowings - bank		(4,900,000)	(2,500,000)
Proceeds of borrowings - bank		13,034,000	-
Net cash provided by (used in) financing activities		8,009,000	(2,500,000)
Net increase (decrease) in cash and cash equivalents		636,023	(135,071)
Cash and cash equivalents - beginning of period		1,587,357	1,722,428
Cash and cash equivalents - end of period	5	2,223,381	1,587,357

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2011

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001. The consolidated financial report of the Company as at and for the year ended 31 December 2011 comprises the company and its controlled entities which include Youth Hostels Association of Queensland and YHA Travel (QLD) Pty Ltd. YHA Ltd as an entity is a company limited by guarantee, incorporated and domiciled in Australia. The following is a summary of the material accounting policies adopted by YHA Ltd in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

Reporting Basis and Conventions

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

Accounting Policies

Property Plant & Equipment

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

Depreciation

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

The estimated useful lives are:

Freehold Buildings	30 - 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 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.

Impairment

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

Impairment Assets

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

Employee Benefits

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

Cash and Cash Equivalents

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

Lease

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

Inventories

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

Liquor Licence

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

Software

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

Goodwill

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

Revenue

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

Membership Revenue

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

Goods and Services Tax (GST)

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

Comparative Figures

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

Notes to the Financial Statements

For the year ended 31 December 2011

Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

NOTE 2 - REVENUE

	2011 \$	2010 \$
Hostel	25,375,492	24,974,859
Catering	796,031	797,621
Other hostel	2,710,571	2,569,794
Membership	1,277,774	1,755,038
Travel	632,055	838,063
Rent	986,356	926,428
Rendering of services	31,778,279	31,861,803
Sundry income	636,889	713,722
Interest	37,235	75,365
Other Income	674,124	789,087
Total revenue and other income	32,452,403	32,650,890

NOTE 3 - EXPENSES

	2011 \$	2010 \$
Salaries and wages	10,778,848	10,655,826
Superannuation	955,623	975,366
Other benefits	468,867	612,111
Employee benefits	12,203,338	12,243,303
Depreciation of property plant & equipment	3,714,120	3,430,965
Amortisation of software	41,143	141,368
Amortisation of goodwill	8,774	8,774
Depreciation and amortisation	3,764,037	3,581,107
Borrowing costs	195,693	3,636
Bank interest	4,223,462	3,826,157
Affiliated interest	109,372	78,271
Finance costs	4,528,527	3,908,064
Cost of goods sold	784,259	851,997
Disposal of assets (Profit) Loss	(2,581,971)	54,506
Operating expenses	5,049,519	4,421,932
Administration and marketing	3,814,416	4,248,628
Property expenses	2,914,961	2,865,061
Audit	80,384	84,964
Other expenses	10,061,568	12,527,088

NOTE 4 - INCOME TAX

The calculation of income tax payable by the group is based on the principle of mutuality which in broad terms means that income which is contributed by members will be excluded from assessable income. Similarly, expenditure which relates directly to the revenue received from members will not be allowed as a deduction. Remaining expenditure may be apportioned against mutual and non-mutual income. The Australian Taxation Office has agreed in principle with the method of apportionment adopted. The Australian Taxation Office has granted a private ruling that income from members and visiting international members of Hostelling International is mutual income. The parent group is required to lodge an income tax return if the non-member income exceeds the statutory limit of \$416. Under the self-assessment legislation, the lodgement of a tax return is deemed to be an assessment and until or unless a tax audit is carried out there can be no official confirmation that the income tax return has been accepted without alteration. For the 2011 taxation year, the parent group's income tax return disclosed ordinary taxable loss of \$95,200 (2010: taxable income of \$65,893) which increased the revenue losses carried forward to \$2,300,222 (2009: \$2,205,023).

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	2011 \$	2010 \$
Cash on hand	49,070	46,320
Cash at bank	2,122,434	1,480,929
Cash on deposit	51,877	60,108
	2,223,381	1,587,357

NOTE 6 - RECEIVABLES

Trade receivables	521,428	348,407
BAS receivable	564,032	-
	1,085,460	348,407

NOTE 7 - INVENTORIES

Finished goods	160,892	178,390
	160,892	178,390

NOTE 8 - OTHER ASSETS

Rental and utility deposit	15,010	15,010
Prepayments	523,283	330,345
Deferred expenditure	266,503	18,750
	804,796	364,105

