



YHA Ltd

Year in Review

2009

Contents

1	Introduction	p 2	12	Governance	p 18
2	Background to YHA	p 3	13	Corporate Affairs	p 19
3	2009 In Summary: Discussion and Analysis of Financial Results	p 4	14	Human Resources	p 20
4	Five Year Comparison	p 5	15	YHA NSW Hostels	p 22
5	YHA Accommodation	p 6	16	Relations with the Government & Other Associations	p 24
6	YHA Membership	p 10	17	Financial reports for the year ended 31 December 2009	p 25
7	YHA Travel	p 11	18	YHA NSW & NT Locations	p 39
8	Marketing YHA	p 12			
9	Financial Summary	p 14			
10	Strategic Planning & Outlook	p 16			
11	Structure of the Organisation	p 17			

1 Introduction



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

Dear Members & Friends

We are pleased to report that YHA had a very successful year in 2009. This Annual Report sets out YHA's activities and achievements in NSW, the ACT and NT, providing a high quality travel and accommodation network for members.

Results

In NSW, the ACT and NT, the network comprises 39 properties either owned or leased by YHA or privately operated. In 2009 an average of 2,150 people were accommodated each night, and an operating surplus of \$389,000 was achieved on a turnover high of \$20.7 million. The economic downturn caused a slowdown, particularly for the Sydney hostels however some growth came from Canberra, Darwin and Alice Springs YHAs and those on the Pacific Highway. Regional hostels play an important role in encouraging both Australian and international travellers to disperse throughout the country. There was an increase in visitors from Continental Europe and Scandinavia but less usage from the UK and Ireland. As a not-for-profit organisation all surpluses are re-invested into expanding the accommodation network and providing benefits for guests and members.

Hostel development

In The Rocks, Sydney Harbour YHA opened in October 2009 on schedule and to great acclaim. This unique property, with its on-site Big Dig Archaeology Education Centre and Opera House views, is purpose built for independent travellers and school groups. The new hostel has attracted significant media interest and excellent guest feedback.

Membership

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 30,220 members in the ACT, NSW and the NT, and membership renewal rates are steady at 37%.

Sustainability initiatives

YHA has had an environmental policy in place for over a decade and in 2009 updated its strategies and achieved

bronze partner status in the Department of Environment and Climate Change's 'Sustainability Advantage Program'. The Sydney Harbour YHA design incorporates many sustainability features to reduce the hostel's carbon footprint.

Awards

Sydney Central YHA won the 2009 NSW and National Tourism Awards for Best Backpacker Accommodation, and Thredbo YHA won the Canberra & Capital Region Award, showcasing the quality of both the urban and regional network.

Merger with YHA Queensland

YHA in Australia operates with a federal structure. In November, after a 20 month planning process and as a further step towards creating a single national body, the members of YHA in NSW and Queensland voted overwhelming to merge the two state organisations into one. The new merged entity, YHA Ltd, is the former YHA NSW Ltd renamed, and came into effect on 1 January 2010. It covers activity in the ACT, NSW, the NT and Queensland. The Board consists of an equal number of Directors from the previous YHA NSW and YHA Queensland.

100 years of hostelling

In 2009, YHA and Hostelling International celebrated 100 years of the youth hostel movement with events at many hostels across Australia. In the Blue Mountains, at Hawkesbury Heights YHA, a time capsule laid down 42 years earlier was unearthed and some of its contents were re-buried in a capsule laid down on the site of Sydney Harbour YHA.

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. We reinvent our organisation for each generation, by providing contemporary hostels and services for today's travellers. 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

The House and Tree Symbol



The house and tree originates from the first International Youth Hostel Federation (IYHF) 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 the IYHF was formed and now has member associations in 60 countries which are operating more than 4,300 hostels. There are 130 YHA hostels in Australia, including 39 in NSW, the ACT and the NT. The first YHA hostel in NSW was opened in 1943 under the sponsorship of the National Fitness Council of NSW.

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

Corporate Objectives

1. To be the market leader in the provision of low cost, quality accommodation and to grow market share.
2. To be the 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 maintain good relationships and develop opportunities with YHA Australia and the other State Associations.
6. To provide an annual operating surplus to reinvest in the further growth and development of YHA services and resources.
7. To continue to exercise the organisation's social, cultural, economic, educational and environmental responsibilities as a major international membership organisation.
8. To continue to develop YHA's human resources as a means of achieving the above objectives.
9. To manage risk through selected strategies and regular review.

YHA Ltd

- > Was formally YHA NSW Ltd.
- > 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 NSW, interstate and overseas.
- > Has 30,220 members in NSW, the ACT and the NT.
- > Operates its own fully licensed travel agencies 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 Incorporated which is affiliated with Hostelling International.

Highlights

- > Opening of Sydney Harbour YHA and 'The Big Dig' Archaeology Education Centre
- > Reduced operating surplus of \$389,000
- > Successful merger with YHA Queensland into YHA Ltd
- > Celebrations to mark 100 Years of Hostelling

YHA Accommodation

- > 787,214 overnight stays recorded in the ACT, NSW and the NT
- > Increased usage at Darwin, Alice Springs, Canberra and on the NSW Pacific Highway but a quieter year in Sydney
- > Travel by young people less affected by the economic downturn than other sectors
- > Growth in online bookings and launch of the mobile yha.com.au booking site
- > Conducted organisation wide carbon footprint of hostel and head office operations

Development

- > Sydney Harbour YHA completed on schedule, at cost of \$28M and offering a new level of quality for YHA style accommodation
- > Customer approval rating of 95% for the new hostel on yha.com.au

YHA Membership

- > Membership in NSW, the ACT and NT made up of 30,220 Australian members (6% decline) and 16,422 International members, being stable with the previous year
- > National coordination of renewal campaigns for YHA in all mainland states

YHA Travel

- > Re-launch of yha.com.au travel pages to optimise navigation and conversion rates
- > Dedicated YHA Travel staff at Sydney Harbour YHA
- > Focus on rationalising operations and reducing costs

Marketing YHA

- > Sydney Central YHA won 'Best Backpacker Accommodation' at the 2009 NSW Tourism Awards and the National Tourism Awards, and Thredbo YHA won the Canberra & Capital Region award
- > Growth in sales of eNights - hostel to hostel bookings and discounted accommodation packs
- > Launch of online social media campaigns
- > Successful marketing campaign for the launch of Sydney Harbour YHA including extensive media coverage

Finance

- > On a turnover of \$20.7M, a surplus of 1.9%
- > Accumulated funds reached \$19.5M
- > Financed construction of Sydney Harbour YHA
- > Loan draw downs and bills able to take advantage of lower interest rates

Governance

- > Overwhelming support by members of proposal to merge YHA NSW and YHA Queensland
- > New Board of YHA Ltd appointed, with representation from Directors based in both NSW and Queensland



Left to Right:
Back:
 The Management Team:
 Janet McGarry
 (Marketing Manager);
 Susan Archer
 (Membership Manager);
 Silke Kerwick
 (Communications Manager);
 Filomena De Angelis
 (Travel Manager)
Front:
 Robert Henke
 (Operations Manager);
 Alison McDonagh
 (Development Manager);
 Julian Ledger (CEO);
 Stephen Lynch (CFO)

	2009 \$	2008 \$	% Change	2007 \$	2006 \$	2005 \$
Total revenue	20,739,069	20,021,423	3.6	18,081,636	15,803,468	14,774,882
Total expenses	20,350,371	18,749,951	8.5	16,924,030	15,131,004	13,464,423
Operating profit after tax	388,698	1,271,472	(69.4)	1,157,606	704,106	1,310,459
Capital Expenditure	23,029,493	992,158	2,221.2	3,013,574	8,393,567	4,013,238
Total assets	66,085,912	45,077,081	46.6	40,660,977	38,952,700	32,815,589
Total borrowing	41,150,000	22,050,000	86.6	19,150,000	18,826,554	13,300,000
Total Equity	19,487,284	19,098,586	2.0	17,827,114	16,669,508	15,789,488
Gearing (A)	0.68	0.54	26.6	0.52	0.53	0.46
Interest cover (B)	3.01	3.69	(18.4)	3.48	2.68	4.22
Number of Members (C)	30,220	32,076	(4.8)	30,716	34,464	36,775
Number of Hostels (D)	39	37	5	38	37	41
Number of Employees (E)	195	163	19.6	157	142	137

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



Results

In 2009 a total of 787,214 guest overnight stays were recorded at hostels in the ACT, NSW and NT. The economic downturn impacted negatively on Sydney hostels; however this was partly offset by growth at Coffs Harbour, Yamba, Byron Bay, Canberra City, Darwin and Alice Springs YHAs. Bookings through YHA's national website, yha.com.au, continued to grow, as did sales of multi-night discounted accommodation packs.

Awards and YHA quality



Celebrating Sydney Central YHA's success at the tourism awards, with finalists Port Stephens YHA

Sydney Central YHA won the 2009 NSW and National Tourism Awards for Best Backpacker Accommodation and also the 'HOSCAR' (Hostelworld Customer Annual Ratings) award for best hostel in Australia. Thredbo YHA won the Canberra & Capital Region Award, showcasing the quality of both the urban and regional network. These awards reinforce awareness of the quality of the YHA brand.

Hostelling International which is based in the UK coordinates a quality assurance scheme known as HI Quality and Railway Square, Sydney Central and Sydney Harbour YHAs successfully entered the program with more hostels to join in 2010.



