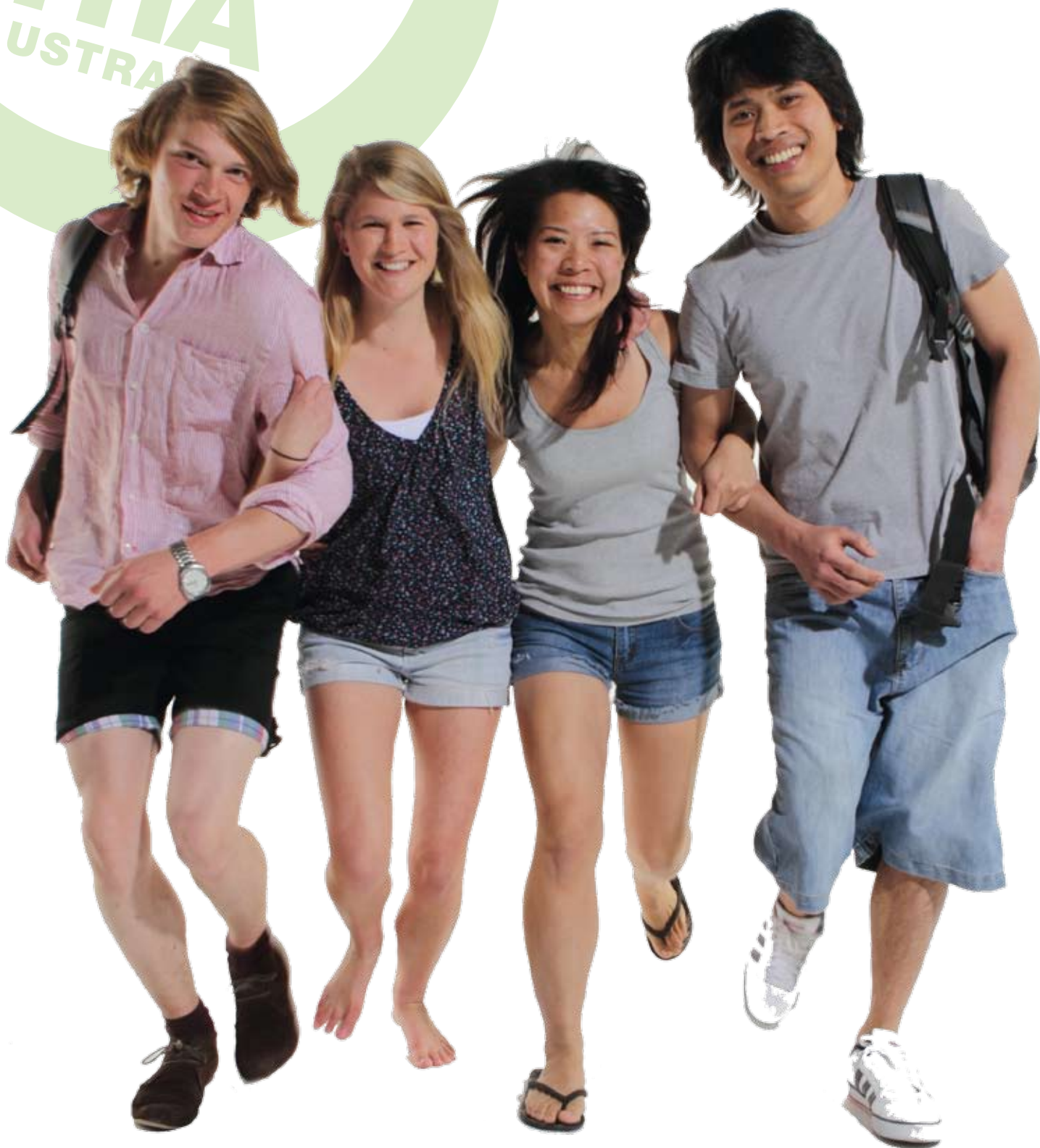




YHA^{Ltd}

Year in Review 2010



Background to YHA



Contents

- 2 Background to YHA
- 3 Introduction
- 4 2010 In Summary: Discussion and Analysis of Financial Results
- 5 Five Year Comparison
- 7 YHA Accommodation
- 10 Sustainability
- 11 Merger & Integration
- 13 Member Services
- 15 Structure of the Organisation
- 16 Strategic Planning & Outlook
- 18 Governance
- 20 Corporate Affairs
- 23 Relations with the Government & Other Organisations
- 24 Human Resources
- 26 YHA Ltd Hostels
- 28 Financial Summary
- 29 Financial Reports for the year ended 31 December 2010

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 120 YHA hostels in Australia, including 54 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.

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 34,175 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

We are pleased to present this report, setting out YHA's activities and achievements over 2010 in the ACT, NT, NSW and Queensland, providing a high quality travel and accommodation network for members.

Results

In the two states and two territories the network comprises 54 properties either owned or leased by YHA or privately operated. In 2010, over a million overnight stays were recorded by guests and a surplus of \$380,531 was achieved on a turnover of \$32.7 million. Brisbane City YHA had its first full year of trading, as did Sydney Harbour YHA. This unique property also hosted Australia's Governor-General at its official opening.

The flow-on effect of the global economic downturn impacted negatively, leading to a slowdown in the rapid growth of recent years, particularly in urban hostels. There was a focus on debt retirement rather than new capital works. There was an increase in hostel usage by Australians and visitors from some overseas countries but there were fewer visitors from the UK, Ireland and Japan. Regional hostels play an important role in encouraging both Australian and international travellers to explore the country and Alice Springs YHA and Canberra YHA stood out with higher visitation. As a not-for-profit organisation any surpluses are re-invested into expanding the accommodation network and providing benefits for guests and members.

Merger

Following a vote by members in 2009, a successful merger took place with YHA NSW (ACT, NSW, NT) and YHA Queensland coming together on 1 January 2010 to form YHA Ltd. A major focus of the year was integration of the organisation to provide even better services by standardising and streamlining systems and procedures.



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

Member Services

YHA is a member-based organisation and places great emphasis on encouraging the next generation of travellers to join, and keep up, their membership. There are 34,175 YHA individual and group members in the ACT, NSW, NT and Queensland and a further 20,110 international visitors who joined while in Australia.

Technological innovations continued with the launch of a new look for YHA's website, yha.com.au, which attracts over 10,000 unique visitors a day. Advances were also made in hostel computerisation to ensure seamless check-ins, and a new 'digital flip' version of YHA's members' magazine, *Backpacker Essentials*, was launched online to reach members at home and on the road.

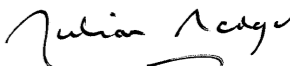
Sustainability

Sustainability initiatives took place at Byron Bay YHA with the installation of solar panels to heat water that was assisted with a Carbon Reduction Program grant contributed to by guests through bookings on yha.com.au. The year culminated with Sydney Harbour YHA winning a 'Community Sustainability Achievement Award' from the NSW Department of Environment, Climate Change & Water.

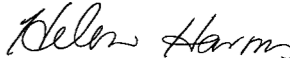
Awards

Sydney Harbour YHA won a total of ten awards in the fields of heritage, construction, planning, sustainability and archaeology, including the coveted 'Best New Tourism Development' award in NSW. Brisbane City YHA won 'Best Backpacker Accommodation' in the Queensland Tourism Awards; Thredbo YHA won the same category at the Canberra & Capital Region Tourism Awards; and Sydney Central YHA entered the NSW Tourism Awards 'Hall of Fame' after winning three years in a row, with Yamba YHA a close contender. YHA's web-based loyalty program, eNights, also won an innovation award at the Golden Backpacks, presented by Tony Wheeler, the founder of Lonely Planet.

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 their ongoing support, without whom none of this would be possible.



Julian Ledger CEO



Helen Harms Chairperson

2010 in Summary: Discussion and Analysis of Financial Results

Highlights

- First full year of operation for the new purpose built Brisbane City and Sydney Harbour YHA hostels
- YHA honoured with a number of tourism and other awards
- Operating surplus of \$380,531

YHA Accommodation

- 2,800 people accommodated each night in the ACT, NT, NSW and Queensland
- Reduction in confidence to travel by key source markets with fewer visitors from UK, Ireland and Japan offset by more Australians
- Increased usage at Canberra and Alice Springs but a slow year for the Pacific Highway and Queensland network
- Continued strong growth in online bookings through yha.com.au and third party websites
- An increase in average customer approval ratings

Merger & Integration

- Program to integrate the businesses of YHA Queensland and YHA NSW proceeded smoothly
- Transition of YHA Queensland members to YHA Ltd
- Provision of accounting services to YHA Australia

Marketing and Member Services

- Australian membership of 33,486 (-11%) and International membership of 20,110 (+4%) and Group membership of 689 (+16%)
- Closure of the Sydney Kent Street Travel Centre to reduce costs
- Sydney Harbour YHA awarded best new tourism development in NSW and collected nine other awards
- Brisbane City YHA, Thredbo YHA and Sydney Central YHA each won best backpacker accommodation in their region and the latter entered the 'Hall of Fame'
- Her Excellency Ms Quentin Bryce AC, Governor-General of the Commonwealth of Australia, officially opened Sydney Harbour YHA

Finance

- 13% increase in turnover to \$32.65M
- Earnings before interest, taxation, depreciation and amortisation (EBITDA) of \$7.8M
- Focus on consolidation and debt retirement. \$2.5M reduction in bank loans
- Revaluation of the property network for bank purposes. Valuations of \$130M with loans of \$60M

Governance

- AGM held in Sydney and Members' Information Meeting held in Brisbane
- The initial Board of YHA Ltd operated with eight Directors and two sub-committees with meetings split between Sydney and Brisbane
- Long standing Director and former YHA Australia Chairman, John McCulloch OAM, passed away in October 2010
- Nominations called for first elections due early 2011

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



The
management
team

Five Year Comparison

	Consolidated			2008 \$	2007 \$	2006 \$
	2010 \$	2009 \$	% Change			
Total revenue	32,650,890	29,014,855	12.5	25,659,011	23,941,030	21,170,207
Total expenses	32,270,359	28,885,766	11.7	25,923,987	22,239,728	19,983,275
Operating surplus after tax	380,531	129,089	194.8	(264,976)	1,701,302	1,186,932
Capital expenditure	841,305	32,958,484	(97.4)	7,384,512	4,089,102	8,993,878
Total assets	90,258,135	93,381,661	(3.3)	63,521,845	53,899,785	51,657,771
Total borrowing	59,840,000	62,340,000	(4.0)	34,123,374	23,185,225	23,837,554
Total equity	24,819,797	24,439,265	1.6	24,460,627	24,725,603	23,129,521
Gearing (note A)	0.71	0.72	(1.6)	0.58	0.48	0.51
Interest cover (note B)	2.01	2.47	(18.6)	1.46	3.40	2.97
Number of members (note C)	34,175	38,396	(11.0)	41,430		
Number of hostels (note D)	54	56	(3.6)	56	54	53
Number of employees (note E)	269	260	3.5	228	222	207

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

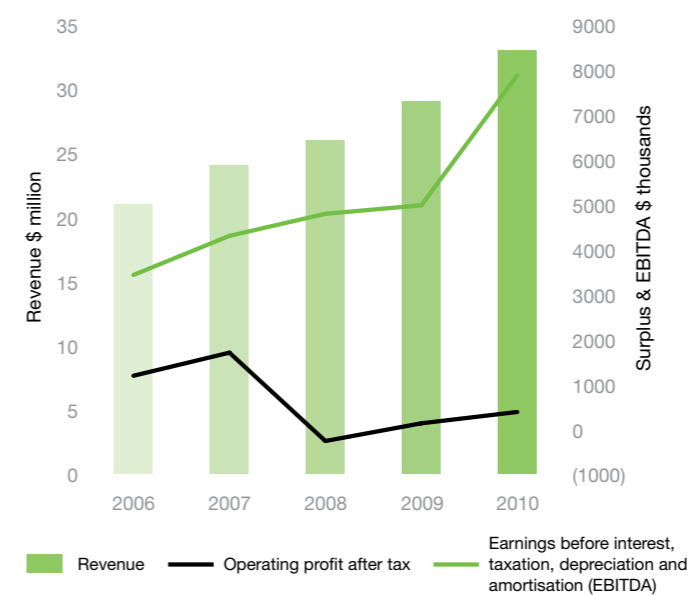
Note B: Based on operating surplus before interest charges and depreciation