Notes to the Financial Statements

For the year ended 31 December 2011

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

	2011 \$	2010 \$
Freehold Land and Building		
At cost	58,520,604	60,387,256
Less: Accumulated depreciation	(13,434,289)	(12,798,235)
	45,086,315	47,589,021
Leasehold Land and Buildings		
At cost	46,820,914	34,955,555
Less: Accumulated depreciation	(3,771,069)	(2,912,557)
	43,049,845	32,042,998
Plant and Equipment		
At cost	13,773,408	13,115,691
Less: Accumulated depreciation	(7,067,518)	(6,466,368)
	6,705,890	6,649,323
Total Property, Plant and Equipment	94,842,050	86,281,342
Independent valuations of interest in Land & Buildings		
-2011	28,200,000	-
-2010	102,620,000	125,770,000
-2006	1,100,000	1,100,000
-2004	2,995,000	2,995,000
Total	134,915,000	129,865,000

Some smaller properties were not revalued in 2010 due to the cost involved. Two Queensland properties were revalued as part of the refinancing for YHA Queensland in 2011.

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (cont.)

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

Reconciliations

	2011	2010
	\$	\$
Freehold Land and Building		
Balance at the beginning of year	47,589,020	48,442,451
Additions	132,205	49,716
Disposal	(1,157,113)	-
Transfers	-	282,640
Depreciation expenses	(1,477,797)	(1,185,787)
Carrying amount at the end of year	<u>45,086,315</u>	<u>47,589,020</u>
Leasehold Land & Buildings		
Balance at the beginning of year	32,042,998	33,183,547
Additions	11,945,322	11,955
Disposal	-	-
Transfers	(67,956)	(254,853)
Depreciation expenses	(870,519)	(897,650)
Carrying amount at the end of year	<u>43,049,845</u>	<u>32,042,999</u>
Plant & Equipment		
Balance at the beginning of year	6,649,323	7,383,734
Additions	1,423,898	696,047
Disposal	(34,324)	(55,142)
Transfers	3,191	(27,787)
Depreciation expenses	(1,336,198)	(1,347,529)
Carrying amount at the end of year	<u>6,705,890</u>	<u>6,649,323</u>
Total		
Balance at the beginning of year	86,281,341	89,009,732
Additions	13,501,425	757,718
Disposal	(1,191,437)	(55,142)
Transfers	(64,765)	-
Depreciation expenses	(3,684,514)	(3,430,966)
Carrying amount at the end of year	<u>94,842,050</u>	<u>86,281,342</u>

Notes to the Financial Statements

For the year ended 31 December 2011

NOTE 10 - INTANGIBLE ASSETS

	2011 \$	2010 \$
Liquor Licence - at cost	116,681	116,681
Travel Licences - at cost	10,000	10,000
Licences	126,681	126,681
Goodwill - at cost	1,378,965	1,378,965
Less: Accumulated amortisation	(78,965)	(70,191)
Goodwill	1,300,000	1,308,774
Computer Software - at cost	1,040,436	907,258
Less: Accumulated amortisation	(927,002)	(844,178)
Computer Software	113,434	63,080
Total Intangible assets	1,540,115	1,498,535

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 Travel Licence is for the Travel Compensation Fund contributions for expanding to new branches or territories.

The recoverable amount of the Goodwill is determined together with the cash-generating unit which includes the 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
Balance at the beginning of year	126,681	1,308,773	63,080	1,498,534
Additions	-	-	140,486	140,486
Amortisation charge	-	(8,773)	(90,132)	(98,905)
Carrying amount at the end of year	126,681	1,300,000	113,434	1,540,115

NOTE 11 - TRADE AND OTHER PAYABLES

	2011 \$	2010 \$
Trade creditors	676,568	406,288
Accrued expenses	1,513,784	1,060,782
BAS payable	53,940	211,677
Other payables	482,659	680,808
Rental bonds	79,537	104,076
	2,806,488	2,463,631
Current	2,748,558	2,387,828
Non-current	57,930	75,803
	2,806,488	2,463,631

NOTE 12 - BORROWINGS

	2011 \$	2010 \$
Current		
Bank overdraft	-	-
Bank loans	2,375,000	2,000,000
Affiliated body loans	250,000	250,000
	2,625,000	2,250,000
Non-current		
Bank overdraft	-	-
Bank loans	63,049,000	55,290,000
Affiliated body loans	2,175,000	2,300,000
	65,224,000	57,590,000
Total Borrowings	67,849,000	59,840,000