Thredbo YHA staff accepting the Canberra & Capital Region Tourism Award

Hostel network

Regional hostels play an important role in dispersing both Australian and international travellers throughout the country, and visitation generally held up better than in Sydney and especially on the popular NSW touring route of the Pacific Highway. YHA hostels provide inexpensive and vibrant places to stay and meet other travellers. Threats to regional hostel usage are inexpensive city to city airfares resulting in more people overflying and also an increase in the numbers of campervans.

YHA convened meetings in regional areas, bringing together groups of hostel managers to share expertise and plan joint promotions. Two temporary hostels accommodated extra visitors over Christmas and New Year at Sydney University and the International College of Tourism Management at Manly.

Innovations

Hostels around Australia offer 'YHA Connect' telecommunications services as an important in house service to guests. Internet revenue grew 20% to over \$750,000, with a 46% growth in wireless usage. YHA Australia launched a version of yha.com.au suitable for mobile phones to target travellers' ever-increasing usage of new technologies.

For staff, an e-learning module was trialled during the year, and expanded modules will be rolled out via the organisation's Intranet in 2010. The intranet was also extended to YHA Queensland and the first stage of a roll out to YHA Australia completed.

Environmental initiatives

YHA has had an environmental policy in place for over a decade and previous initiatives have included working with the former Sustainable Energy Development Authority and the construction of the solar powered Hawkesbury Heights YHA. During 2009 commitment was renewed, and YHA proactively put in place new initiatives to 'green' both new and existing hostels.

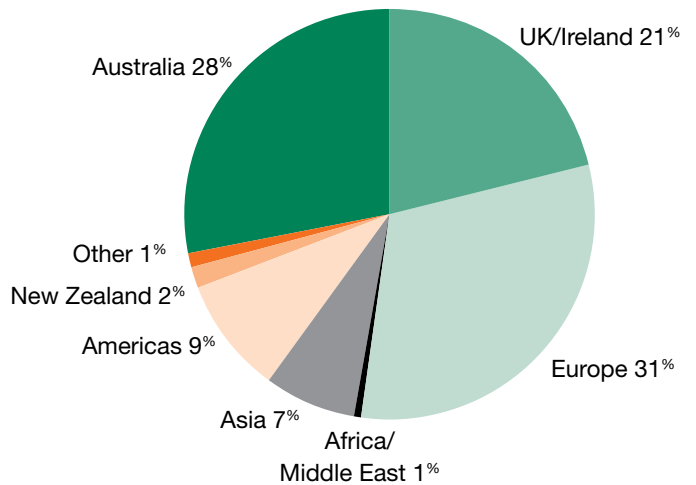
Firstly, an organisation wide carbon footprint was conducted, covering hostel and head office operations, to identify areas where energy usage could be reduced and recycling and reusing increased. Secondly, YHA achieved bronze partner status in the NSW Department of Environment and Climate Change's 'Sustainability Advantage Program' (the first accommodation provider to receive this recognition) and is actively working towards achieving silver status. And thirdly, several hostels in regional areas, including Bellingen, Bundanoon, Coffs Harbour, Pittwater, Lennox Head, Newcastle and Yamba (as well as Cronulla and Collaroy in Sydney) received 'Energy Efficiency for Small Business' assessments and rebates, for improvements in areas such as lighting and hot water.

The largest sustainability project though, by far, was the inclusion of nearly \$1M worth of environmental initiatives at Sydney Harbour YHA. For this project development, the objectives of YHA coincided with those of the landowner, Sydney Harbour Foreshore Authority, and high environmental design targets were set. An Environmental Sustainability Design consultant was involved throughout the development phase, significant initiatives were incorporated and the equivalent of a 5 green star building achieved. The result is a unique hostel and education centre that juxtaposes the past and the present, with a clear eye on the future.

ECO-INITIATIVES AT SYDNEY HARBOUR YHA

- > solar hot water
- > 80,000 litre rain water retention/detention tanks for toilet flushing
- > gas generator to supply up to 70% of the hostel's peak energy demands
- > key-card activated lighting and air-conditioning for guest rooms
- > natural ventilation for rooms with air-conditioning turned off when window opens
- > air-conditioning only activated in rooms upon guest request and automatically turned off daily at 10am unless otherwise requested
- > sliding external shutters for bedroom windows
- > energy efficient lighting
- > sub-metering (80 individual meters) to monitor energy usage by area
- > high rated water saving products for taps, showerheads and WCs
- > water meters to monitor major water use areas
- > storage for up to 10 bicycles
- > low formaldehyde building materials used
- > recycled rubber flooring
- > recycling of glass, paper, plastic, batteries, clothing
- > acoustic treatment of roof-top plant areas
- > external lighting designed to limit spill and minimise impact on telescopes at the nearby Sydney Observatory
- > building designed with open walkways around central voids providing plentiful natural light.

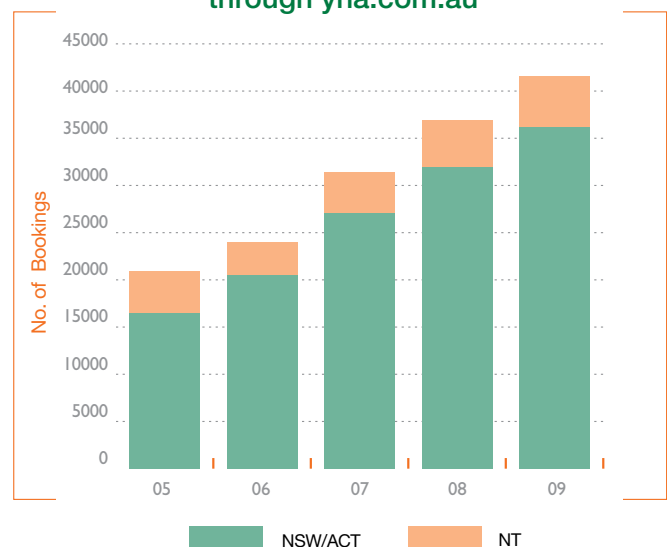
2009 Overnights by Country of Origin



YHA Total Overnights in ACT, NSW & NT



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



Sydney Harbour YHA

The 354 bed Sydney Harbour YHA, opened in October 2009 after a construction period of just 12 months and being earlier than budget. The hostel contains 106 en-suite bedrooms offering a mix of double/twin and share accommodation. The YHA is the first purpose built, environmentally sustainable youth hostel in a central city location in Australia. It is erected above an early colonial historic site and incorporates 'The Big Dig Archaeology Education Centre' with a simulated dig for students to unearth artefacts. It boasts spectacular Opera House views from some bedrooms and the roof top terrace.



Kristina Kenneally (as NSW Planning Minister) and Ross Lardner (Hostel Manager) on construction site of Sydney Harbour YHA

The total project cost was \$28M being almost double YHA's previous largest hostel investment at Sydney Central YHA fourteen years previously. Additional costs were incurred due to the sensitivity of the site and complexity of the building's design along with the protection of the archaeology and interpretive screens to reflect the site's former 19th century buildings.

The opening marks a conclusion to more than 20 years of YHA effort in seeking a harbour location including six years working on this project. YHA has a 99 year lease over the land from the Sydney Harbour Foreshore Authority (SHFA) and there is a sinking fund into which YHA contributes a percentage of overnight revenue for the preservation and interpretation of the archaeology. This includes the remnants of 42 buildings and in their ruins the archaeologists have found more than one million artefacts. Some of these are now displayed to the public on two historic laneways which have been reopened.

The new hostel has immediately proved popular with both independent travellers and school groups and has achieved a rating of 96% guest satisfaction on yha.com.au. From this foundation of excellent word of mouth it is hoped high occupancy will be achieved.

The project would not have been possible without the sustained commitment of YHA's management and Directors, the support of SHFA and the expertise of professional consultants, builders and contractors.

YHA thanks the following organisations for their significant contribution to the development of Sydney Harbour YHA and The Big Dig Archaeology Education Centre

ARCHITECT

Tzannes Associates

PROJECT MANAGER

McNally Management

HERITAGE

Godden Mackay Logan
International Conservation Services
National Trust of Australia (NSW)
The University of Sydney (staff and student volunteers)

EDUCATION

Zarwood Consultants
Sydney Learning Adventures

BUILDER

Built Holdings

AUTHORITIES

Sydney Harbour Foreshore Authority
City of Sydney
Historic Houses Trust
NSW Department of Planning
NSW Heritage Office

FINANCE

Westpac Banking Corporation
YHA Australia

OTHER CONSULTANTS

Acoustic Logic
Altus Page Kirkland
Demlakian Consulting Engineers
Design Collaborative
Elton Consulting
Environet Consultancy
Fire Engineering Design
ITC Group
K.R. Stubbs
Lighting Art & Science
Liquid Graphic Design
Project Surveyors
Ryan Lawyers
Signtech
Steve Watson & Partners
Taylor Thomson Whitting
Team Catalyst
Terraffic
The Mack Group
WHP Architects

Number of Hostels on 31 December 2009

	2007	2008	2009
15 YHAs and 24 Associates			
Permanent	40	37	37
Temporary	1	2	2
Total	41	39	39

Number of Beds on 31 December 2009

	2007	2008	2009
Permanent	3,635	3,490	3,884
Temporary	218	238	390
Total	3,853	3,728	4,234

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.