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

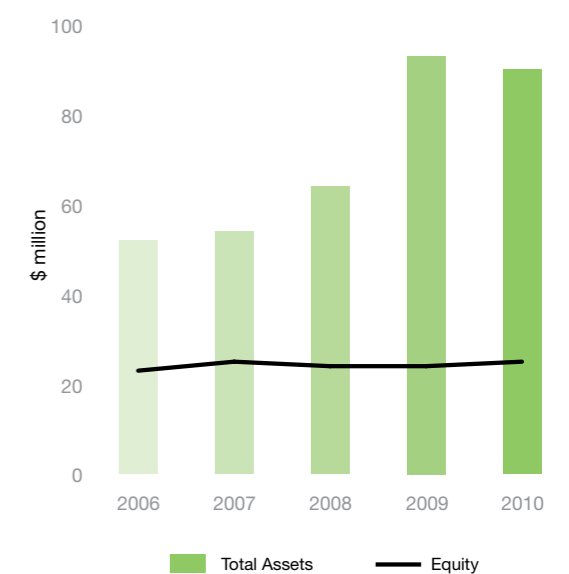
Note D: Includes staff operated, leased and associate hostels

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

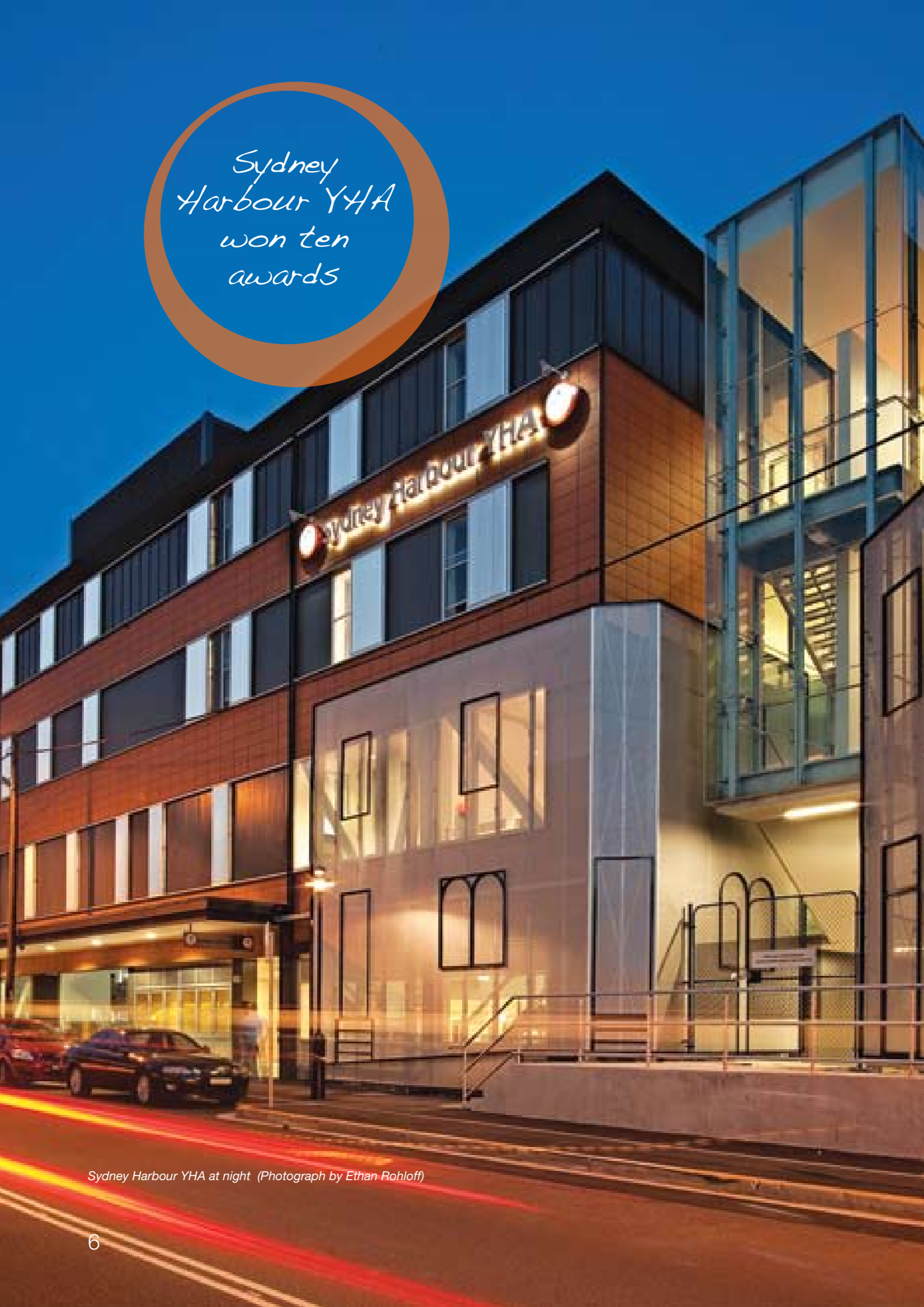
Revenue vs Operating Profit after Tax



Total Assets vs Equity



Sydney Harbour YHA won ten awards



Sydney Harbour YHA at night (Photograph by Ethan Rohloff)

YHA Accommodation

Sources of guests

YHA's primary market is the international 'Free Independent Traveller', making up 70% of hostel guests. A proportion of these are working holiday makers from countries such as Germany and Canada. In 2010 there was a reduction in the number of guests from the UK, Ireland and Japan, primarily due to the economic downturn in these countries, which was partially offset by more Australian guests.

YHA's secondary market is the Australian domestic traveller, making up 21% of guests. The balance of 9% of hostel nights is the third market of groups, which grew strongly 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.

Top 10 international guest nationalities

- United Kingdom
- Germany
- France
- Canada
- USA
- Netherlands
- Ireland
- Japan
- New Zealand
- Sweden

Results

In 2010 there were 1,037,132 overnight stays recorded at 54 hostels in the ACT, NSW, NT and Queensland. Due to a slow-down in visitor arrivals, occupancy was under pressure along the east coast, including Brisbane and Sydney. However two large new hostels, Brisbane City YHA and Sydney Harbour YHA both proved popular, accommodating 250 guests a night on average at each location. On a positive note there also was increased usage at Canberra City and Alice Springs YHAs.

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. However, the effect of increased discounting by competitors and prolonged bad weather in several areas had a negative impact in some regions, including Cairns. Tour desks at hostels continued to operate well, particularly in the Northern Region operated hostels.

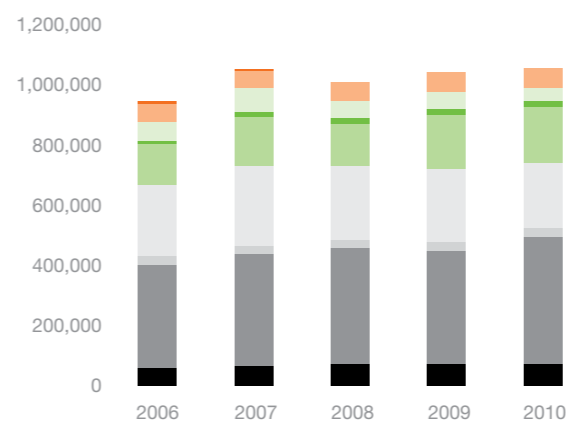
During the year, Murwillumbah YHA celebrated thirty years in the YHA hostel network with an event covered by the local newspapers. Less happily, at year end Garie Beach YHA, a small cabin hostel in the Royal National Park burnt down, and YHA will be assessing future options in this location.

Sydney Harbour YHA

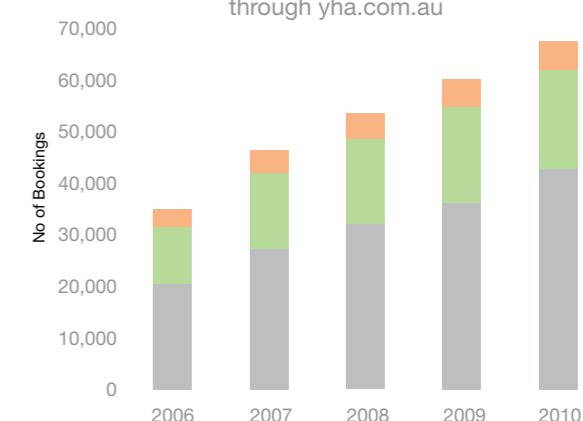
Sydney Harbour YHA is a purpose-built hostel, located on a significant historic site in The Rocks, with panoramic roof-top views over the harbour. Opened in late 2009, the hostel experienced a successful first full year of operation in 2010 and was officially opened by Her Excellency Ms Quentin Bryce AC, Governor-General of the Commonwealth of Australia on April 7. Overnight stays were recorded by guests from more than 80 countries during the year, and combined with sales from the tour desk and café, this led to a sound financial result that met expectations. The hostel has received exceptional praise from media, the tourism industry and guests, and was consistently the top rated hostel in Sydney on yha.com.au and other travel websites.

The onsite 'Big Dig' Archaeology Education Centre performed beyond expectations in its first year of operation. Over 5,000 students undertook history and archaeology education programs presented by Sydney Learning Adventures and the Historic Houses Trust. Sydney Harbour YHA and the Big Dig also hosted and participated in numerous public and industry events, including the inaugural Rocks Education Network Teachers Open Day, and the Historic Houses Trust's 'Sydney Open' event, which

Total Overnights



Hostel Bookings in ACT, NSW, NT & Queensland through yha.com.au



- NT Associates
- QLD Leased
- NSW Leased
- NT Operated
- QLD Operated
- NSW Operated
- QLD Associates
- NSW Associates
- ACT Operated

- NT
- QLD
- NSW / ACT

YHA Accommodation



Sydney Harbour YHA was officially opened by Her Excellency Ms Quentin Bryce AC, Governor-General of the Commonwealth of Australia

saw 600 people taking guided tours through the property. Sydney Harbour YHA was also a checkpoint for the 'Urban Max' race around Sydney with 850 people having to check for clues about the site, as well as a venue for displaying high school students' artworks as part of 'ARTEXPRESS'.

Brisbane City YHA

Brisbane City YHA is a purpose-built hostel located near the Suncorp Stadium and Southbank cultural centre complex, with roof-top views of the river. Officially opened in June 2009, with an on-site café opening in January 2010, the hostel experienced a softer than expected first full year of operation in 2010 due to a reduced number of travellers to Queensland. Occupancy included 4,000 group overnights, and the property has potential to accommodate more groups. The café is leased out to a tenant, which brings rental income and services individual and group catering. The hostel has received consistently favourable feedback from the tourism industry, as well as from Australian and international guests.

Innovations

In partnership with Travelex, key city hostels installed ATMs as a guest service. Hostels around Australia also provide 'YHA Connect' telecommunications services as an important in-house service to guests. During the year, the service was expanded to offer a pre-paid mobile phone SIM product with low cost call and data rates. The product can also be purchased at yha.com.au when booking a hostel.

YHA's web-based loyalty program, eNights, won an innovation award at the Golden Backpacks, presented by the founder of Lonely Planet, Tony Wheeler. This system for onward bookings and bulk accommodation packs for use at over 110 hostels in the YHA Australia network assisted during the year with both occupancy and customer loyalty, and has turned over in excess of \$8 million since launching in 2007.

Quality & awards

YHA has introduced systems to assure the quality of its hostels, 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 the major hostels in Sydney as well as Alice Springs, Blue Mountains, Byron Bay, Canberra and Darwin were certified under the scheme. As a result, the average customer approval rating on yha.com.au of hostels with HIQ-trained management improved by over 1% to 86%. YHA also runs a mystery shopper program and received valuable feedback from the more than 60 visits that took place throughout the network.