1. A loan of \$550,000 granted by HI Australia to YHA Ltd is secured by a registered mortgage over a Northern Territory hostel. The loan was interest free for the first two years and subject to interest from July 2009. The loan is repayable \$100,000 per annum from 2013 to 2016 and the balance of \$150,000 in 2017.
2. Another loan of \$1,000,000 granted by HI Australia to YHA Ltd is secured by second mortgage over two Sydney hostels. The loan was interest free for the first two years and subject to interest from September 2010. The loan is repayable \$125,000 per annum from 2011 to 2018.
3. Another loan of \$1,000,000 granted by HI Australia to YHA Queensland is secured by second mortgage over a Brisbane hostel. The loan was interest free for the first two years and subject to interest from April 2011. The loan is repayable \$125,000 per annum from 2011 to 2018.
4. The Westpac facility of \$38,100,000 and the NAB facility of \$19,190,000 were combined under a new Westpac Cash Advance Facility on 1 April 2011 for a term of two years. It consists of a Cash Advance revolving facility for YHA Ltd borrowings and a Cash Advance Term Facility for the YHA Queensland borrowings. The facility allows prepayment and with any prepayment a permanent reduction in the facility. Prepayments are required in 2012 with \$1,125,000 repayable by February 2012 and a further \$625,000 repayable by June 2012 and a further \$625,000 repayable by December 2012. The bank facilities are secured by a first ranking fixed and floating charge over all the assets of the Company. The covenants within the bank borrowings require the Company to maintain the loan to value ratio at less than or equal to 55% and the interest cover ratio of earnings before interest, tax, depreciation and amortisation (EBITDA) less provision for Capital Expenditure of 3% of revenue over interest expense greater than or equal to 1.5 times. The group currently complies with the borrowing covenants.

	2011 \$	2010 \$
The bank facilities as at the balance date are:		
Credit facilities	65,924,000	57,590,000
Amount utilised	65,424,000	57,290,000
	500,000	300,000

The unused credit facilities consist of bank bill facility Nil (2010 Nil) and bank overdraft \$500,000 (2010 \$300,000).

Assets Pledged as Security

The carrying amounts of assets pledged as security are:

-First mortgage and floating charges

Total Assets	96,382,166	87,779,876
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Notes to the Financial Statements

For the year ended 31 December 2011

NOTE 13 - PROVISIONS

	2011 \$	2010 \$
Current		
Employee benefits	1,194,252	1,071,158
Insurance Excess	110,686	100,000
	1,304,937	1,171,158
Non-current		
Employee benefits	62,576	96,146
	62,576	96,146

The provision for insurance excess is for the Garie Beach hostel that was destroyed by fire in December 2010.

Aggregate liability for employee benefits provision including on-costs

Employee benefits	1,256,828	1,167,304
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Movements in provisions

	Employee Entitlements	Insurance Excess
Balance at the beginning of year	1,167,303	100,000
Additions	1,106,150	10,686
Transfers	-	-
Amounts used	(1,016,625)	-
Balance at the end of year	1,256,828	110,686

NOTE 14 - OTHER LIABILITIES

	2011 \$	2010 \$
Bookings in advance	1,540,658	1,444,016
Unexpired life membership income	166,664	200,073
Unexpired other membership income	211,642	223,316
	1,918,964	1,867,405
Current	1,741,743	1,652,842
Non-current	177,221	214,563
	1,918,964	1,867,405

NOTE 15 - COMMITMENTS

a. Capital Commitments

Capital expenditure commitments contracted for:

- Plant and equipment purchases
- Capital expenditure projects

	2011 \$	2010 \$
	-	-
	180,781	199,614
	180,781	199,614

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

	411,890	1,518,030
	428,920	2,673,396
	3,864,290	3,988,355
	4,705,100	8,179,781

NOTE 15 - COMMITMENTS

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

In addition, one lease requires the payment of turnover rent for the amount (if any) in each calendar year of the term by which the accommodation revenue for the calendar year exceeds the turnover rent threshold in that year. Turnover rent recognised as expenses in the period amounted to \$261,773 (2010 \$258,645).

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 construction performance guarantee expired in September 2010 and the registration of the lease is complete. The bank guarantee for the Railway Square YHA sub-lease for \$400,000 was returned on acquisition of the leasehold and has been cancelled.

NOTE 16 - 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.

During the year administration fees were paid to YHA Ltd by YHA Travel (Qld) Pty Ltd amounting to \$233,245 (2010 \$257,297). Also during the year rent was paid to YHA Queensland by YHA Ltd for use of the Qld hostels amounting to \$2,400,000 (2010 \$2,395,141).

NOTE 17 - FINANCIAL INSTRUMENTS

Financial Risk Management

a) General objectives, policies and processes

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

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

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

The overall objective of the Board is to set policies that seek to reduce risk as far as possible. Further details regarding these policies are set out below:

b) Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the consolidated entity incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the consolidated entity. As a result, due to spread of debtors, the credit quality of financial assets that are neither past due nor impaired is good.

The maximum exposure to credit risk at balance date is as follows:

	2011 \$	2010 \$
Trade and other receivables	1,085,460	348,407

Notes to the Financial Statements

For the year ended 31 December 2011

NOTE 18 - 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 Manager, Chief Financial Officer, Northern Region Manager and Marketing Manager. The CEO of Youth Hostels Association of Queensland has been excluded from the below analysis as the position was terminated in June 2010.