Overnights

Number of Overnights	2007	2008	2009
Permanent Hostels	789,912	795,068	787,197
Temporary Hostels	394	1,426	1,401
Total	790,306	796,494	788,598
Overnights Recorded			
By Australians	234,614	227,057	221,007
By Non Australians			
From IYHF Countries	536,143	560,151	560,090
From Non IYHF Countries	19,549	9,286	7,501
Total Overnights	790,306	796,494	788,898
Ratios			
Beds per hostel	91	107	103
*Overnights per hostel	19,758	22,125	20,940
*Overnights per bed	217	206	219

*Hostels open part year excluded from averages

Trends

YHA currently has 30,220 members in the ACT, NSW and the NT. Membership costs \$42 per year (with a \$10 discount for aged 26 and under). YHA also offers a joint YHA/ISIC (student) and YHA/IYTC (youth) card for \$37 which was taken up by 1,187 members in 2009. In addition 16,422 international guests took out YHA membership upon arrival. Twenty-three percent of members are Life members, of varying ages. YHA also has 532 group members, including educational institutions, cultural bodies and sporting organisations.

Promotions

During the year '2 years for 1' offers were promoted at travel expos and on university campuses to attract new members. Promotional incentives were also put in place for the hostel and travel network to increase membership sales. A joint promotion was run giving Australian members a special offer at key hostels in New Zealand (and vice versa).

Renewals campaigns

YHA runs a professional direct mail campaign on behalf of the other mainland States to encourage existing members to renew their membership. During the year, BPAY was introduced as a convenient method to pay annual membership fees.

Technology

Fifty percent of new members join via yha.com.au however only 30% of members renew online indicating scope for improved design of this option. National training was coordinated on the YHA membership database system, NaMeS, and a read-only version was installed at key hostels.

Agent network

During the year, YHA worked closely with key agents such as Work & Travel Company, International Exchange Program and Camp Counsellors USA. YHA has a network of agents selling membership cards, several of whom also have agreements to sell accommodation at key hostels.



Membership Statistics as at 31 December 2009

ACT, NSW & NT (NT figures only from 2006)	2005	2006	2007	2008	2009	%
Youth – Paid#	175	201	64	0	0	
Youth – Free	3,377	3,185	2,921	2,946	2,711	-8.0
Total Youth	3,552	3,386	2,985	2,946	2,711	-8.0
Adult	26,803	24,540	20,492	21,677	20,058	-7.5
- Under 26				4,992	4,646	-6.9
- 26 & over				15,752	14,526	-7.8
- YHA/ISIC				289	364	26.0
- YHA/IYTC				644	522	-18.9
Life	6,420	6,662	6,809	6,868	6,919	0.7
Total Individual Members	36,775	34,588	30,286	31,491	29,688	-5.7
Group Members	469	502	432	581	532	-8.4
Internationals joining YHA*	13,513	13,339	16,653	16,593	16,422	-1.0

From October 2007 Youth Paid classed as Adult Under 26 *2008 onwards includes NT

Members travel service

YHA Travel provides services primarily for the needs of Australian and international YHA members travelling overseas and around Australia. YHA Travel has two branches in Sydney, supported by tour desks operating at hostels. Overall sales declined in 2009, compared to the previous year, mainly due to a decrease in sales of products to Australians travelling overseas.

Product development

YHA Travel offers 'Australian Adventures' packages for travel around NSW and inter-state. During the year, new packages were launched for Sydney Harbour YHA and Yamba YHA and promoted in brochures and on yha.com.au.

YHA Travel also offers a range of 'World Easy' arrival packages for key destinations overseas. Sales of travel products to Australians traveling overseas are under pressure due to competition online and a trend of direct-to-consumer marketing from websites of major touring companies.

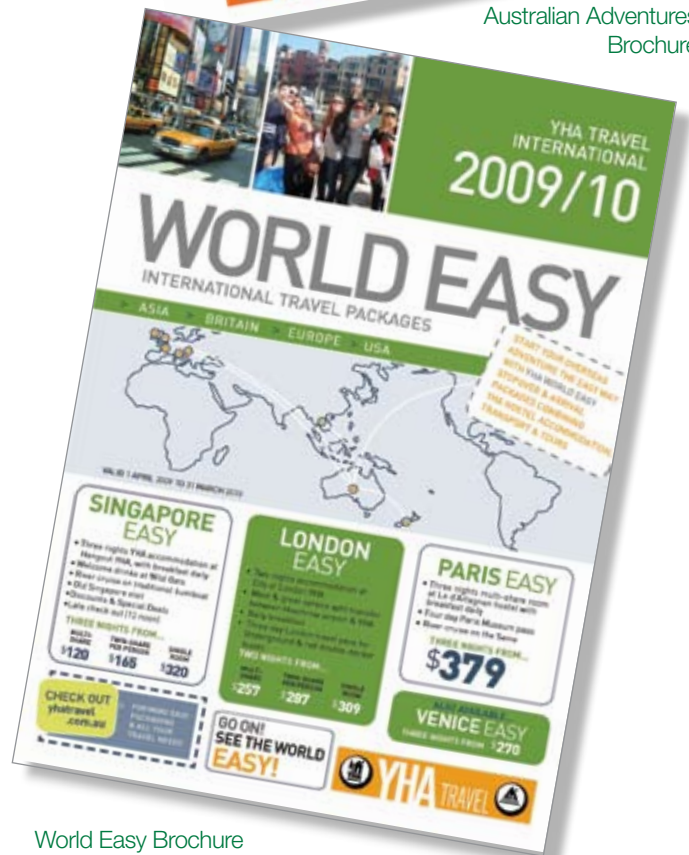
During the year, the travel pages of yha.com.au were re-launched to optimise navigation and conversion rates. Focus was also placed on rationalising operations, and a dedicated YHA Travel staff member was implanted at Sydney Harbour YHA, with priority being placed on optimising travel product sales at hostel tour desks.

Partnerships

YHA Travel has alliances with key travel operators, focusing on industry leaders who share a common goal of providing affordable, quality travel services. YHA works with a range of national transport providers including Greyhound, Adventure Tours Australia and Oz Experience and negotiates national agreements, offering members valuable discounts on key products. An internal partnership between YHA Travel and national YHA hostels is also in place due to strong sales by YHA Travel of eNights (YHA pre-paid accommodation) and ePacks in conjunction with transportation.



Australian Adventures Brochure



World Easy Brochure

Target markets

YHA's primary market is the international 'Free Independent Traveller', making up 71% of hostel guests. A large proportion are Working Holiday Makers from countries such as the UK and Canada. In 2009 a growing number of guests came from France, Italy, Germany, the Netherlands, Scandinavia and Taiwan.

YHA's secondary market is the Australian domestic traveller, making up 20% of guests. Making up the balance of 9% of hostel nights is the third market - groups where there is good growth potential, particularly in locations such as Sydney and Canberra. YHA also encourages young Australians travelling overseas to take out membership and use the Hostelling International global network.



Sydney Harbour YHA gets the thumbs up from guests

Marketing mix

A range of marketing activities was carried out in 2009 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 launch Sydney Harbour YHA, including public relations, advertising, social media, videos, direct mail and cooperative marketing with tourism partners.

YHA online

YHA's website yha.com.au continues to grow with over 10,000 unique user sessions recorded each day and the average user spending 10 minutes on the site. Bookings through the site again grew strongly. In addition, many hostels can also be booked on third party websites such as hihostel.com and hostelworld.com. YHA trialled online marketing during the year with the creation of a new position dedicated to this important area. An initiative was a social media campaign on Facebook – facebook.com/backpackingmate - that reached over 3,500 fans.

Media exposure

High profile coverage was secured during the year in a range of media, from the Sydney Morning Herald to the UK Guardian. Promotional footage of hostels is available on websites such as youtube.com, with over 50,000 views to date, and YHA also features heavily on travel web and blog sites.

Communications

YHA's award-winning members' magazine, Backpacker Essentials, is mailed directly to 35,000 members, nationally three times a year. It is complemented by a website - backpackeressentials.com.au - with over 500,000 unique visitors a year, and a Customer Relationship Management system which delivers welcome emails to new members, renewal reminders and a bi-monthly e-newsletter. YHA also publishes its Annual Report online at yha.com.au, and its Year in Review won a bronze award from the Australasian Reporting Awards in 2009.



Backpacker Essentials Magazine

Events

YHA sponsored the 2009 Sydney Adventure Travel & Backpackers Expo, attended by 7,000 people, and had good take up of the '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 Blue Mountains Winter Magic Festival and Glebe Street Fair.



Stand promoting The Rocks at the Sydney Adventure Travel & Backpackers Expo

100 Years of hostelling

In 2009, YHA celebrated 100 years of the youth hostel movement with events across Australian hostels. In the Blue Mountains, at Hawkesbury Heights YHA, a time capsule laid down 42 years earlier was unearthed and some contents were re-buried in a capsule laid down on the site of Sydney Harbour YHA. On yha.com.au a competition was run to 'Win 100 Days Down Under' with entrants providing videos showing what they would pack for the trip, and the winner blogging about their travels. YHA members also provided '100 stories in 100 words' for Backpacker Essentials magazine and website.

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 and through YHA Australia the production of a joint Australia/NZ visitor map for YHA members.

Industry representation

The Backpacker Operators Association of NSW (BOA) is an industry body representing over 100 organisations in the backpacking sector, including publishers, accommodation providers, travel agents and transport and tour operators. The BOA Secretariat is based at the YHA office in Sydney but 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.