YHA believes it has some of the highest quality hostels and a number of awards were bestowed during the year.



Sydney Central YHA staff accepting an award for "Best Backpacker Accommodation in NSW"



Board and staff members accepting an award for "Best Backpacker Accommodation in Queensland"

Awards 2010

Brisbane City YHA

- Best Backpacker Accommodation (Queensland Tourism Awards)

Sydney Central YHA

- Best Backpacker Accommodation (NSW and National Tourism Awards, and 'Hall of Fame')
- Best Hostel in Australia ('Hoscars' - hostelworld.com awards)

Sydney Harbour YHA

- Best New Tourism Development (NSW and National Tourism awards)
- Best Backpacker Accommodation (HMAA - Hotel, Motel & Accommodation Association)
- Best Tourism Development (Urban Taskforce Development Excellence)
- Heritage Planning Award (Planning Institute of Australia, NSW)
- Highly Commended for Heritage Development (National Trust, NSW)
- Highly Commended, Heritage & Adaptive Reuse (Property Council of Australia)
- Master Builders Association Construction Award (Hospitality properties \$10m-\$50m)
- Best Public Archaeology Initiative (Australasian Society for Historical Archaeology)
- Community & Business Sustainability 'Green Globe' Achievement (NSW Dept of Environment, Climate Change & Water)
- Most Comfortable Hostel in the World (Hostelling International Awards)

Thredbo YHA

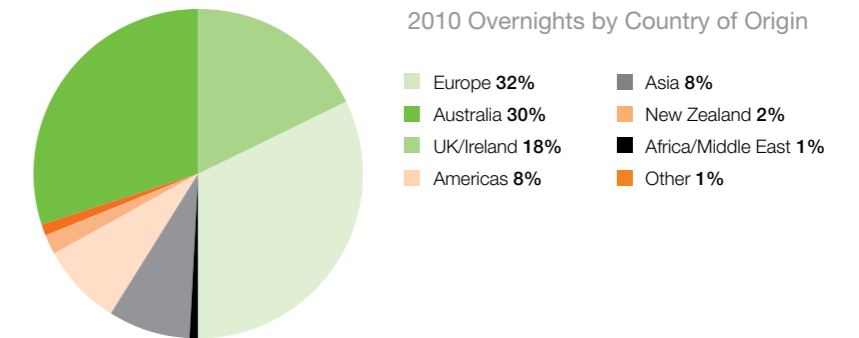
- Best Backpacker Accommodation (Canberra & Capital Region Tourism Awards)

Yamba YHA

- Finalist, Best Backpacker Accommodation (NSW Tourism Awards)

YHA eNights web-based loyalty program

- Innovation Award ('Golden Backpacks' industry awards)



Number of hostels on 31 December 2010

	2008	2009	2010
Operated	19	19	19
Associates	35	35	33
Temporary	2	2	2
Total	56	56	54

Number of beds on 31 December 2010

	2008	2009	2010
Operated	2,887	3,233	3,233
Associates	2,408	2,429	2,317
Temporary	244	244	244
Total	5,539	5,906	5,794

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 2010

	2008	2009	2010
Operated	685,636	721,813	777,375
Associates	304,076	300,417	258,672
Temporary	1,426	1,318	1,085
Total	991,138	1,023,548	1,037,132

Overnights

	2008	2009	2010
By Australians	265,168	263,159	310,440
By Non Australians			
From HI Countries	714,696	749,822	713,109
From Non HI Countries	11,767	10,568	13,583
Total Overnights	991,631	1,023,549	1,037,132

Ratios - permanent only

	2008	2009	2010
Beds per hostel	98	105	107
Overnights per hostel	18,328	18,930	19,924
Overnights per bed	187	181	187

Sustainability

YHA is committed to both the YHA organisation and individual travellers minimising their footprint on the planet. YHA has several policies and procedures in place to deliver practical eco-initiatives throughout the network, as well as promotional materials in place to educate guests about protecting the environment on their travels. During 2010, YHA's sustainability initiatives were reviewed and measures taken to proactively improve energy efficiency. Highlights of the year included:

Organisational initiatives

- YHA received Bronze recognition from the NSW Department of Environment, Climate Change and Water's (DECWW) 'Sustainability Advantage' program. YHA was the first accommodation provider to receive this recognition.
- The Deputy Operations Manager spoke on a DECCW panel at World Environment Day to 300 participants and government officials.
- YHA became a member of EcoBiz; the Queensland Government's Department of Environment and Resource Management's (DERM) sustainability partnership program for business and industry. Partnership status is sought in 2011.
- A Staff Sustainability Survey was launched to gauge staff opinions and knowledge of sustainability in YHA. There were 98 respondents, and the results featured in internal newsletters and on the Intranet.

Hostel initiatives

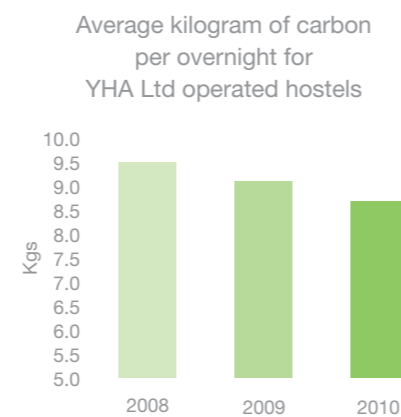
- Alice Springs YHA received a grant of \$10,000 from Solar City to retro-fit passive cooling and energy saving measures. A sustainability action plan for the hostel was created to determine the most effective allocation of the funds.
- Brisbane City YHA received a AAA Tourism Eco-Friendly Star, awarded as recognition of a business that is responsible and committed to reducing its environmental impact.
- Byron Bay YHA installed an environmentally-friendly gas-boosted solar hot water system. This was aided by a grant of \$10,000 from YHA's Carbon Reduction Program, made up of donations received from guests as part of the hostel booking process on yha.com.au. It is anticipated that this will result in a 20% saving in carbon emissions.
- Pittwater YHA installed insulation to reduce reliance on air conditioning and heating. The hostel also received a grant of \$7,155 from the Hawkesbury & Nepean Catchment authority to remove asparagus fern, a noxious weed.
- Sydney Harbour YHA received achievement awards in the Community Sustainability and Business Sustainability categories of the NSW Green Globes awards.
- Sydney Central YHA replaced condenser water motors on all air-conditioning units with more environmentally friendly models that reduce electricity and water needed to operate the system.



Installing solar panels at Byron Bay YHA

Reducing carbon emissions

Between 2008 and 2010, YHA was able to successfully reduce carbon emissions at hostels operated by the organisation. The graph below compares carbon emissions per overnight stay over a three year period at key YHA Ltd operated hostels, with average emissions dropping from 9.5 to 8.7 kilograms. The calculations follow the agreed carbon accounting standard and use government approved factors for carbon reporting. Further hostels are being measured in 2011.



DID YOU KNOW?

Although backpacking is generally a low environmental impact activity, each night spent in a hostel creates an average of 9kg of carbon emissions. (This compares with an average of 59kg per room night in major hotels.) YHA established a Carbon Reduction Program in December 2008 to undertake eco-projects in hostels and educate guests about reducing their carbon footprint on their travels. Every time a customer books an Australian YHA bed on yha.com.au they can choose to contribute \$2 towards a Carbon Reduction Program. During 2010, thousands of YHA guests donated a total of \$9,799. For details visit www.yha.com.au/about/sustainability/

Merger & Integration

Merger

Following a vote to merge in late 2009 by members of YHA NSW and YHA Queensland, on 1 January 2010 a newly merged entity, YHA Ltd, came into effect, covering operations in the ACT, NSW, the NT and Queensland. At the same time, YHA Ltd became the parent company of YHA Queensland (the property owner in Queensland) and for YHA Travel (Qld) Pty Ltd.

The former CEO of YHA Queensland, Ralph Kajet, retired in May 2010 after dedicating twelve years of service to YHA and having a leading role as an architect of the merger. The YHA Ltd head office was established in Sydney with a Northern Region office in Brisbane. A new position of Northern Region Manager, based in Brisbane, was created and filled internally by an experienced staff member to lead the team there.

Communicating with members

YHA is a membership-based organisation, and due to a strong communications campaign, the majority of YHA Queensland members transitioned their membership to YHA Ltd seamlessly, with only 7% not transferring.

The first Annual General Meeting of YHA Ltd was held on 17 April 2010 in Sydney and a members' information meeting was held in Brisbane on 29 May, including a presentation of results for the previous year, and an update on the merger progress.

Managers' conference

A successful Hostel Managers' Conference was held in Sydney in May with 104 delegates attending from across the newly expanded YHA network. Besides representatives from hostels, YHA Australia, interstate YHA organisations and YHA New Zealand also attended. The seminar covered topics such as sustainability and environmental issues, quality and standards, risk management, communicating with guests and travel trends.

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 Merimbula (NSW south coast meeting), Brisbane (northern NSW & southern Queensland meeting), Coffs Harbour (mid north-NSW coast meeting) and Cairns (northern Queensland meeting). These meetings covered hostel quality, marketing, operations and cross-referrals of customers.

Integration

During the year, there was smooth integration of policies, procedures, accounts and operations as the two businesses of YHA NSW and YHA Queensland were brought together. Integration focused on the following priority areas:

- People integration, including restructuring the management team and bringing Queensland hostel staff under YHA's Workplace Agreement
- Accounts, payroll and budget integration
- Reviewing sources of financing
- IT integration, establishing a single exchange server and common email domain name
- Streamlining operations and standardising quality processes
- Consolidating governance into a single Board with eight directors and two sub-committees.

The merger laid a good framework for working through operational transition and tested the organisation's resources to be change-ready and seek out efficient integration processes. Financial savings also flowed due to the removal of duplication and the savings will be of benefit into the future.

Hostel Managers' Conference, Sydney



Brisbane City
YHA won
"Best Backpacker
Accommodation
in Queensland"



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 34,175 YHA members in the ACT, NSW, NT and Queensland and a further 20,110 international members who joined while in Australia. During the year Australian membership decreased by 11% while group membership (taken out by educational, cultural and sporting organisations) grew by 16%. International membership grew by 4% with more members joining upon arrival in Australia from Canada, the Netherlands, New Zealand and Sweden.

More than half of YHA's members (53%) join online and 26% renew online at yha.com.au, with a further 16% renewing via BPAY. YHA Ltd runs a professional direct mail campaign on behalf of the other state YHA organisations, to encourage existing members to renew, and the renewal rate was steady throughout the year. As an incentive to join or renew online, competitions were introduced on yha.com.au.

YHA also has an agent network and during the year Greyhound became a selling agent for membership cards across Australia. In April national training was coordinated on the YHA membership database, and key hostel staff members were trained on a 'write' version of the database to enable membership details to be recorded in the system upon check-in.

YHA online

YHA's website yha.com.au continues to grow in importance as the 'front door' to YHA's services. Bookings through the site again grew strongly. The website was re-launched in 2010 with a new design, improved navigation, more flexibility and advance booking options, and expanded information.

In addition, many hostels can also be booked on the Hostelling International website, hihostels.com and on certain third party websites. YHA engaged in online marketing during the year with a social media campaign on Facebook - facebook.com/backpackingmate - that reached over 3,500 fans.

Marketing to members

A range of marketing activities was carried out in 2010 including media liaison, familiarisation trips, 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 Australia Hostel & Discounts Guide. During the year, an extensive campaign was conducted to

promote YHA hostels, including public relations, advertising, social media, direct mail and cooperative marketing with tourism partners.

Media coverage

High profile coverage was secured during the year in a range of media, from the Sun Herald to TV shows such as Getaway (Channel 9), Sydney Weekender and Brisbane Weekender (Channel 7). International media also covered YHA following familiarisation visits for journalists from Germany, Italy, the Netherlands and the UK, including the History Channel filming archaeological digging onsite at Sydney Harbour YHA. YHA hostels in northern Queensland hosted British journalists for student newspapers as part of a familiarisation visit organised by Tourism Australia, leading to positive media exposure

In total more than 100 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 heavily on travel web and blog sites.