Total	Salaries \$	Superannuation \$	Total \$
2011	802,171	70,035	872,206
2010	752,398	65,556	817,954

NOTE 19 - PARENT ENTITY INFORMATION

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

	Parent Entity	
	2011 \$	2010 \$
Profit after income tax	1,831,430	(5,431)
Total comprehensive income	1,831,430	(5,431)
Total current assets	4,105,688	2,028,782
Total assets	75,519,655	64,263,061
Total current liabilities	6,199,641	6,869,697
Total Liabilities	54,206,368	44,781,208
Equity		
Retained earnings	21,313,287	19,481,853

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2011.

Capital commitments

The parent entity had capital commitments for property, plant & equipment as at 31 December 2011 (\$188,000) and 31 December 2010 (\$199,000).

Significant accounting policies

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

NOTE 20 - RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

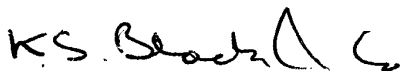
	Consolidated Entity	
	2011 \$	2010 \$
Surplus after income tax	1,894,933	380,530
Non-cash flow in surplus		
Depreciation and Amortisation	3,741,446	3,581,107
Impairment of property, plant & equipment	(2,684,651)	-
Loss on sale of property, plant & equipment	22,591	54,497
Deferred revenue	-	(6,667)
Changes in assets and liabilities		
Decrease (Increase) in receivables	(737,054)	95,246
Decrease (Increase) in inventory	17,497	(17,646)
Decrease (Increase) in other assets	(440,692)	115,922
Increase (Decrease) in payables	342,856	(1,262,198)
Increase (Decrease) in provisions	100,210	161,352
Increase (Decrease) in other liabilities	51,559	96,789
Net cash provided by operating activities	2,308,695	3,198,932

Auditor's Independence Declaration

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF YHA LTD.

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2011, there have been:

- a) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- b) No contraventions of any applicable code of professional conduct in relation to the audit.



KS Black & Co
Chartered Accountants
22 February 2012
Level 6
350 Kent Street
Sydney NSW 2000



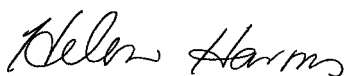
Faizal A Ajmat
Partner

Directors' Declaration

The Directors of YHA Ltd declare that:

1. The financial statements and notes, as set out on pages 35 to 48, are in accordance with the Corporations Act 2001:
 - a. Comply with Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b. Give a true and fair view of the financial position as at 31 December 2011 and of the performance for the year ended on that date of the economic entity and parent entity.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Helen Harms
Director
22 February 2012



Leonie Thijssen
Director
22 February 2012

Independent Audit Report

To the members of YHA Ltd

ABN 94 008 387 791

Scope

We have audited the attached financial report of YHA Ltd for the financial year ended 31 December 2011. The financial report comprises the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Notes to the Financial Statements and the Directors' Declaration.

The Directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the consolidated entity's and parent entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Independence

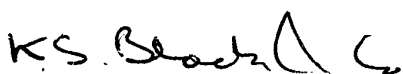
In conducting the audit we followed applicable independence requirements of Australian professional and ethical pronouncements of the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of my knowledge and belief that the auditor's independence declaration included in the financial report on page 49 has not changed as at the date of providing my audit opinion.

Auditor's Opinion

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

- a. giving a true and fair view of the consolidated entity's and parent entity's financial position as at 31 December 2011 and their performance for the year ended on that date; and
- b. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.



KS Black & Co
Chartered Accountants
22 February 2012
Level 6
350 Kent Street
Sydney NSW 2000



Faizal A Ajmat
Partner

Mission Statement

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.



YHA Ltd

422 Kent St
Sydney NSW 2000

Tel: (02) 9261 1111
Fax: (02) 9261 1969
Email: yha@yha.com.au
Web: yha.com.au

ABN: 94 008 387 791
ACN: 008 387 791

Northern Region office:

Level 5, Northpoint Building
231 North Quay, Brisbane
Queensland 4000
Tel: (07) 3236 4999
Fax: (07) 3236 1702

Southern Region office:

GPO Box 4793,
Melbourne VIC 3001
Tel: (03) 9670 3802
Fax: (03) 9670 9840

Solicitors:

Whitehead Cooper Williams

Auditors:

K.S. Black & Company

Bankers:

Westpac Banking Corporation
& National Australia Bank

Insurance Brokers:

Insurance Advisernet
Australia Pty Ltd

Top to bottom: Railway Square YHA;
Bundanoon YHA; Brisbane City YHA;
Alice Springs YHA; Pittwater YHA