YHA is also represented 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 CEO also serves on the Board of Tourism New South Wales and sits on its Regional Industry Reference Group.



100 Years of Hostelling celebrations at Newcastle Beach YHA - (left to right), Jodi McKay (NSW Minister for Tourism), Julian Ledger (CEO), Alida Cornwell



Schoolchildren with time capsule to be laid at the site of Sydney Harbour YHA



Blue Mountains Mayor, Adam Searle, with a letter from the mayor of 1967, found in time capsule at Hawkesbury Heights YHA

Overview

The net operating profit for 2009 was \$388,698 which was lower than the previous year. Trading included the first two months operation of Sydney Harbour YHA. The decrease was due to one off expenses relating to the merger with YHA Queensland and the pre-opening of Sydney Harbour YHA, as well as lower occupancies in Sydney. Growth in contribution from the Northern Territory and Canberra Hostels was positive.

Total borrowings increased by \$19.1M from \$22.1M to \$41.2M. This increase in borrowings was due to financing the Sydney Harbour YHA project. Borrowings include two loans from the Hostel Building Assistance Fund of YHA Australia amounting to \$1.55M.

Total revenues from ordinary activities were \$20.7M for the year, which represented an increase of \$717,646 (3.6%) over 2008 (see graph below.)

Contribution from Divisions

The contribution of each division to the Net Operating Profit is compared in percentage terms in the graph below. The Hostel Division is the major contributor to overall profit, with Membership also making a small contribution.

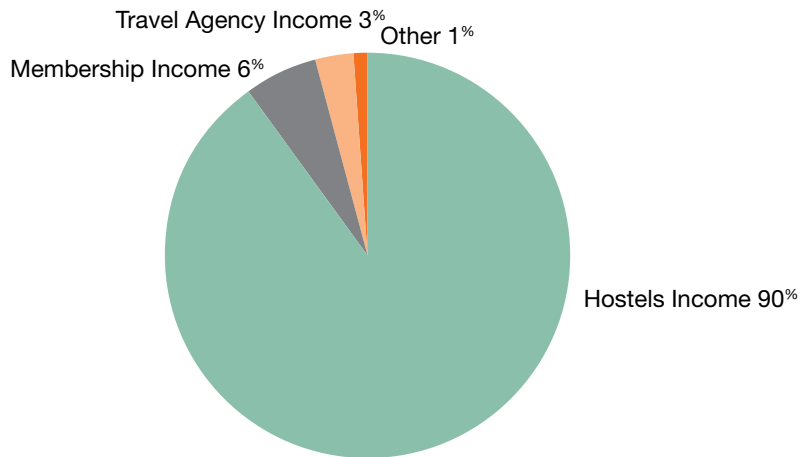
Hostel Division

Due to the economic downturn, there was heavy price discounting in hotels as visitation from some key markets dropped and occupancy at Sydney hostels was lower accordingly. Growth in contribution from the hostels in Alice Springs, Darwin and Canberra partially offset this trend.

Membership Division

Membership numbers decreased, however, expenses were contained.

2009 Source of Gross Operating Revenues from Ordinary Activities



Contribution from Divisions (%)



Travel division

Commission on sales from YHA Travel was less than the previous year, mainly due to competition and YHA's customers using the Internet rather than over-the-counter retail travel agencies to purchase travel. The Division made a loss after internal overheads were applied. The focus for 2010 will be to grow online sales at yha.com.au and opportunities that arise from the merger with Queensland.

Administration Expenses (including Marketing)

There was an increase in Administration expenses mainly due to salaries and related costs as a consequence of the restructure project, rent for the Accounts Department (since early 2009 located in a separate adjacent office due to space constraints at Head Office) and advertising and promotional expenses to launch Sydney Harbour YHA.

Finance Expenses

Interest costs on borrowings were higher than the previous year due to the increase in borrowings. Low interest rates meant that these costs have not gone up as much as anticipated. Interest expenses incurred on borrowings while Sydney Harbour YHA was under construction were capitalised.

Capital Expenditure

The major capital expenditures for the year were:

- > Sydney Harbour YHA – completion of project
- > Sydney Central – building management system and key card upgrade
- > Canberra – carpet, guest kitchen and laundry upgrade
- > Continuation of Virtual Desktop Infrastructure for the company (storing data separately to actual physical PCs).

Capital expenditure projects were also undertaken at regional hostels, as follows:

- > Blue Mountains – new carpet
- > Bundanoon – solar hot water and new beds
- > Byron Bay – railing replacement and activities equipment
- > Glebe – laundry equipment and CCTV
- > Pittwater – new beds and gas fireplace
- > Alice Springs – new beds and laundry
- > Darwin – new beds
- > Coffs Harbour – sewerage upgrade and new furniture

Taxation

YHA income received from members is treated as mutual income (non taxable) whilst other revenue is non-mutual (taxable). Further details are contained in Note 3 of the Financial Statements.

Cash Flow Statement

The statement of cash flow discloses:

- > Cash inflow of \$4.0M from operating activities - up on previous year
- > An increase in cash used in investing activities of \$16.8M, mainly for construction work at Sydney Harbour YHA
- > An increase of \$16.2M from financial activities.

There was a net cash inflow of \$114,068 in the year, compared with a net cash inflow of \$155,970 in 2008.

Strategic planning and organisational structure

Since its founding over seventy years ago, YHA in Australia historically has been based on a federal structure with separate state entities, of which YHA NSW has been one. At the end of 2009, and as a significant move towards merging the various state organisations into a single national body, members of YHA NSW and Queensland voted to merge into a single entity named YHA Ltd. The new entity came into effect on 1 January 2010 and covers operations in the ACT, NSW, the NT and Queensland, representing about two thirds of YHA activity in Australia. (For more detail on the merger see page 19).

YHA Ltd is well poised to utilise the benefits of modern technology to overcome the tyranny of distance. Working closer together will achieve greater effectiveness and deliver more streamlined services to YHA members, who expect consistency across state borders. The new Board assumed responsibility at the beginning of 2010, and over the coming year the Directors and management have set quarterly milestones and will be working on the merger integration process for all aspects of YHA's financial management and operations. The new entity has its head office in Sydney with a Northern Region office in Brisbane.

The organisation has been working under a draft Strategic Plan. Now the merger has been effected, a Strategic Plan for 2010-2013 is being prepared and will be updated on a rolling three-year basis. The focus of the new Plan will be on developing improved systems and processes as well as the organisation's human resources, as distinct from the phase of rapid development of new hostels in recent years.



Sydney Harbour YHA at night

Outlook

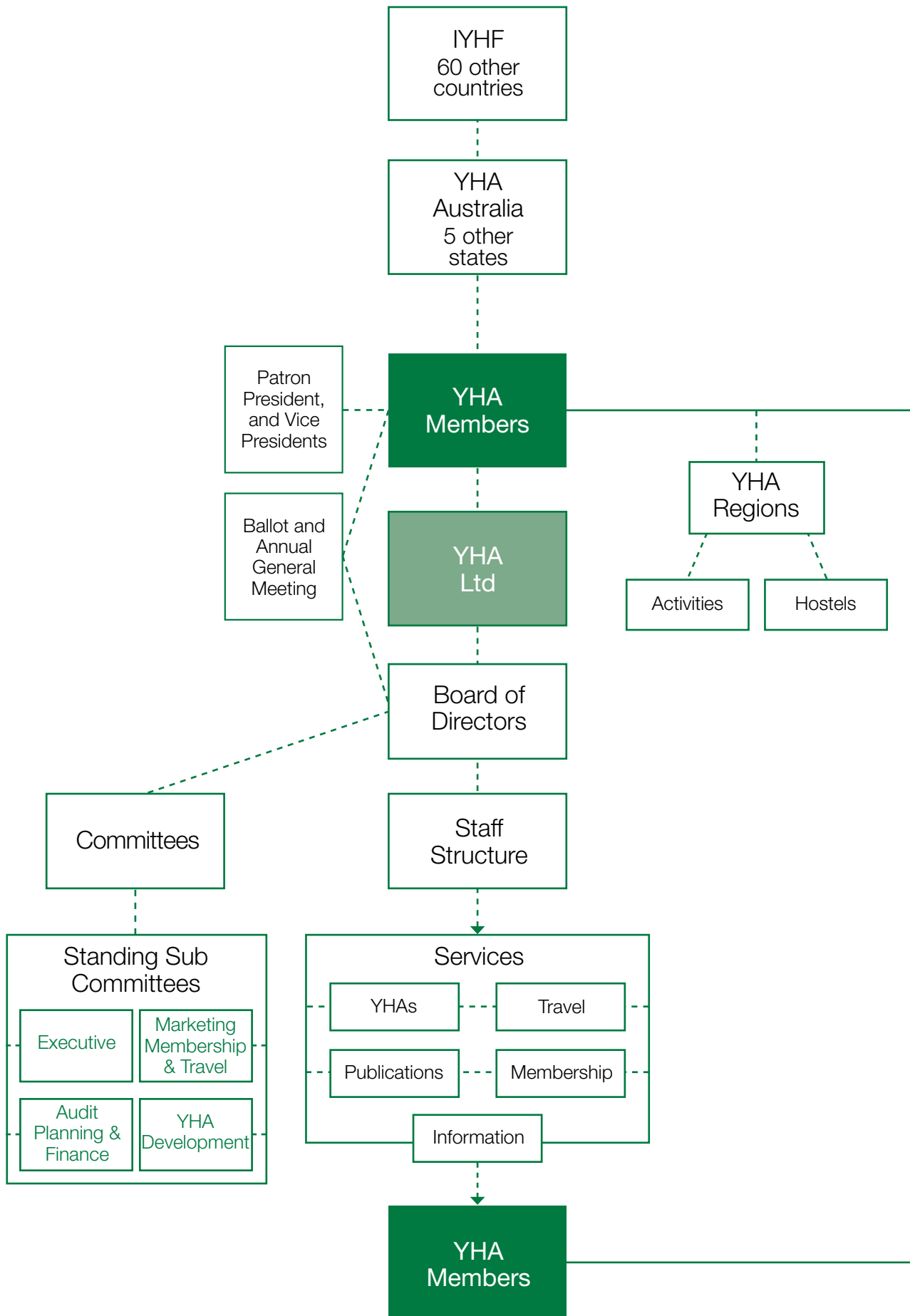
In 2010 as recovery from the global economic downturn continues, numbers of visitors to Australia are expected to again steadily grow. However growth is less likely from those countries worst affected. Also, greater confidence to travel to Australia may be partially offset by the strong value of the Australian dollar, making this a more expensive destination than it has been in recent years. A rise in airfares from the current low levels is also anticipated. On the plus side, the Federal, State and Territory Governments' commitment to tourism, and in particular youth travel and educational travel, will create opportunities for mutually beneficial partnerships.