Membership Statistics as at 31 December 2010

ACT, NSW, NT & QLD	2008	2009	2010	%
Youth	3,563	3,341	3,063	- 8
Adult	29,591	26,782	22,829	-15
Life	7,622	7,681	7,594	-1
Group	654	592	689	16
Individual & Group Membership	41,430	38,396	34,175	-11
Internationals	19,341	19,269	20,110	4
Total Membership	60,771	57,665	54,285	- 6

Member Services

Communications

YHA's members' magazine, Backpacker Essentials, is mailed to over 30,000 members, nationally three times a year. 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, newflashes and a bi-monthly e-newsletter. During the year, a new 'digital flip' version of Backpacker Essentials was launched, to reach members whether they are at home or on the road. It is expected that more and more members will opt to receive their YHA information online.

Events

YHA sponsored the 2010 Sydney Adventure Travel & Backpackers Expo, attended by 8,000 people, and offered a '2 years for 1' membership special offer. During the year, YHA also exhibited at the Holiday & Travel XPO in Sydney, as well as promoting on campus at university 'O Weeks' and at community events such as the Glebe Street Fair and Winter Magic Festivals held in Bondi and the Blue Mountains.

Additionally, YHA sponsored several events including an International Volunteers for Peace conference in Katoomba with delegates staying at the YHA, and a Red Cross 'Human Face of Climate Change' forum in Sydney, with 400 student delegates, twenty staying free for two nights at Sydney Central YHA. Prizes were also offered for raffles and competitions to numerous partner organisations including Oxfam, TAFE and the Australian Society of Travel Writers.

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. Additionally, YHA hosted an event for delegates of the inaugural Australian Youth Tourism Exchange (AYTE) in Sydney, coordinated by the Australian Tourism Export Council (ATEC). YHA was fortunate to receive a Federal Government Export Market Development Grant of \$110,000 in NSW and \$40,000 in Queensland during the year, for international marketing.

Travel services

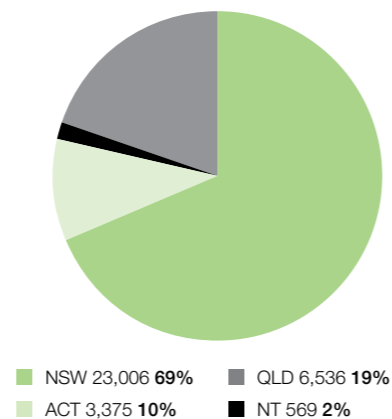
YHA Travel provides services for the needs of Australian and international YHA members travelling overseas and around Australia. YHA Travel offers 'Australian Adventures' packages for travel around the country, promoted in brochures and on yha.com.au. During the year, demand dropped for outbound travel services and the YHA Travel outlet in Kent Street, Sydney was closed. YHA Travel has a remaining branch at Sydney Central YHA that is supported by tour desks operating at hostels in key locations throughout the network.

YHA Travel 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 provider including Greyhound, Adventure Tours Australia and Oz Experience and negotiates national agreements, offering members valuable discounts on key products.

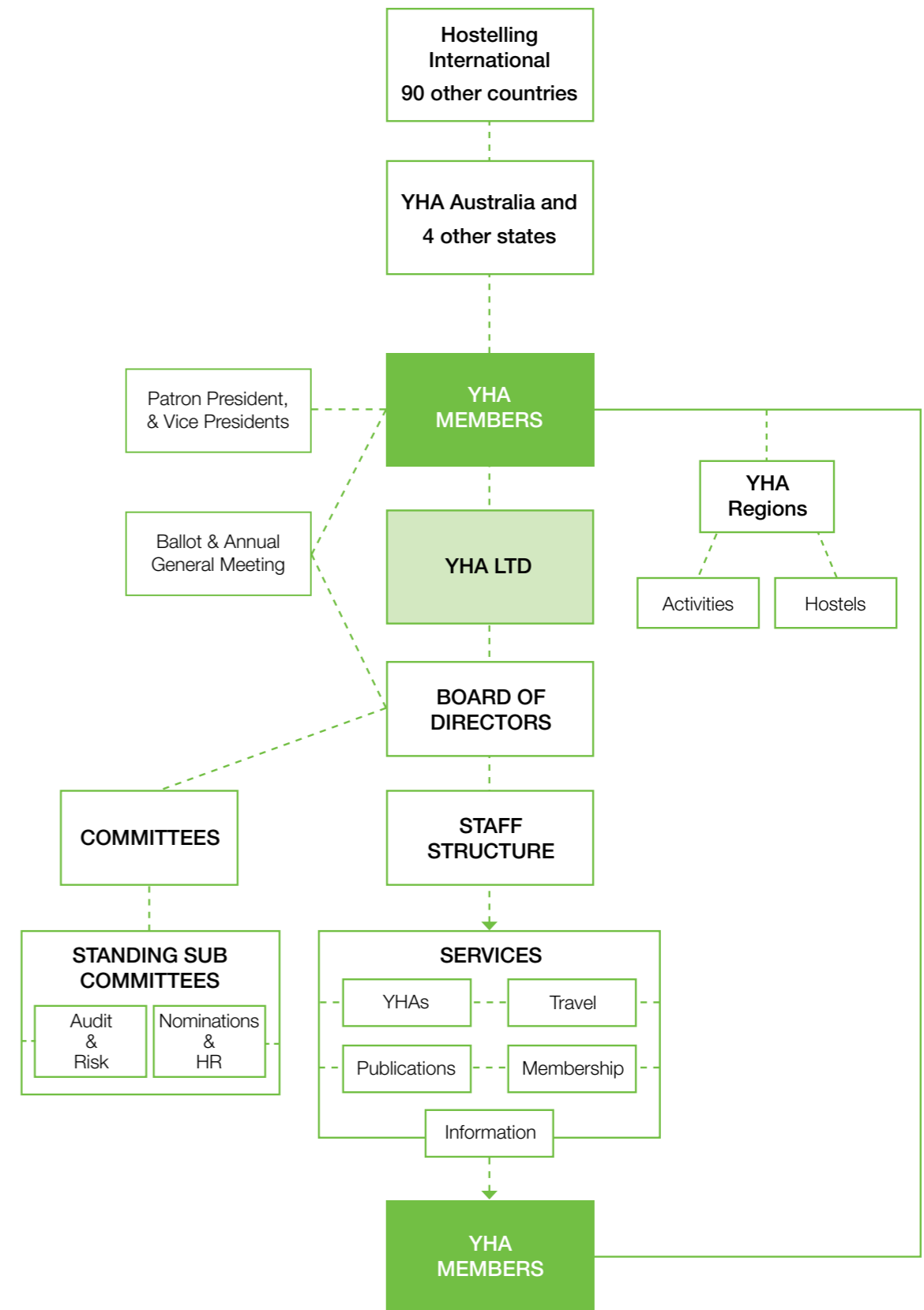


An event was held to celebrate the 100,000th guest at Sydney Harbour YHA

2010 Individual Members by State



Structure of the Organisation



Strategic Planning & Outlook

Strategic planning

As a newly merged organisation, it was important that a Strategic Plan be drawn up for YHA Ltd in its first year, setting out future priorities. A strategic planning session for the Board of Directors and key management was held in June 2010 and led by an experienced facilitator, from which a plan was drafted covering 2011-2015. The Strategic Plan emphasises that the organisation needs to 'live the values' with core values designed to dovetail with those of YHA Australia nationally.

Recognising skilled, motivated staff

Core values	What this means to YHA Ltd
Environmentally Friendly	<ul style="list-style-type: none"> • Efficient use of resources • Use of recycled material/the right type of materials • Not passive, actively looking for opportunities and considering environmentally friendly initiatives
Safe and Reliable	<ul style="list-style-type: none"> • Complying with all of the requirements to provide a safe environment for guests and staff • Consistency of service and product • Active compliance culture
Honest and Trustworthy	<ul style="list-style-type: none"> • Walking the talk ("doing no evil")
Loyalty	<ul style="list-style-type: none"> • Brand loyalty • Encourage frequent users • Recognition of service of key personnel
Value for Money	<ul style="list-style-type: none"> • The right product at the right price
Experience	<ul style="list-style-type: none"> • Facilitate human interaction • Design and run hostels that support the experience and community



Employee of the year 2010, Marketing Coordinator Elinor Sheargold

The Strategic plan encompasses a range of critical success factors that will lead the business and ensure that it remains a market leader. These include:

- consistency of experience
- high quality hostels in the right locations
- a culture of sustainability
- a strong brand reputation
- an emphasis on growth and development
- skilled, motivated staff
- efficient and effective processes
- being change ready
- living the organisation's values
- developing international relationships
- effective and consistent marketing
- delivering effective governance, including risk management.

The backdrop to the plan includes strategies for achieving financial growth for the organisation as it develops in the next decade.

Outlook

In 2010 the backpacker sector suffered a significant downturn which commenced in the second quarter and was attributed largely to the poor economic environment in Europe lessening confidence to travel long-haul to Australia. The strength of the Australian dollar against the British pound and the euro also contributed, by making Australia a more expensive destination than in recent years. Compounding this, the FIFA World Cup kept a substantial segment of YHA's core market at home to watch the soccer. The result was competitive pressure on hostel rates as a result of low occupancy in the backpacker industry in general. To combat this, significant savings were made to YHA's operational and capital expenditure programs to control costs.

After year end, Southern Queensland and Northern NSW were hit by widespread flooding and then Tropical North Queensland by a major cyclone. Fortunately the direct impact on YHA properties was not great however travel was greatly disrupted over an extended period and media coverage caused cancellations well beyond the natural disasters.

During 2011 it is anticipated that YHA will continue to be under pressure to offer competitive rates due in particular to the strength of the Australian dollar. However, with many of the highest-rating and well located hostels being in the YHA network, the organisation is well-poised to capitalise on an anticipated recovery in travel as the economies of key source markets steadily improve. YHA's priority is to build occupancy at key city hostels, which can in turn feed the regional network by dispersing travellers throughout the country.



Canberra City YHA enjoyed a busy year as events attracted people

Other trends which will affect the organisation either negatively or positively include the continuing availability of low cost fares both internationally and domestically; the resultant popularity of short interstate city breaks; continuing growth in outbound travel by Australians; increased popularity of self drive campervans with their own accommodation; the high occupancy of metropolitan hotels and rising hotel rates; the tightness of the Australian labour market being close to full employment; and the possible expansion of the working holiday visa scheme to Spanish-speaking countries.

YHA will continue its period of consolidation after the major hostel developments completed in 2009 and will use the time to innovate through improvements to its systems. These will include development of e-Learning online training modules, especially for remote hostel staff; a new YHA Travel and Tours front and back office system; closer cooperation with YHA New Zealand for joint initiatives, and greater integration of YHA databases including its property management and membership systems. More financial shared services will also be rolled out to other interstate YHA organisations. Together these projects will improve the capacity of staff to provide excellent services to members at good value.

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 Lyle OAM
Mr Ray Temperley
Mr Jim Whitehead
Mr Bruce Hart
Ms Janet Russell
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.

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 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. In addition the Audit & Risk Committee met six times and the Nominations & HR Committee met eight times during the year, and made recommendations to the Board.

Chairperson

Ms Helen Harms

Vice Chairperson

Ms Toni Vincent

Chief Executive Officer

Mr Julian Ledger



National Board members Chris Stevenson and Gen Fox at Port Elliot, South Australia where a new YHA opened

Board Members

The Board of Directors met in person eight times between January and December 2010.

The Board is currently made up of eight Directors (increasing to nine from the 2011 Annual General Meeting). Each Director normally serves 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.

Most 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 29 sets out their qualifications and experience.