Outbound travel is forecast to continue to grow, presenting an opportunity for YHA to make sure young travellers going overseas know about the benefits of YHA membership. Domestic tourism is likely to remain flat as Australians find overseas destinations attractive. Nearly a third of YHA's guests are Australians and the challenge for YHA is to make sure there is growing awareness of the extent and quality of its network. The impact of the successive opening in 2009 of new, well located YHA hostels in Melbourne, Brisbane and Sydney has made a strong statement about YHA's brand. The priority now is to use the brand's power to fill the new hostels whilst also maintaining occupancies at the other YHAs.

Synergies from the merger will be expected to increase as the year progresses whilst expenditure will be controlled carefully. The organisation has benefited from the historically low interest rates, however as rates are expected to rise retirement of debt will be prioritised.

Support from the NSW Department of Environment and Climate Change has been helpful in developing carbon footprint audit tools and there will be more environmental measures introduced at those YHA operated hostels where the greatest benefit in carbon reduction and economic payback can be achieved.

The YHA website, yha.com.au, is the front door to the organisation and works very successfully in meeting people's needs to access YHA's safe, reliable and good value network. YHA Ltd will continue supporting YHA Australia in the website's ongoing development. It is intended to continue efforts to grow YHA Travel's bookings online, as most people's preferred means of buying travel.



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

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

THE EXECUTIVE COMMITTEE

Chairperson	Ms Helen Harms
Vice Chairperson	Mr Sam Vella
Honorary Secretary	Mr John Bowles
Honorary Treasurer	Mr John Clancy
Chief Executive Officer	Mr Julian Ledger

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 monthly meetings of the Board. In addition the following three committees met five times annually and made recommendations to the Board: Audit, Planning & Financial; YHA Development; and Marketing, Membership & Travel.

The Board of Directors met 11 times between January and December 2009, in person and by telephone. At the first meeting of the new Board, the Executive Committee was elected. This Committee met regularly between Board meetings and was made up of the four Office Bearers on the Board (the Chairperson; Vice-Chairperson; Honorary Secretary and Honorary Treasurer) and the CEO.



First Board of YHA Ltd- (left to right) John Clancy, Julian Ledger (CEO), Leonie Thijssen, Sam Vella, John Bowles, Helen Harms, Toni Vincent, John McCulloch, Geneve Fox

Merger between YHA NSW and YHA Queensland

At the beginning of the year the Boards of YHA NSW and Youth Hostels Association of Queensland (YHA Queensland) executed a Memorandum of Understanding setting out their intention to achieve a merger between the two organisations and the basis by which it would be achieved.

At the 2009 Annual General Meetings in both States and at subsequent special member workshops, YHA NSW and Queensland members were consulted regarding the proposed merger. An Explanatory Memorandum was developed which set out the details of the proposal, why the two Boards were recommending the merger to members and what were the advantages and possible risks. A précis version of the Explanatory Memorandum was mailed to members and a complete version was available on request and online.

In November 2009, at Special General Meetings in Sydney and Brisbane over 800 members, either in person or by proxy, voted overwhelmingly in support of the merger. On 1 January 2010 the new merged entity, YHA Ltd, came into effect, covering operations in the ACT, NSW, the NT and Queensland. YHA NSW, as the larger of the two organisations, and a Company Limited by Guarantee, was chosen as the operating vehicle for the merged entity, and it was resolved to simplify the name to YHA Ltd. YHA Ltd employs all staff and undertakes the running of all the hostels. The organisation YHA Queensland has been retained as the property owning entity in Queensland and makes the hostels available to YHA Ltd on a lease basis. YHA Travel (QLD) Pty Ltd provides travel retailing services.

To complete the merger, YHA Members in Queensland are being invited in early 2010 to transfer their membership to YHA Ltd. The incumbent President of YHA Queensland, Bob Bimrose, was elected as the first President of the merged organisation. The merger was the result of 20 months of planning by the two Boards and management, aided by external consultants as required.

Separate state organisations continue to operate in Western Australia, South Australia, Victoria and Tasmania. There is also a national office (based in Sydney in adjoining offices to YHA Ltd) which coordinates functions such as the website and international marketing. Subject to successful completion of the current merger the same model will be available if other State organisations decide they would like to merge into YHA Ltd.

Board Members

As part of the merger, it was agreed that the new Board of Directors would be initially equally made up of four members from the Board of YHA NSW and four from YHA Queensland. As a consequence, only four Directors could go forward from NSW and these four were determined by

an internal Board election. The other four Directors retired at the end of 2009 and YHA's thanks go to Caroline Allen, Ron Dowell, Graeme Evans and Hans Neumann.

The new 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 26 sets out their qualifications and experience.



Thanks go to retiring Directors - (left to right) Hans Neumann, Caroline Allen, Graeme Evans, Ron Dowell

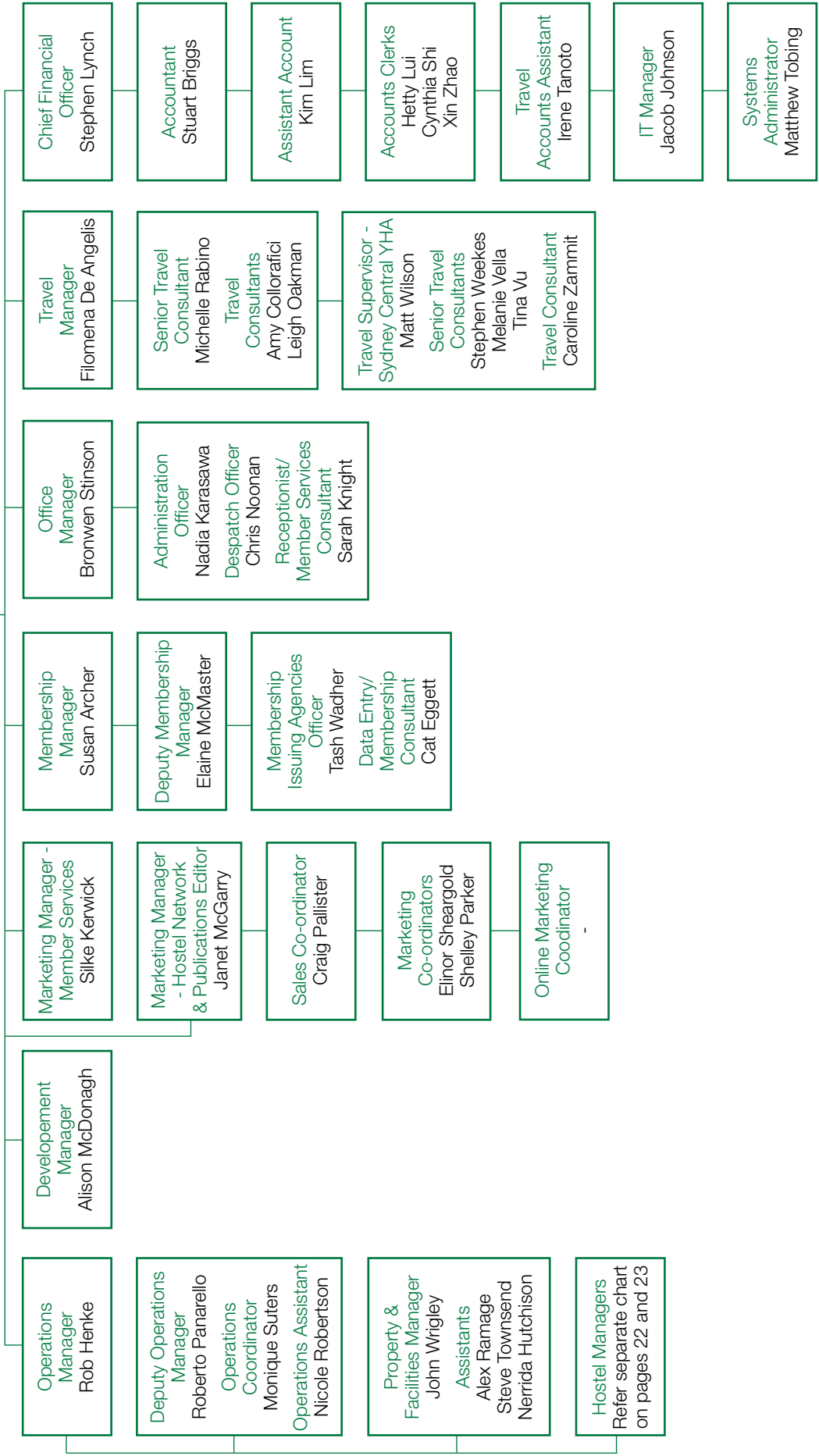
Acknowledgements

Acknowledgement and thanks are extended to Ralph Kajet, the CEO of YHA Queensland who with the merger integration now well underway will be leaving YHA in mid 2010. Ralph is a strong supporter of the YHA Queensland/YHA NSW merger initiative. His twelve year career with YHA included the opening of Airlie Beach YHA, extensions to Cairns Central YHA and the consolidation and redevelopment of Brisbane City YHA. The latter project won the 2009 Queensland Tourism Award for Best New Tourism Development.

Ralph also played a major role in the development of higher hostel standards in Queensland during his four year term as President of Backpacking Queensland. Within YHA he headed up national projects to standardise back office procedures and roll out a common hostel front desk system

Secondly, thanks go to long serving Financial Controller, William Tang, who retired after 23 years service to YHA. A quiet achiever, William continued a tradition of excellence and prudence in financial management, which combined with his integrity, ability and hard work, provided the foundation for a succession of major hostel projects. YHA wishes both Ralph Kajet and William Tang well for the future.

Chief Executive Officer
Julian Ledger



Workforce Profile

At the year end, YHA employed 195 people in the ACT, NSW and the NT. The average age of staff was 32 with 65% under 35 years. The workforce profile was distributed between females (53%) and males (47%) with the majority working full-time (56%) in the hostels (80%). YHA staff members have a strong sense of community with staff supporting local charities and fund-raising events as well as participating in group events such as the City to Surf fun run.

Training & Developing Staff

Training and staff development are important components of YHA's retention policy, with both in-house and external training provided. YHA conducts a 3-day induction program for new staff as well as Sales/Customer Service and Business Planning courses which have been tailored specifically for YHA. YHA also supports its staff in gaining further qualifications related to the business, by contributing 50% of tuition fees for approved courses.

During the year, the organisation was involved in the development and delivery of customer service training delivered by a staff member who has undertaken study in Certificate IV Training. Eight staff members were also trained in Hostelling International (HI) Quality.

YHA actively encourages exchanges between hostels and during the year staff members from Sydney worked in Alice Springs, Thredbo and New Zealand hostels. YHA also participates in university internships and student work experience programs. During the year, a staff member participated in the Rotary Youth Leadership Awards (RYLA) a program designed for the personal and professional development of young people identified with exceptional leadership potential.

YHA Managers' Seminars

The Annual Hostel Managers' Seminar was held in the north coast town of Yamba in May with 70 delegates

attending, including representatives from hostels, the Board of Directors, YHA Australia, interstate and New Zealand YHA associations. The seminar covered topics such as sustainability and environmental issues, quality and standards, risk management, communicating with guests and travel trends.

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.

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 an OHS Committee which has representatives from all its operated sites and this committee meets four times a year. During 2009, all hostel managers received training in first aid.

Wellbeing

Hostel staff worked a total of 202,629 hours in the year and recorded 3,042 hours personal leave (sick leave and carers' leave), comprising 1.5% of total hours worked. Head office and YHA Travel staff worked a total of 63,564 hours in the year, with 1,331 hours (2% of total hours worked) recorded as personal leave. These percentages were slightly higher than the previous year but are low by external standards and have consistently been so in recent years. Flu vaccinations are offered to staff as a preventative measure.



Hostel Managers Seminar, Yamba.

Hostel	AAA Tourism Star Rating	Managed By	Beds	Status
Alice Springs Cnr Parsons St & Leichhardt Tce Alice Springs NT 0870	4	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 Hawkesbury Heights NSW 2777	3	Carolyn & John Beazley	12	Land leasehold; purpose built hostel owned by organisation.
Bundanoon Railway Ave Bundanoon NSW 2578	3.5	Glenn Robinson & Alison Shaw	36	Freehold owned by organisation & leased to the manager. Converted guesthouse.
Byron Bay 7 Carlyle St, Byron Bay NSW 2481	4	Paul Cason	107	Freehold owned by organisation. Purpose built hostel.
Canberra 7 Akuna St Canberra NSW 2600	4.5	Kylie O'Connor	282	Freehold owned by organisation. Converted office block.
Coffs Harbour 51 Collingwood St Coffs Harbour NSW 2450	4	Graeme Diffey	92	Owned by organisation and leased to manager. Purpose built hostel.
Darwin 97 Mitchell St Darwin NT 0800	3.5	Kate Ellison	168	Sub-leased from Globies P/L
Garie Beach Garie Beach Royal National Park NSW 2508		YHA NSW & Sydney Region	12	Leased from the National Park and Wildlife Service. Building owned by organisation.
Glebe Point 262-267 Glebe Point Rd Glebe Point NSW 2037	4	Craig Tester	148	Freehold owned by 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.
Sydney Central 11 Rawson Place Sydney NSW 2000	5	Jon Hutchinson	556	Freehold owned by organisation. Converted heritage office building.
Sydney Harbour 110 Cumberland St The Rocks NSW 2000	Pending	Ross Lardner	354	Leased from Sydney Harbour Foreshore Authority. Purpose-built hostel raised above archaeological remnants, with onsite education centre.
Thredbo 8 Jacks Adams Pathway Thredbo 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 Armidale NSW 2350	3	Anna & Nathan Smith	36	Building in caravan park.
Ballina 36 Tamar St Ballina NSW 2478	3.5	Len & Michele Bogaards	18	Purpose built hostel/motel.
Batemans Bay Cnr of Old Princes Hwy & South St Batemans Bay NSW 2536	3.5	Francis McLaughlin & Brent Brewin	40	Converted building in caravan park.

Associate Hostel - privately owned	AAA Tourism Star Rating	Managed By	Beds	Status
Bellingen 2 Short St Bellingen NSW 2454	3.5	Graham & Jo McIntyre	53	Converted commercial building with extensions.
Bondi Beachhouse YHA Cnr of Fletcher and Dellview St Bondi Beach NSW 2026	4	Rob Ryan & Sam Lewis	94	Converted guesthouse.
Broken Hill Tourist Lodge, 100 Argent St Broken Hill NSW 2880	2	Dallas Hunt	68	Guesthouse.
Cape Byron Cnr Byron & Middleton Sts Byron Bay NSW 2481	3.5	Bob Kay	130	Purpose built hostel.
Cronulla Beach Level 1, 40-42 Kingsway Cronulla NSW 2230	3.5	Michael Keogh	66	Converted commercial building with extensions.
Hunter Valley 100 Wine Country Drive Nulkaba NSW 2325	Pending	Nigel Worton	46	Purpose built hostel.
Lennox Head 3 Ross St Lennox Head NSW 2478	3.5	Graeme & Anna Dicker	46	Purpose built hostel.
Manly Summer 151 Darley Rd Manly NSW 2095	-	Albert Stangl	218	Summer hostel facility in student accommodation at the International College of Tourism & Hotel Management.
Merimbula 8 Marine Pde Merimbula NSW 2548	3.5	Wayne & Betty Tuckfield	49	Purpose built hostel.
Murwillumbah 1 Tumbulgum Rd Murwillumbah NSW 2484	3.5	Tassie Duff	24	Private residence converted into hostel.
Narooma 243 Princess Hwy Narooma NSW 2546	3	Darren Brass & Karli Walters	35	Holiday accommodation converted into hostel.
Newcastle Beach 30 Pacific St Newcastle NSW 2300	4	Damian Parkhouse	99	Converted heritage building.
Nimbin Rox 74 Thorburn St Nimbin NSW 2480	4	Lily Tauraki	28	Purpose built hostel.
Port Macquarie 40 Church St Port Macquarie NSW 2444	3.5	Heather Kerr	37	Private home extended into hostel.
Port Stephens Frost Rd, Anna Bay NSW 2316	3.5	Mark & Sandy Munday	31	Purpose built hostel.
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	Anita Beisel	214	Purpose built hostel.
Tamworth 169 Marius St Tamworth NSW2340	3.5	Carol Hobden	43	Converted commercial building.
Terrigal 9 Ocean View Dr Terrigal NSW 2260	Pending	Matthew Castle	39	Converted guesthouse.
Wollongong 75-79 Keira St Wollongong NSW 2500	4	Mary Sparks	32	Purpose built hostel, serviced apartments and student complex.
Yamba 26 Coldstream St Yamba NSW 2464	4.5	Shane, Justin & Steve Henwood	90	Purpose built hostel.

YHA Ltd is an autonomous self-financing body.

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

Commonwealth Government

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

YHA Ltd hostel employees are covered by a Certified 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 this 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.

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 and under the NT Consumer Affairs and Fair Trading (Travel Agents) Regulations, Licence No: 148.

YHA leases some buildings and land at nominal rents from the Department of Lands and the National Parks and Wildlife Service.

Throughout the course of the year, YHA ensured the NSW State Government, the ACT Government, the NT 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.