*The
Board of
Directors*



Board of Directors YHA Ltd – (left to right) Leonie Thijssen; Toni Vincent; John Bowles; Gen Fox; Julian Ledger (CEO); Helen Harms; John Clancy; Sam Vella



YHA received a visit in Australia from relatives of the organisation's founder

Remembering YHA's roots

YHA is proud to remember its roots as a not-for-profit organisation, founded 101 years ago in Germany by a school teacher named Richard Schirrmann. The first youth hostel, at Altena Castle in Germany, still survives and hosts many travellers each year from around the world. During the year, YHA was honoured to receive a visit from Schirrmann's grandson, Heiko Rueter, who was travelling around Australia for eight months on a family campervan tour, finishing his trip at Sydney Harbour YHA. While in Australia he also called in at Maroochydore YHA, located on 'Schirrmann Drive' - named in memory of YHA's founder.



YHA Founder - Richard Schirrmann



Altena Castle YHA, Germany



Visiting colleagues from Hostelling International

Connecting with regional partners

As a member of YHA Australia, YHA is proud to be a leader in the Hostelling International (HI) network, particularly in terms of quality of hostels and sustainability initiatives. To share expertise and 'best practice', in July 2010 YHA Ltd hosted a two-day Hostel Workshop and Study Tour in Sydney for representatives of HI Singapore and YHA Hong Kong (where a new hostel is being built). The workshop covered topics such as design, standards and quality, and included visits to several hostels. During the year, the CEO also attended an HI conference held in China, as well as an annual CEO's meeting.

Vale John McCulloch OAM

As a membership-based organisation, YHA's Directors are drawn from its rank and file members, and over the years many members have volunteered their time, energy and ideas on the Board to help guide the organisation. In October 2010, YHA said a final farewell to long-standing board member, John McCulloch, who passed away after serving on YHA Boards for over 25 years.

McCulloch had worked as a volunteer hostel manager in England, Scotland and Australia, and had a strong awareness of the environment as being central to YHA. He was a champion for uniting YHA across the borders of NSW and Queensland, and an inaugural Director of the merged organisation, YHA Ltd. An academic and historian, McCulloch was a former Chair of YHA Australia and the co-author of "Beds, Boots and Backpacks" - the history of YHA's first 50 years in Australia - which he leaves behind as a lasting legacy.



Former Board Member - John McCulloch

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 a Workplace Agreement under the Australian Workplace Relations Act 1996.

State, Territory & Local Governments

The Governor of NSW, Her Excellency, Professor Marie Bashir, AC 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 allows 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.

Through 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/Southern Region Manager was appointed as 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 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 Backpacking Queensland and Women in Tourism.

YHA is represented through the CEO on the Backpacker Tourism Advisory Panel (BTAP), a committee of the Australian Tourism Export Council (ATEC). BTAP provides leadership for industry representations to government on youth tourism, including marketing and development, traveller safety, raising accommodation standards and liberalisation of visas. The Northern Region Marketing Assistant and Marketing & Design Co-ordinator are both on the committee for Young ATEC (YATEC). The CEO is also a Director on the Board of Tourism New South Wales; his tenure is for three years until 2012.

YHA Ltd is a member of the following organisations:

ACT & Region of Commerce & Industry
Australian Conservation Foundation
Australian Federation of Employers & Industries

Australian Federation of Travel Agents
Australian Institute of Management
Australian Society of Travel Writers
Australian Sports Commission
Australian Tourism Export Council (ATEC)
Backpacker Operators Association of NSW (BOA)
Backpacker Tourism Advisory Panel (BTAP)
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
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
Young ATEC (YATEC)
Youth Action and Policy Association

Cairns
Central
YHA

Human Resources

as at 31 December 2010

Workforce profile

At the year end, YHA employed 269 people in the ACT, NSW, NT and Queensland. The average age of staff was 32 with 69% under 35 years old. The workforce profile is 57% female and 43% male, with 85% employed either full-time or permanent part-time, and 84% working in the hostels. YHA staff members have a strong sense of community with staff supporting local charities and fund-raising events; one staff member raised money by climbing Mount Kilimanjaro. Staff also participated in group events such as the City to Surf fun run.

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 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 related to the business, by contributing 50% of tuition fees for approved courses.

YHA actively encourages exchanges between hostels and during the year a four week staff exchange took place between Railway Square and Byron Bay YHAs, while Brisbane City and Airlie Beach YHAs hosted a staff exchange for two weeks. YHA also participates in university internships and student work experience programs.

During the year, the Northern Region Manager and Marketing Manager attended a three-day 'Effective People Management' course run by the Australian Institute of Management, and the Northern Region Property Services Manager attended a Corporate Sustainability course.

The transition of Queensland employees to YHA's Workplace Agreement took effect on 1 January 2010 with the terms of this agreement now applying to all hostel employees and a resulting move of more staff from casual to permanent employment.

Highlights of the year included:

- Two day Business Planning workshops held in both Brisbane and Sydney, providing managers with the tools to think strategically about their hostel and its development over the next three years
- The Manager of Sydney Central YHA represented YHA at a Hostelling International (HI) Gateway Managers' Meeting in Munich
- The Deputy Manager of Sydney Central YHA visited YHA/HI organisations in Europe and New Zealand to review potential property management systems for YHA in Australia
- The Deputy Operations Manager presented at the YHA New Zealand Managers' conference.

Technology innovations

A new, web-based payroll system was introduced, providing online leave applications and payslips to all employees. During the year, the rapid development of the YHA intranet also continued. Its new name, 'egor' (electronically generated organisational resources) was selected by staff vote. Each month the home page receives over 10,000 visits. Besides many operational and communication tasks, egor is also used for distribution of papers for both the YHA Ltd Board and the Board of YHA Australia.

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.



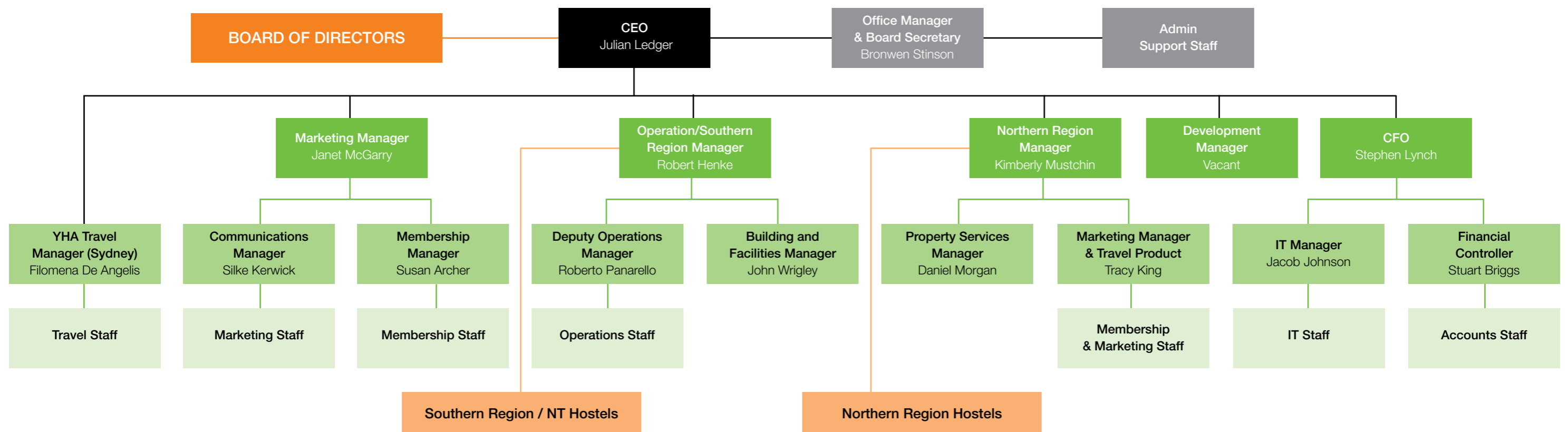
YHA staff on induction training

Occupational Health & Safety

Safety is an important issue for YHA and the organisation has a good record with workplace safety and injury management. Occupational Health & Safety (OHS) best practice means that YHA and its employees are all responsible and accountable for safety in the workplace. YHA has OHS 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 378,147 hours during the year and recorded 5,580 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.



YHA Hostels in the ACT, NT, NSW and QLD

as at 31 December 2010

Hostel	AAA Tourism Star Rating	Managed by	Beds	Status
Airlie Beach 394 Shute Harbour Rd, QLD 4802	3	David Farrelly	86	Freehold owned by organisation. Converted motel.
Alice Springs Cnr Parsons St & Leichhart Tce, NT 0870	3.5	Roger Wileman	108	Freehold owned by organisation. Converted open air cinema.
Blue Mountains 207 Katoomba St, Katoomba NSW 2780	4.5	Ann Westgate	200	Freehold owned by organisation. Converted guesthouse.
Blue Mountains Hawkesbury Heights 836 Hawkesbury Rd, NSW 2777	3	Carolyn & John Beazley	12	Land leasehold; purpose built hostel owned by the organisation.
Brisbane City 392 Upper Roma St, QLD 4000	4.5	Tim Hardidge	373	Freehold owned by organisation. Two lots amalgamated. Purpose built hostel.
Bundanoon Railway Ave, NSW 2578	3.5	Glenn Robinson & Alison Shaw	44	Freehold owned by organisation and leased to the manager. Converted guesthouse.
Byron Bay 7 Carlyle St, NSW 2481	4	Paul Cason	107	Freehold owned by organisation. Purpose built hostel.
Cairns Central 20-26 McLeod St, Cairns, QLD 4870	3.5	Damian Flynn	235	Freehold owned by organisation. Purpose built hostel.
Canberra City 7 Akuna St, Canberra, ACT 2600	4	Kristie Allen	282	Freehold owned by organisation. Converted office block.
Coffs Harbour 51 Collingwood St, NSW 2450	4	Graeme Diffey	88	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	3.5	Wim Hanse	168	Sub-leased from Globies P/L
Garie Beach Royal National Park, NSW 2508		YHA NSW & Sydney Region	12	Leased from the National Parks & Wildlife Service. Building organisation owned.
Glebe Point 262-267 Glebe Point Rd, Glebe, NSW 2037	3.5	Craig Tester	151	Freehold owned by the organisation. Converted motel.
Pittwater Via Halls Wharf, Morning Bay, NSW 2105	3.5	Michael Doherty & Sarah Polomka	32	Freehold owned by organisation and leased to manager. Converted residence.
Railway Square 8-10 Lee St, Sydney, NSW 2000	4.5	Helen Vine	280	Sub-leased from the Toga Group. Converted parcels office.
Surfers Paradise Mariners Cove, 70 Seaworld Drive, Main Beach, QLD 4217	3.5	Heath Pickering	100	Sub-leased from Raptis. Purpose built hostel.
Sydney Central 11 Rawson Place, Sydney NSW 2000	5	Jon Hutchinson	556	Freehold owned by the organisation. Converted heritage office building.
Sydney Harbour 110 Cumberland St, The Rocks, NSW 2000	5	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	3.5	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	AAA Tourism Star Rating	Managed by	Beds	Status
Armidale 39 Waterfall Way, NSW 2350	3	Anna & Nathan Smith	36	Building in caravan park.
Ballina 36 Tamar St, NSW 2478	3.5	Len & Michele Bogaards	18	Purpose built hostel/motel.
Batemans Bay Cnr of Old Princes Hwy & South St, NSW 2536	3.5	Francis McLaughlin & Brent Brewin	40	Converted building in caravan park.
Bellingen 2 Short St, NSW 2454	3.5	Graham & Jo McIntyre	53	Converted commercial building with extensions.
Bondi Beachouse Cnr Fletcher and Delview St, Bondi Beach, NSW 2026	4	Sam Lewis	94	Converted guesthouse.