The CEO acted as the Secretary of the NSW Backpacker Operators' Association (BOA) until September 2009 when the Operations Manager was elected to the role. YHA continued to provide secretariat services to BOA. 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 CEO is a member of the Backpacker Tourism Advisory Panel (BTAP) which operates as a sub committee of the Australian Tourism Export Council until November 2007. In 2009 the CEO joined the board of Tourism New South Wales; his tenure is for three years.

The Association 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 Association Executives
 Australian Society of Travel Writers
 Australian Sports Commission
 Australian Tourism Export Council (ATEC)
 Backpacker Operators Association of NSW (BOA)
 Backpacker Tourism Advisory Panel (BTAP)
 Blue Mountains Tourism Association
 Canberra Convention & Visitors Bureau
 Central Australia Tourism Information Association (CATIA)
 Coffs Tourism
 Coffs Coast Marketing
 Domestic Agency Programme Australia (DAPA)
 Ecotourism Association of Australia
 Glebe Chamber of Commerce
 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
 Snowy Mountains Tourist Association
 Sydney Convention & Visitors Bureau
 Thredbo Chamber of Commerce
 Travel Compensation Fund
 Tourism Industry Council NSW
 Tourism Industry Council ACT & Regions
 Tourism Top End
 Wilderness Society
 YHA Australia
 Youth Action and Policy Association

Directors' Report

Statement of Comprehensive Income

Statement of Financial Position

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements

- 1 Statement of Significant Accounting Policies
- 2 Profit before Income Tax
- 3 Income Tax
- 4 Cash and cash equivalents
- 5 Receivables
- 6 Inventories
- 7 Other Assets
- 8 Property, Plant and Equipment
- 9 Intangible Assets
- 10 Borrowings
- 11a Loan from Affiliated Body
- 11b Loan from Bank
- 11c Assets Pledged as Security
- 12 Provisions
- 13 Other Liabilities
- 14 Commitments
- 15 Related Party Disclosures
- 16 Financial Instruments
- 17 Key Management Personnel Compensation: Short-term benefits
- 18 New Accounting Standards issued but not yet effective
- 19 Limitation of members' liability
- 20 Company Details

Auditors' Independence Declaration

Directors' Declaration

Independent Audit Report

Directors' Report

Your Directors present this report on the Company for the financial year ended 31 December 2009.

1. THE NAMES AND OTHER INFORMATION OF THE DIRECTORS 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
Caroline Allen	BSc (Law & Politics), PGradCert Legal Practice, PGrad Cert Marketing	Elected to the Board in 2008. YHA member since 2004. Employed in tourism marketing.	Chairperson Marketing, Membership & Travel Committee from 04/08 to 12/09.	12/09
Murray John Bowles	MARCS	Elected to the Board in 1980. YHA member since 1971. Experience in medical regulatory affairs.	Vice Chairperson from 04/02 to 03/05. Hon Secretary from 04/05 to 04/08 then from 04/09 to 12/09.	04/11
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 1/10	04/11
Ronald James Dowell	M.Bus. Grad. Dip. Organisational Change & Devt.	Elected to the Board in 2004-2008. YHA member since 1992. Academic in Tourism Management. Re-elected to Board April 2009.	Chair Marketing, Membership & Travel Committee from 04/07 to 04/08.	12/09
Graeme Evans	BA	Elected to the Board in 2005. YHA member since 1995. Land-use planning, intergovernmental relations and community sector development.	Vice Chairperson from 04/07 to 04/09.	12/09
Geneve Nicole Fox	BBus (Acc), CPA	Member YHA Qld Board. YHA member since 1997. Financial management skills.	Treasurer from 03/98 to 03/01. Secretary from 03/05 to 12/09.	04/11
Helen Margaret Harms	BSc, Executive MBA	Elected to the Board in 2007. YHA member since 2007. General Manager IT, Financial Services Company.	Chairperson from 04/08.	04/11
John Edward McCulloch OAM	BA (Hons), MA, Grad Dip Lib Sc, JP	Member YHA Qld Board. YHA member since 1966. Historian.		04/11
Hans Ulrich Neumann		Elected to the Board in 1992. YHA member since 1968. Self employed.		12/09
Tasha Prabhakar	BSc (Hons) PhD (Psychology), GAICD	Elected to the Board in 2004. YHA member since 1992. Professional background in a large member-based organisation, NSW Government & research consultancy.	Vice Chairperson from 04/05 to 04/07.	04/09
Navid Sedaghati	LLM, B.Ec (Ec/Bkng&Fin), DipPR, MAICD, SA Fin	Elected to the Board in 2006. YHA member since 2002. Partner in Sydney law firm.	Chairperson from 04/07 to 04/08.	04/09
Leonie Isabelle Thijssen	BCom, CPA	Member YHA Qld Board in 2008. YHA member since 2000. Specialist in tax and compliance.		04/11
Salvator (Sam) Thomas Vella	FCPA, FCIS, FAICD	Elected to the Board in 2005. YHA member since 2003. Accountant.	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 1/10.	04/11
Toniette Vincent	BA, Grad Cert Ad Ed & Trg, GAICD, Teachers' Certificate	Member YHA Qld Board. Chairperson YHA Qld. YHA member since 1990. Experience in HR and training.	Vice-Chairperson from 1/10.	04/11
John van der Wallen	BSc (Hotel)	Elected to the Board in 2008. YHA member since 2002. Property and hotel sector.		09/09

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

Directors' Report

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: Executive; YHA Development; Audit, Planning & Finance; and Marketing, Membership and Travel.

Director	Board of Directors Meetings		Committee Meetings	
	Number held	Number attended	Number held	Number attended
J Bowles	11	11	16	16
H Neumann	11	9	5	5
R Dowell	9	6	3	1
T Prabhakar	2	2	2	2
J Clancy	11	11	16	15
S Vella	11	11	16	16
G Evans	11	11	13	13
N Sedaghti	2	2	0	0
H Harms	11	11	11	10
J van der Wallen	8	7	7	6
C Allen	11	10	8	8

3. 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.

4. OPERATING RESULTS

The net profit of the Company for the financial year ended 31 December 2009 was \$388,698.

5. REVIEW OF OPERATIONS

The economic downturn caused a decline in turnover for Sydney hostels. This was countered by growth in turnover at Canberra, Byron Bay and the Northern Territory. Sydney Harbour YHA opened on 31 October 2009 and is trading well and expected to reach targeted occupancies. Sales of 'eNights' pre-purchased accommodation continued to grow during the year.

6. DIVIDENDS

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

7. 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 2009.

8. SIGNIFICANT EVENTS SINCE THE END OF FINANCIAL YEAR

A merger of YHA NSW and Youth Hostels Association of Queensland was approved by meetings of members in both NSW and Queensland and took effect on 1 January 2010. The new company is named YHA Ltd and covers YHA activities in the ACT, NSW, the NT and Queensland. Integration of operations is underway.

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.

9. 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.

10. 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 the 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.

11. 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.

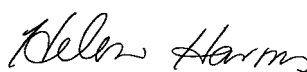
12. PROCEEDINGS ON BEHALF OF THE COMPANY

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.

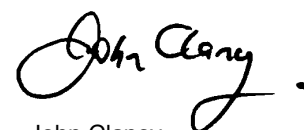
13. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 36.

Signed in accordance with a resolution of the Directors.



Helen Harms
Director
20 February 2010



John Clancy
Director
20 February 2010

Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	2009 \$	2008 \$
Revenue from Hostels, Membership and Travel		20,452,067	19,795,090
Other Revenue		287,002	226,333
Total Revenue		20,739,069	20,021,423
Employee benefits expense		(8,561,165)	(7,323,084)
Depreciation and amortisation		(2,218,855)	(2,036,131)
Finance costs		(1,298,102)	(1,229,580)
Other expenses		(8,272,249)	(8,161,156)
Profit before income tax	2	388,698	1,271,472
Income Tax Expense	3	-	-
Profit after Income Tax		388,698	1,271,472
Other Comprehensive Income		-	-
Other Comprehensive Income before Income Tax		-	-
Income Tax Expense		-	-
Other Comprehensive Income for the period		-	-
Total Comprehensive Income		388,698	1,271,472

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 31 December 2009

	Note	2009 \$	2008 \$
ASSETS			
Current Assets			
Cash and cash equivalents	4	556,438	442,370
Trade and other receivables	5	375,917	277,716
Inventories	6	139,763	125,631
Other current assets	7	405,684	347,715
Total Current Assets		1,477,802	1,193,432
Non-current Assets			
Property, Plant and Equipment	8	63,073,079	35,742,117
Intangible Assets	9	1,535,031	1,693,054
Other non-current assets	7	-	6,448,478
Total Non-current Assets		64,608,110	43,883,649
TOTAL ASSETS		66,085,912	45,077,081
LIABILITIES			
Current Liabilities			
Trade and other payables		2,666,191	1,502,637
Short-term borrowings	10,11	39,600,000	-
Short-term provisions	12	883,488	709,844
Other liabilities	13	1,458,608	1,266,233
Total Current Liabilities		44,608,287	3,478,714
Non-current Liabilities			
Trade and other payables		55,662	53,373
Long-term borrowings	10,11	1,550,000	22,050,000
Long-term provisions	12	99,566	72,810
Other liabilities	13	285,113	323,598
Total Non-current Liabilities		1,990,341	22,499,781
TOTAL LIABILITIES		46,598,628	25,978,495
NET ASSETS		19,487,284	19,098,586
EQUITY			
Retained Earnings		19,487,284	19,098,586
TOTAL EQUITY		19,487,284	19,098,586
Funds held for Third Parties		168,406	231,014
Represented by			
Travel Trust Bank Accounts		168,406	231,014