Associate Hostels - privately owned	AAA Tourism Star Rating	Managed by	Beds	Status
Cape Byron Cnr Byron & Middleton Sts, Byron Bay, NSW 2481	4	Bob Kay	130	Purpose built hostel.
Cape Tribulation Lot 5, Buchanan Creek Rd, Cow Bay, QLD 4873	3.5	Terry Rogers	92	Purpose built hostel with swag tent accommodation.
Cronulla Beach Level 1, 40-42 Kingsway, Cronulla, NSW 2230	3.5	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	Pending	Nigel Worton	46	Purpose built hostel.
Lennox Head 3 Ross St, NSW 2478	3.5	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 McAlpimc	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	3.5	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	3	Tassie Duff	24	Private residence converted into hostel.
Narooma 243 Princess Hwy, NSW 2546		Darren Brass & Kari Walters	35	Holiday accommodation converted into hostel.
Newcastle Beach 30 Pacific St, Newcastle NSW 2300	4	Damian Parkhouse	103	Converted heritage building.
Nimbin Rox 74 Thorburn St, Nimbin NSW 2480	4	Lieke Donkers	28	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	4 green	Wendy & Michael Smith	120	Converted motel.
Port Macquarie 40 Church St, NSW 2444	3.5	Krystal McDaniel	37	Private home extended into hostel.
Port Stephens Frost Rd, Anna Bay, NSW 2316	3.5	Mark & Sandy Munday	31	Purpose built hostel.
Rockhampton 60 MacFarlane St, QLD 4701	3.5	Auzen Mercader	62	Purpose built hostel.
Rockhampton Outback 1591 Baralaba Rannes Rd, Kokotungo, Baralaba, QLD 4702	3.5	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	4	Scott Ryan	214	Purpose built hostel.
Tamworth 169 Marius St, NSW 2340	3.5	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	3	Mary Sparks	33	Purpose built hostel, serviced apartments and student complex.
Yamba 26 Coldstream St, NSW 2464	4.5	Shane, Justin & Steve Henwood	90	Purpose built hostel.

Financial Summary

Overview

The net operating surplus for 2010 was \$380,531 which was higher than the previous year.

Total revenues from ordinary activities increased to \$32.7M, an increase of \$3.7M (13%) over 2009. Trading included the first full year of Sydney Harbour YHA and Brisbane City YHA. Both hostels performed soundly and accounted for much of the increased income and expenditure compared to the previous year.

Occupancies in other Queensland and Sydney hostels were down on the prior year. Growth in Alice Springs and Canberra continued whilst other regional hotels in NSW traded slightly lower than the prior year.

Cash flow

Borrowings were reduced by \$2.5M during the year. Capital expenditure was \$841,305 spent primarily on maintaining the standards of plant and equipment of the hostels, investment in systems and sustainability initiatives. Operating cash flows before interest and tax increased from \$5.0M to \$7.8M.

Contribution from divisions

The contribution of each division to the profit before interest and tax is compared in percentage terms in the graph below. The hostel division is the major contributor to overall surplus, with membership making a small contribution. The membership portion grew in 2010 as funding for YHA Australia was changed to a method based on hostel activity (online bookings and hostel overnights) rather than membership. These costs have been allocated to each respective hostel.

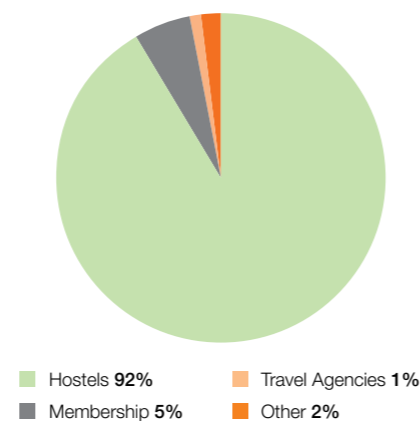
Hostel division

Arrivals of travellers from European and UK countries were down 6% on the prior year. Fortunately domestic overnight growth was positive, particularly in the new hostels.

Membership division

Australian membership numbers increased with the transitioning of former YHA Queensland members to YHA Ltd. Additionally, the new hostels in Sydney and Brisbane generated more international membership sales. Income increased for this year only as the accounting for memberships for Australian members was changed to be the same as the method for international members.

2010 Source of Gross Revenue



Directors' Report

Your Directors present this report on the consolidated entity for the financial year ended 31 December 2010

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	MARCS	Elected to the Board in 1980. YHA member since 1971. Medical regulatory affairs consultant.	Former Chair, Vice-Chair and Hon Secretary of YHA NSW. YHA Ltd delegate to national board.	04/12
John Derry Clancy	BBus, ASA, SA Fin	Elected to the Board in 2005. YHA member since 1979. Public sector employee in corporate finance and policy.	Hon Treasurer from 04/05 to 12/09. Chair Audit, Planning & Finance Committee from 04/05 to 12/09. Chair Audit & Risk Committee from 01/10.	04/11
Geneve Nicole Fox	CPA, GAICD	Elected to YHA Qld Board in 1998. YHA member since 1997. Public sector employee with financial management skills.	Treasurer YHA Qld 03/98 to 03/01. Secretary YHA Qld – 03/05 to 12/09.	04/12
Helen Margaret Harms	BSc, MBA, GAICD	Elected to the Board in 2007. YHA member since 2007. General Manager IT, financial services company.	Chair from 04/08.	04/12
John Edward McCulloch OAM	BA (Hons), MA, Grad Dip Lib Sc, JP	Elected to YHA Qld Board in 1987. YHA member since 1966. Historian, Librarian. Deceased 10/10.	Former Chair of YHA QLD and YHA Australia.	10/10
Leonie Isabelle Thijssen	BCom, CPA, CSA (Cert)	Elected to YHA Qld Board in 2008 YHA member since 2000. Specialist in tax and compliance.	Treasurer YHA Qld Board 2008-2009.	04/12
Salvator (Sam) Thomas Vella	F CPA, FCIS, FAICD	Elected to the Board in 2005. YHA member since 2003. Company Director.	Chair YHA Development Committee from 04/05 to 12/09. Hon Secretary 04/08 to 04/09, Vice Chair from 04/09 to 12/09. Chair Nominations & HR Committee from 01/10.	04/12
Toinette Vincent	BA, Grad Cert Ad Ed & Trg, GAICD	Elected YHA Qld Board in 1996. YHA member since 1990. Experience in HR and training.	Vice-Chair from 01/10. Former Chair YHA Qld.	04/12

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 sets out the Board and Committee meetings during the financial year and the number attended by each Director where applicable. The committees are: Audit and Risk, Nominations and HR.

Director	Board of Directors Meetings		Committee Meetings	
	Number held	Number attended	Number held	Number attended
Helen Harms	8	8	8	8
Toni Vincent	8	7	8	7
John Bowles	8	8	8	8
John Clancy	8	8	6	6
Gen Fox	8	8	6	5
John McCulloch	6	4	-	-
Leonie Thijssen	8	8	6	5
Sam Vella	8	8	8	8

Directors' Report

The above meeting attendance is for YHA Ltd. Youth Hostels Association of Queensland also held eight board meetings and YHA Travel (Qld) Pty Ltd held two 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 excepting one meeting for Youth Hostels Association of Queensland which was held by teleconference.

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 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.

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 travel agencies. These activities are directed at achieving the specified objectives of the Company.

6. Operating Results

The surplus of the Company for the financial year ended 31 December 2010 was \$380,531.

Aside from providing an annual surplus to reinvest in further growth, the Company uses occupancy percentage or utilisation of the hostels as a measure of performance together with quality ratings from guests.

7. Review of Operations

The organisations of YHA Ltd and Youth Hostels Association of Queensland were merged on 1 January 2010 and YHA Ltd became the operating entity effective from this date. The annual report is prepared on a consolidated basis and includes the operations of YHA Ltd (hostel operations, membership and travel agency), Youth Hostels Association of Queensland (property owner) and YHA Travel (Qld) Pty Ltd (travel agency).

Directors' Report (cont.)

Revenue grew substantially with the first full year of operation for Brisbane City and Sydney Harbour YHA hostels. Both hostels gained fair market share or greater and gained a number of awards for quality and development. The number of backpackers arriving to Australia slowed as there was unfavourable movement in the AUD exchange rate and economic crisis in key UK and European markets. There was also a trend for travellers to shorten trips. These trends particularly impacted the second and third quarters placing pressure on occupancies across the network and particularly in Queensland. Some strength returned to the market in the fourth quarter with working holiday and travel demand picking up. Canberra and Alice Springs had particularly good years. The travel centre at Kent Street, Sydney was closed due to a lack of retail activity in this location.

8. Dividends

The Company's Constitution prevents the distribution of surpluses and therefore no dividend has been declared or paid.

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 2010.

10. Significant Events since the end of Financial Year

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. Members' Liability

YHA Ltd is a company limited by guarantee and, in accordance with the Constitution, the liability of members in the event of YHA Ltd being wound up would not exceed \$1 per member.

14. Environmental Reporting

The Company materially complies with all particular and significant environmental regulations in respect of it providing members with secure, temporary, low cost accommodation in hostels and operating a travel agency and activity programs for its members.

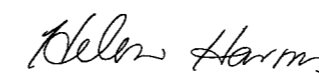
15. Proceedings on behalf of the Company

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.

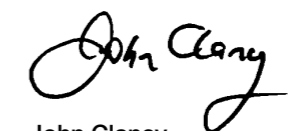
16. Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 48.

Signed in accordance with a resolution of the Directors.



Helen Harms
Director
26 February 2011



John Clancy
Director
26 February 2011

Statement of Comprehensive Income

For the year ended 31 December 2010

Note	Economic Entity		Parent Entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Revenue or other income				
	31,861,803	28,527,503	31,387,439	21,071,981
	789,087	335,369	998,841	318,785
2	32,650,890	28,862,872	32,386,280	21,390,766
Expenses				
	(12,243,300)	(11,530,148)	(12,192,697)	(8,601,802)
	(3,581,107)	(2,840,152)	(3,057,151)	(2,218,855)
	(3,904,429)	(2,014,145)	(2,447,631)	(1,298,101)
	(12,530,725)	(12,352,516)	(14,694,232)	(8,883,309)
	(32,259,561)	(28,736,961)	(32,391,711)	(21,002,067)
Surplus before income tax				
	391,329	125,911	(5,431)	388,699
	(10,798)	3,178	-	-
4	(10,798)	3,178	-	-
Surplus after income tax				
	380,531	129,089	(5,431)	388,699
Total Comprehensive Income				
	380,531	129,089	(5,431)	388,699

The accompanying notes form part of these financial statements.

Statement of Financial Position

For the year ended 31 December 2010

Note	Economic Entity		Parent Entity	
	2010 \$	2009 \$	2010 \$	2009 \$
ASSETS				
Current Assets				
	1,587,357	1,722,428	1,158,448	556,438
	348,407	443,652	344,225	375,519
	178,390	160,743	171,204	139,763
	364,105	474,191	354,905	405,684
	2,478,259	2,801,014	2,028,782	1,477,404
Total Current Assets				
Non-current Assets				
	86,281,342	89,009,732	60,744,518	63,060,579
	1,498,534	1,565,079	1,489,761	1,547,531
	-	5,836	-	-
	87,779,876	90,580,647	62,234,279	64,608,110
	87,779,876	90,580,647	62,234,279	64,608,110
Total Non-current Assets				
TOTAL ASSETS				
	90,258,135	93,381,661	64,263,061	66,085,514
LIABILITIES				
Current Liabilities				
	2,387,828	3,670,167	1,920,698	2,665,793
	2,250,000	39,600,000	2,125,000	39,600,000
	1,171,158	1,000,769	1,171,158	883,488
	1,652,841	1,485,502	1,652,841	1,458,608
	7,461,827	45,756,438	6,869,697	44,607,889
Total Current Liabilities				
Non-current Liabilities				
	75,803	55,662	75,803	55,662
	57,590,000	22,740,000	37,525,000	1,550,000
	96,146	105,183	96,145	99,566
	214,563	285,113	214,563	285,113
	57,976,512	23,185,958	37,911,511	1,990,341
Total Non-current Liabilities				
TOTAL LIABILITIES				
	65,438,339	68,942,396	44,781,208	46,598,230
NET ASSETS				
	24,819,796	24,439,265	19,481,853	19,487,284
ACCUMULATED SURPLUS				
	24,819,796	24,439,265	19,481,853	19,487,284

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2010

Note	Economic Entity		Parent Entity	
	Retained Earnings \$	Total Equity \$	Retained Earnings \$	Total Equity \$
Balance at 1 January 2009	24,460,125	24,460,125	19,098,585	19,098,585
Total Comprehensive Income for the year	129,089	129,089	388,699	388,699
Retrospective adjustment	(149,949)	(149,949)	-	-
Balance at 31 December 2009	24,439,265	24,439,265	19,487,284	19,487,284
Total Comprehensive Income for the year	380,531	380,531	(5,431)	(5,431)
Balance at 31 December 2010	24,819,796	24,819,796	19,481,853	19,481,853

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2010

Note	Economic Entity		Parent Entity		
	2010 \$	2009 \$	2010 \$	2009 \$	
Cash flows from operating activities					
Receipts from members and customers	36,428,323	31,306,034	35,554,223	22,123,184	
Payments to employees	(12,243,303)	(11,192,817)	(12,192,697)	(8,594,115)	
Payments to suppliers	(17,157,022)	(13,143,512)	(18,184,801)	(8,239,299)	
Interest received	75,364	30,887	64,259	19,020	
Finance Costs	(3,904,429)	(2,096,849)	(2,447,631)	(1,298,102)	
Net cash provided by operating activities	20	3,198,932	4,903,743	2,793,353	4,010,688
Cash flows from investing activities					
Purchase of property, plant, equipment & software	(841,305)	(32,958,484)	(698,011)	(23,029,493)	
Proceeds from sale of property, plant & equipment	636	55,815	-	32,873	
Net cash (used in) investing activities		(840,669)	(32,902,669)	(698,011)	(22,996,620)
Cash flows from financing activities					
Proceeds (Repayment) of borrowings		(2,500,000)	28,216,626	(1,500,000)	19,100,000
Net cash (used in) provided by financing activities		(2,500,000)	28,216,626	(1,500,000)	19,100,000
Net (decrease) increase in cash and cash equivalents		(141,736)	217,700	595,342	114,068
Cash and cash equivalents - beginning of period		1,722,428	1,504,728	556,438	442,370
Cash and cash equivalents - end of period	5	1,580,692	1,722,428	1,151,780	556,438

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2010

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 financial report covers YHA Ltd as an economic entity. YHA Ltd as a parent 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.

Notes to the Financial Statements

For the year ended 31 December 2010

Impairment Assets

At each reporting date, the entity 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 entity'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 entity 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.

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 entity.

NOTE 2 - REVENUE

	Economic Entity		Parent Entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Hostel	25,808,703	22,683,340	25,807,833	16,699,917
Catering	1,135,349	722,119	1,135,349	715,301
Other hostel	1,398,222	1,335,063	1,390,159	1,034,659
Membership	1,755,038	1,874,848	1,755,038	1,364,539
Travel	838,063	1,145,533	372,631	541,721
Rent	926,428	766,600	926,429	715,844
Rendering of services	31,861,803	28,527,503	31,387,439	21,071,981
Sundry income	713,723	304,482	934,582	299,765
Interest	75,364	30,887	64,259	19,020
Other income	789,087	335,369	998,841	318,785
Total revenue and other income	32,650,890	28,862,872	32,386,280	21,390,766

NOTE 3 - EXPENSES

	Economic Entity		Parent Entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Salaries and wages	10,527,990	9,873,772	10,472,949	7,377,779
Superannuation	975,366	950,987	972,866	737,177
Other benefits	739,944	705,389	746,882	486,846
Employee benefits	12,243,300	11,530,148	12,192,697	8,601,802
Depreciation of property plant & equipment	3,430,965	2,673,355	2,915,783	2,060,832
Amortisation of software	141,368	158,023	141,368	158,023
Amortisation of goodwill	8,774	8,774	-	-
Depreciation and amortisation	3,581,107	2,840,152	3,057,151	2,218,855
Bank interest	3,648,638	1,789,121	2,216,584	1,115,833
Affiliated interest	78,271	42,756	53,527	-
Other bank costs	177,520	182,268	177,520	182,268
	3,904,429	2,014,145	2,447,631	1,298,101
Cost of goods sold	851,997	909,504	851,795	719,025
Operating lease	1,896,620	1,910,969	4,249,757	1,554,771
Disposal of assets	58,142	104,754	15,245	33,648
Operating expenses	3,831,024	2,960,482	3,829,459	2,214,548
Administration and marketing	2,367,363	3,580,457	2,271,376	2,085,996
Property expenses	3,440,615	2,797,102	3,407,279	2,228,281
Audit	84,964	89,248	69,321	47,040
Other expenses	12,530,725	12,352,516	14,694,232	8,883,309

Notes to the Financial Statements

For the year ended 31 December 2010

NOTE 4 - INCOME TAX

The calculation of income tax payable by the economic entity 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 its members and visiting international members of Hostelling International is mutual income. The parent entity 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 2010 taxation year, the parent entity's income tax return disclosed ordinary taxable loss of \$65,893 (2009: taxable income of \$147,853) which increased the revenue losses carried forward to \$2,205,023 (2008: \$2,139,130).

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	Economic Entity		Parent Entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Cash on hand	46,320	47,620	46,320	40,070
Cash at bank	1,480,929	1,619,146	1,052,020	460,706
Cash on deposit	60,108	55,662	60,108	55,662
	1,587,357	1,722,428	1,158,448	556,438

NOTE 6 - RECEIVABLES

	2010	2009	2010	2009
Trade receivables	348,407	306,236	344,225	245,437
Other receivables	-	5,583	-	-
BAS receivable	-	131,833	-	130,082
	348,407	443,652	344,225	375,519

NOTE 7 - INVENTORIES

	2010	2009	2010	2009
Finished goods	178,390	160,743	171,204	139,763
	178,390	160,743	171,204	139,763

NOTE 8 - OTHER ASSETS

	2010	2009	2010	2009
Rental and utility deposit	15,010	16,260	5,810	5,310
Prepayments	330,345	448,386	330,345	400,374
Deferred expenditure	18,750	9,545	18,750	-
Deferred tax assets	-	5,836	-	-
	364,105	480,027	354,905	405,684
Current	364,105	474,191	354,905	405,684
Non-current	-	5,836	-	-
	364,105	480,027	354,905	405,684

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

	Economic Entity		Parent Entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Freehold Land and Building				
At cost	60,387,256	60,337,539	34,365,399	34,365,399
Less: Accumulated depreciation	(12,798,236)	(11,895,088)	(11,103,401)	(10,138,238)
	47,589,020	48,442,451	23,261,998	24,227,161
Leasehold Land and Buildings				
At cost	34,955,555	34,918,295	34,360,064	34,322,804
Less: Accumulated depreciation	(2,912,556)	(1,734,748)	(2,615,329)	(1,734,748)
	32,042,999	33,183,547	31,744,735	32,588,056
Plant and Equipment				
At cost	13,115,691	13,431,049	11,085,651	10,542,253
Less: Accumulated depreciation	(6,466,368)	(6,047,315)	(5,347,866)	(4,296,891)
	6,649,323	7,383,734	5,737,785	6,245,362
Total Property, Plant and Equipment	86,281,342	89,009,732	60,744,518	63,060,579
Independent valuations of interest in Land & Buildings				
-2010	125,770,000	-	104,170,000	-
-2007	-	123,475,000	-	95,950,000
-2006	1,100,000	1,100,000	1,100,000	1,100,000
-2004	2,995,000	2,995,000	2,995,000	2,995,000
Total	129,865,000	127,570,000	108,265,000	100,045,000

Some smaller properties were not revalued in 2007 due to the cost involved. Sydney Harbour YHA's valuation in 2007 was on an "As if Complete" basis and has been included in the 2009 year.

Notes to the Financial Statements

For the year ended 31 December 2010

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

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

Reconciliations	Economic Entity		Parent Entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Freehold Land and Building				
Balance at the beginning of year	48,442,451	40,649,856	24,227,161	25,189,321
Additions	49,716	9,100,727	-	3,143
Disposal	-	(191)	-	(191)
Transfers	282,640	-	-	-
Depreciation expenses	(1,185,787)	(1,307,941)	(965,163)	(965,112)
Carrying amount at the end of year	47,589,020	48,442,451	23,261,998	24,227,161
Leasehold Land & Buildings				
Balance at the beginning of year	33,183,547	8,718,469	32,588,056	8,122,978
Additions	11,955	24,828,259	11,955	24,828,259
Disposal	-	-	-	-
Transfers	(254,853)	-	27,787	-
Depreciation expenses	(897,650)	(363,181)	(883,063)	(363,181)
Carrying amount at the end of year	32,042,999	33,183,547	31,744,735	32,588,056
Plant & Equipment				
Balance at the beginning of year	7,383,734	3,093,724	6,245,362	2,417,318
Additions	696,047	5,592,444	602,467	4,646,570
Disposal	(55,142)	(280,666)	(14,700)	(66,452)
Transfers	(27,787)	-	(27,787)	-
Depreciation expenses	(1,347,529)	(1,021,768)	(1,067,556)	(752,074)
Carrying amount at the end of year	6,649,323	7,383,734	5,737,785	6,245,362
Total				
Balance at the beginning of year	89,009,732	52,462,049	63,060,579	35,729,617
Additions	757,718	39,521,430	614,422	29,477,972
Disposal	(55,142)	(280,857)	(14,700)	(66,643)
Transfers	-	-	-	-
Depreciation expenses	(3,430,966)	(2,692,890)	(2,915,782)	(2,080,367)
Carrying amount at the end of year	86,281,342	89,009,732	60,744,518	63,060,579

\$12,500 of computer software was incorrectly classified as Plant & Equipment in the 2009 accounts of the parent entity

NOTE 10 - INTANGIBLE ASSETS

	Economic Entity		Parent Entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Liquor Licence - at cost	116,681	116,681	116,681	116,681
Travel Licences - at cost	10,000	-	10,000	-
Licences	126,681	116,681	126,681	116,681
Goodwill - at cost	1,378,965	1,378,965	1,300,000	1,300,000
Less: Accumulated Amortisation	(70,192)	(61,417)	-	-
	1,308,773	1,317,548	1,300,000	1,300,000
Computer Software - at cost	907,258	833,661	907,258	833,661
Less: Accumulated Amortisation	(844,178)	(702,811)	(844,178)	(702,811)
	63,080	130,850	63,080	130,850
Total Intangible Assets	1,498,534	1,565,079	1,489,761	1,547,531

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 Tavel 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.

Economic Entity	Licences	Goodwill	Computer Software	Total
Balance at the beginning of year	116,681	1,317,548	130,850	1,565,079
Additions	10,000	-	73,598	83,598
Amortisation charge	-	(8,775)	(141,368)	(150,143)
Carrying amount at the end of year	126,681	1,308,773	63,080	1,498,534
Parent Entity	Licences	Goodwill	Computer Software	Total
Balance at the beginning of year	116,681	1,300,000	130,850	1,547,531
Additions	10,000	-	73,598	83,598
Amortisation charge	-	-	(141,368)	(141,368)
Carrying amount at the end of year	126,681	1,300,000	63,080	1,489,761

Notes to the Financial Statements

For the year ended 31 December 2010

NOTE 11 - TRADE AND OTHER PAYABLES

	Economic Entity		Parent Entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Trade creditors	406,288	1,621,017	50,230	1,211,283
Accrued expenses	1,060,782	1,019,231	934,297	467,852
BAS payable	211,677	32,201	227,090	-
Other payables	680,808	956,301	680,808	945,241
Rental Bonds	104,076	97,079	104,076	97,079
	2,463,631	3,725,829	1,996,501	2,721,455
Current	2,387,828	3,670,167	1,920,698	2,665,793
Non-current	75,803	55,662	75,803	55,662
	2,463,631	3,725,829	1,996,501	2,721,455

NOTE 12 - BORROWINGS

	Economic Entity		Parent Entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Current				
Bank overdraft	-	-	-	-
Bank loans	2,000,000	39,600,000	2,000,000	39,600,000
Affiliated body loans	250,000	-	125,000	-
	2,250,000	39,600,000	2,125,000	39,600,000
Non-current				
Bank overdraft	-	-	-	-
Bank loans	55,290,000	20,190,000	36,100,000	-
Affiliated body loans	2,300,000	2,550,000	1,425,000	1,550,000
	57,590,000	22,740,000	37,525,000	1,550,000
Total Borrowings	59,840,000	62,340,000	39,650,000	41,150,000

- A loan of \$550,000 granted by YHA 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.
- Another loan of \$1,000,000 granted by YHA Australia to YHA Ltd is secured by second mortgage over two Sydney hostels. The loan is 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.
- Another loan of \$1,000,000 granted by YHA Australia to YHA Queensland is secured by second mortgage over a Brisbane hostel. The loan is 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.

The Westpac facility of \$39,900,000 with YHA Ltd, which was set to expire in September 2010 has been extended to 31 March 2011. It consists of construction loan, bank overdraft and bank bills with permitted revolving component. The facility allows repayment and redrawing to the extent of \$500,000 in a calendar month and any repayment beyond this amount will be a permanent reduction in the facility. YHA Ltd has gained credit and pricing approval from Westpac to extend its loans to March 2013 and is in the process of preparing transaction documents. It is expected that this facility will be renewed by the end of March 2011. 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 entity currently complies with the borrowing covenants.

The NAB facility held with Youth Hostels Association of Queensland extends to December 2012. It consists of two fixed rate loans and a variable rate loan totalling \$20,190,000. The financial covenants for the bank borrowings require the Company to maintain the loan to security ratio at less than or equal to 75% and EBITDA to interest cover ratio of 1.5 times. The values of the secured assets reduced on independent valuation in 2010 resulting in the loan to value ratio exceeding the 75% limit. The loans will be refinanced as part of the Westpac renewal for the YHA Ltd loans through to March 2013. Therefore they have been classified as non-current.

	Economic Entity		Parent Entity	
	2010 \$	2009 \$	2010 \$	2009 \$
The bank facilities as at the balance date are:				
Credit facilities	60,090,000	60,090,000	39,900,000	39,900,000
Amount utilised	57,290,000	59,790,000	38,100,000	39,600,000
	2,800,000	300,000	1,800,000	300,000

The unused credit facilities consist of bank bill facility \$2,800,000 (2009 \$Nil) and bank overdraft \$300,000 (2009 \$300,000).

Assets Pledged as Security

The carrying amounts of assets pledged as security are:

	2010 \$	2009 \$	2010 \$	2009 \$
-First mortgage and floating charges				
Total Assets	87,779,876	90,573,300	62,234,278	64,608,110

NOTE 13 - PROVISIONS

	Economic Entity		Parent Entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Current				
Employee benefits	1,071,158	1,000,769	1,071,158	883,488
Insurance Excess	100,000	-	100,000	-
	1,171,158	1,000,769	1,171,158	883,488
Non-current				
Employee benefits	96,146	105,183	96,145	99,566
	96,146	105,183	96,145	99,566

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

	2010 \$	2009 \$	2010 \$	2009 \$
Employee benefits	1,167,304	1,105,952	1,167,303	983,054

Movements in provisions

	Employee Entitlements	Insurance Excess	Total
Balance at the beginning of year	1,105,951	-	1,105,951
Additions	683,587	100,000	783,587
Transfers	132,814	-	132,814
Amounts used	(755,048)	-	(755,048)
Balance at the end of year	1,167,304	100,000	1,267,304

Notes to the Financial Statements

For the year ended 31 December 2010

NOTE 14 - OTHER LIABILITIES

	Economic Entity		Parent Entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Bookings in advance	1,444,015	1,027,166	1,444,015	1,000,272
Unexpired life membership income	200,073	209,125	200,073	209,125
Unexpired other membership income	223,316	534,324	223,316	534,324
	1,867,404	1,770,615	1,867,404	1,743,721
Current	1,652,841	1,485,502	1,652,841	1,458,608
Non-current	214,563	285,113	214,563	285,113
	1,867,404	1,770,615	1,867,404	1,743,721

NOTE 15 - COMMITMENTS

a. Capital Commitments

Capital expenditure commitments contracted for:

	2010	2009	2010	2009
-Plant and equipment purchases	-	74,195	-	74,195
-Capital expenditure projects	199,614	230,675	199,614	230,675
	199,614	304,870	199,614	304,870

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

b. Operating leases

	2010	2009	2010	2009
Payable not later than 1 year	1,518,030	1,499,238	1,225,931	1,188,813
Later than 1 year but not later than 5 years	2,673,396	3,129,174	2,639,786	2,831,087
Later than 5 years	3,988,355	889,945	3,988,355	889,945
	8,179,781	5,518,357	7,854,072	4,909,845

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.

An annual lease payment of \$772,403 (2009 \$749,905) included in the above figures is subject to adjustments in accordance with the movement in the Consumer Price Index or 3% whichever is the greater. Other lease payments are subject to adjustments in accordance with the movement in the Consumer Price Index.

In addition, three leases require 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 \$258,645 (2009 \$421,419). One lease requires payment of a sinking fund as a fixed percentage of turnover used for plant & equipment replacements and another a sinking fund as a nominal amount per overnight that is used to maintain and interpret the heritage components of the leased land.

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 work commenced in August 2008 and the Company completed the construction in October 2009 on time as specified in the Lease Agreement. A performance bank guarantee for \$500,000 provided to Sydney Harbour Foreshore Authority is yet to be returned but is expected to be in 2011. The registration of the lease is pending due to delays in amending the property title of the neighbouring property.

NOTE 16 - RELATED PARTY DISCLOSURES

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

A company managed by the spouse of the Operations Manager was granted, after competitive tender, the contract for the Public Relations of the Sydney Harbour YHA launch. Fees paid for these services in 2010 totalled \$22,179 (2009 \$54,082). The contract was approved by the Board in 2008 and concluded in April 2010.

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

Drifter's Café has been leased to the son of the former CEO of YHA Queensland (ceased employment June 2010). From initial interest the CEO declared the relationship and removed himself from any decision regarding the lease. The lease is a standard Form 7 lease for 5 years with a 5 year option, under commercial terms. The first year's rent is based on a rate of \$33,000 per annum including GST.

NOTE 17 - FINANCIAL INSTRUMENTS

Financial Risk Management

a) General objectives, policies and processes

In common with all businesses, the entity is exposed to risks that arise from its use of financial instruments. This note describes the entity'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 entity'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 entity's risk management objectives and policies. The entity's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the entity 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 entity incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the 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:

	Economic Entity		Parent Entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Trade and other receivables	348,407	443,652	344,225	375,519

c) Liquidity risk

Liquidity risk is the risk that the entity may encounter difficulties raising funds to meet commitments associated with financial instruments (ie: creditors). It is the policy of the Board of Directors that the entity maintains adequate funds.

Notes to the Financial Statements

For the year ended 31 December 2010

Maturity Analysis

2010	Carrying Amount \$	Contractual Cash Flows \$	< 1 years \$	1 - 5 years \$
Financial Liabilities				
Non-derivatives				
Trade and other payables	2,387,828	2,387,828	2,387,828	-
Borrowings	59,840,000	-	2,250,000	57,590,000
Total financial liabilities at amortised cost	62,227,828	2,387,828	4,637,828	57,590,000
2009	Carrying Amount \$	Contractual Cash Flows \$	< 1 years \$	1 - 5 years \$
Financial Liabilities				
Non-derivatives				
Trade and other payables	3,670,167	3,670,167	3,670,167	-
Borrowings	62,340,000	-	39,600,000	22,740,000
Total financial liabilities at amortised cost	66,010,167	3,670,167	43,270,167	22,740,000

d) Market risk

Market risk arises from the use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk).

(e) Interest rate risk

The entity is constantly monitoring its exposure to trends and fluctuations in interest rates in order to manage interest rate risk.

Sensitivity Analysis

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the entity's profit through the impact on adjusted interest rate.

2010	Carrying Amount \$	+ 1% interest Rate \$	- 1% interest Rate \$
a) Cash & cash equivalents	1,587,357	15,874	(15,874)
Increase/(decrease)	-	15,874	(15,874)
b) Borrowings			
- Interest rate swap (fixed)	25,000,000	-	-
- Interest rate (fixed)	16,599,000	-	-
- others	18,241,000	(182,410)	182,410
	59,840,000	(182,410)	182,410
Increase/(decrease)	-	(182,410)	182,410

The above analysis assumes all other variables remain constant. The same analysis was performed for the year ended 31 December 2009.

2009	Carrying Amount \$	+ 1% interest Rate \$	- 1% interest Rate \$
a) Cash & cash equivalents	1,722,428	17,224	(17,224)
Increase/(decrease)	-	17,224	(17,224)
b) Borrowings			
- Interest rate swap (fixed)	25,000,000	-	-
- Interest rate (fixed)	16,599,000	-	-
- others	20,741,000	(207,410)	207,410
	62,340,000	(207,410)	207,410
Increase/(decrease)	-	(207,410)	207,410

NOTE 18 - KEY MANAGEMENT PERSONNEL COMPENSATION

All Directors are members of the entity 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.

Short term benefits	Salary \$	Superannuation \$	Bonus \$	Non-Cash Benefits \$	Total \$
2010	690,186	65,556	38,212	24,000	817,954
2009	664,316	63,280	38,791	24,000	790,387

NOTE 19 - NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

NOTE 20 - RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Economic Entity		Parent Entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Surplus after income tax	380,531	129,089	(5,431)	388,699
Non-cash flow in surplus				
Depreciation and Amortisation	3,581,107	2,835,072	3,057,151	2,218,855
Impairment of property, plant & equipment	-	5,080	-	-
Loss (Profit) on sale of property, plant & equipment	54,496	143,447	14,690	66,642
Deferred revenue	(6,667)	(6,669)	(6,667)	(6,669)
Changes in assets and liabilities				
Decrease (Increase) in receivables	95,246	344,493	31,294	(98,201)
Decrease (Increase) in inventory	(17,646)	8,692	(31,441)	(14,132)
Decrease (Increase) in other assets	115,922	(53,882)	50,779	(57,970)
Increase (Decrease) in payables	(1,262,198)	1,353,595	(724,954)	1,159,174
Increase (Decrease) in provisions	161,352	185,627	284,249	200,400
Increase (Decrease) in other liabilities	96,789	(40,801)	123,683	153,890
Net cash provided by operating activities	3,198,932	4,903,743	2,793,353	4,010,688

Auditor's Independence Declaration

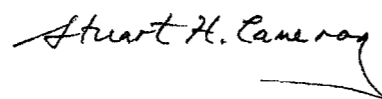
AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF YHA LTD.

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2010, 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
26 February 2011
Level 6
350 Kent Street
Sydney NSW 2000



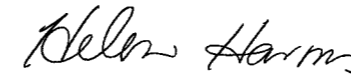
Stuart Cameron
Partner

Directors' Declaration

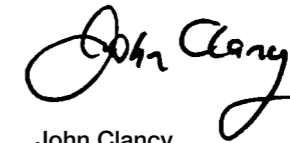
The Directors of YHA Ltd declare that:

1. The financial statements and notes, as set out on pages 32 to 47, 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 2010 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
26 February 2011



John Clancy
Director
26 February 2011

Independent Audit Report

To the members of YHA Ltd

ABN 94 008 387 791

Scope

I have audited the attached financial report of YHA Ltd for the financial year ended 31 December 2010. 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. I have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My 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 my understanding of the company's financial position and performance as represented by the results of its operations and its cash flows.

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

Independence

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

In accordance with ASIC Class Order 05/83, I declare to the best of my knowledge and belief that the auditor's independence declaration included in the financial report on page 14 has not changed as at the date of providing my audit opinion.

Auditor's Opinion

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

- giving a true and fair view of the economic entity's and parent entity's financial position as at 31 December 2010 and their performance for the year ended on that date; and
- complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

KS Black & Co
Chartered Accountants
26 February 2011
Level 6
350 Kent Street
Sydney NSW 2000

Stuart Cameron
Partner

YHA Ltd Hostel Locations



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

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.



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ACN: 008 387 791

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: Sydney Harbour YHA;
Alice Springs YHA; Canberra City YHA;
Brisbane City YHA; Yamba YHA