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2009

	Retained Earnings \$
Balance at 1 January 2008	17,827,114
Profit for the year	1,271,472
Balance at 31 December 2008	19,098,586
Profit for the year	388,698
Balance at 31 December 2009	19,487,284

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2009

	2009 \$	2008 \$
Cash flows from operating activities		
Receipts from members and customers	22,123,184	19,943,765
Payments to suppliers and employees	(16,833,414)	(15,245,135)
Interest received	19,020	48,857
Finance Costs	(1,298,102)	(1,232,160)
Net cash provided by operating activities (note 2)	4,010,688	3,515,327
Cash flows from investing activities		
Purchase of property, plant & equipment and software	(23,029,493)	(6,271,701)
Proceeds from sale of property, plant & equipment	32,873	12,344
Net cash (used in) investing activities	(22,996,620)	(6,259,357)
Cash flows from financing activities		
Proceeds (Repayment) of borrowings	19,100,000	2,900,000
Net cash provided by financing activities	19,100,000	2,900,000
Net increase (decrease) in cash and cash equivalents held	114,068	155,970
Cash and cash equivalents at the beginning of year	442,370	286,400
Cash and cash equivalents at the end of year	556,438	442,370
Notes to the Cash Flow Statement	2009	2008
	\$	\$
1. Reconciliation of Cash		
Cash on hand and at bank	556,438	442,370
2. Reconciliation of Cash flow from Operations with Profit after Income Tax		
Profit after income tax	388,698	1,271,472
Non-cash flow in profit		
Depreciation and Amortisation	2,218,855	2,036,131
Loss (Profit) on sale of property, plant & equipment	66,643	11,417
Deferred revenue	(6,669)	(6,669)
Changes in assets and liabilities		
Decrease (increase) in receivables	(98,201)	(4,722)
Decrease (Increase) in inventory	(14,132)	(17,236)
Decrease (Increase) in other assets	(57,970)	(26,366)
Increase (Decrease) in payables	1,159,174	100,138
Increase (Decrease) in provisions	200,400	128,529
Increase (Decrease) in other liabilities	153,890	22,633
Net cash provided by operating activities	4,010,688	3,515,327

The accompanying notes form part of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2009

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 individual entity. YHA Ltd 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 income statement 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 years
Leasehold Buildings	Lesser of the term of the lease agreement and 30 years
Plant and Equipment, intangible assets	3 - 8 years

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 company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

Impairment Assets

At each reporting date, the company 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 Company'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.

Notes to the Financial Statements

For the year ended 31 December 2009

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.

Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of 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 company.

Note 2. Profit before Income Tax

	2009 \$	2008 \$
Profit before Income Tax has been determined after:		
a) Crediting		
Rent	621,464	597,495
b) Charging		
Operating lease expenses	1,550,972	1,386,228
Provision for Employee Benefits	697,033	493,938
Net loss from disposal of property, plant and equipment	66,643	11,417
Auditors' remuneration	47,040	45,670

Note 3. Income Tax

The calculation of income tax payable by the Company is based on the principle of mutuality which in broad terms means that income which is contributed by members will be excluded from the Company's 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 by the Company.

The Australian Taxation Office has granted a private ruling to the Company that income from its members and visiting international members of the International Youth Hostel Federation is mutual income. The Company 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 2009 taxation year, the Company's income tax return disclosed ordinary taxable income of \$147,853 (2008: taxable income of \$81,449) which reduced the revenue losses carried forward to \$2,139,130 (2007: \$2,286,983).

The Company 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 4. Cash and Cash Equivalents

	2009 \$	2008 \$
Cash on hand	39,870	34,050
Cash at bank	460,906	371,614
Cash on deposit	55,662	36,706
	556,438	442,370

Note 5. Receivables

	2009 \$	2008 \$
Trade Receivables	245,437	246,075
Other Receivables	130,480	31,641
	375,917	277,716

Note 6. Inventories

Inventories are finished goods held at balance date for resale during the ordinary course of business.

Notes to the Financial Statements

For the year ended 31 December 2009

Note 7. Other Assets

	2009 \$	2008 \$
Rental and Utility Deposit Prepayments	5,310	2,110
Deferred expenditure	400,374	345,605
	-	6,448,478
	405,684	6,796,193
Current assets	405,684	347,715
Non-current assets	-	6,448,478
	405,684	6,796,193

Note 8. Property, Plant and Equipment

	2009 \$	2008 \$
Freehold Land and Building		
At cost	34,365,399	34,362,927
Less: Accumulated Depreciation	10,138,238	9,173,606
	24,227,161	25,189,321
Leasehold Land and buildings		
At cost	34,319,182	9,495,928
Less: Accumulated Depreciation	1,731,126	1,372,950
	32,588,056	8,122,978
Plant and Equipment		
At cost	10,554,754	6,767,107
Less: Accumulated Depreciation	4,296,892	4,337,289
	6,257,862	2,429,818
Total Property, Plant and Equipment	63,073,079	35,742,117
Independent valuations of interest in Land & Buildings		
-2007	95,950,000	72,350,000
-2006	1,100,000	1,100,000
-2004	2,995,000	2,995,000
Total	100,045,000	76,445,000

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

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.

	Freehold Land & Buildings	Leasehold Land & Buildings	Plant and Equipment	Total
2009				
Balance at the beginning of year	25,189,321	8,122,978	2,429,818	35,742,117
Additions	3,142	24,828,259	4,646,570	29,477,971
Disposal	191	-	66,452	66,643
Depreciation expenses	965,112	363,181	752,074	2,080,367
Carrying amount at the end of year	24,227,161	32,588,056	6,257,862	63,073,079

2008

Balance at the beginning of year	26,154,392	8,004,950	2,500,379	36,659,721
Additions		348,799	643,359	992,158
Disposal		2,887	23,760	26,647
Depreciation expenses	965,071	227,884	690,160	1,883,115
Carrying amount at the end of year	25,189,321	8,122,978	2,429,818	35,742,117

Note 9. Intangible Assets

	2009 \$	2008 \$
Liquor Licence - at cost	116,681	116,681
Goodwill - at cost	1,300,000	1,300,000
Computer Software - at cost	474,118	474,118
Less: Accumulated Amortisation	355,768	197,745
	118,350	276,373
Total Intangible Assets	1,535,031	1,693,054

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

The recoverable amount of the Goodwill is determined together with the cash-generating unit which includes 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.

	Liquor Licence	Goodwill	Computer Software	Total
Balance at the beginning of year	116,681	1,300,000	276,373	1,693,054
Additions	-	-	-	-
Amortisation charge	-	-	158,023	158,023
Carrying amount at the end of year	116,681	1,300,000	118,350	1,535,031

Notes to the Financial Statements

For the year ended 31 December 2009

Note 10. Borrowings

	2009 \$	2008 \$
Current		
Loan from Bank secured 11b,c	39,600,000	-
Non-Current		
Loan from Affiliated Body 11a,c	1,550,000	1,550,000
Loan from Bank secured 11b,c	-	20,500,000
Total Borrowings	41,150,000	22,050,000

Note 11a. Loan from Affiliated Body

1. A loan of \$550,000 granted by YHA Australia Incorporated is secured by a registered mortgage over a Northern Territory hostel. The loan is interest free for the first two years and subject to interest from July 2009. The loan is repayable \$100,000 per annum from 2013 to 2016 and the balance of \$150,000 in 2017.
2. Another loan of \$1,000,000 granted by YHA Australia Incorporated 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 2019.

Note 11b. Loan from Bank

The facility of \$39,900,000, which will expire in September 2010, 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.

The Company intends to re-finance the amount outstanding for a further term on expiry of the current facility.

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 security ratio at less than or equal to 55% and the interest cover at not less than 67% of the profit before interest, depreciation and tax. The Company currently complies with the borrowing covenants.

The facilities as at the balance date are:

	2009 \$	2008 \$
Credit facilities	39,900,000	39,900,000
Amount utilised	39,600,000	20,500,000
	300,000	19,400,000

The unused credit facilities consist of bank bill facility Nil (2008 \$20,200,000) and bank overdraft \$300,000 (2008 \$300,000).

Note 11c. Assets Pledged as Security

	2009 \$	2008 \$
The carrying amounts of assets pledged as security are:		
First mortgage and floating charges		
Total Assets	66,085,912	45,077,081

Note 12. Provisions

	2009 \$	2008 \$
Employee entitlements		
Opening balance at beginning of year	782,654	654,125
Additional provisions raised during year	697,033	493,938
Amounts used	(496,633)	(365,409)
Balance at the year end	983,054	782,654
Analysis of total provision:		
	2009 \$	2008 \$
Current provisions	883,488	709,844
Non-current provisions	99,566	72,810
Total	983,054	782,654

Note 13. Other liabilities

	2009 \$	2008 \$
Bookings in advance	1,000,272	839,188
Unexpired life membership income	209,124	249,727
Unexpired other membership income	534,325	500,916
Total	1,743,721	1,589,831
Current	1,458,608	1,266,233
Non-current	285,113	323,598
Total	1,743,721	1,589,831

Note 14. Commitments

a. Capital Commitments

	2009 \$	2008 \$
Capital expenditure commitments contracted for:		
Plant and equipment purchases	74,195	-
Capital expenditure projects	230,675	18,007,033
Total	304,870	18,007,033

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

b. Operating leases

	2009 \$	2008 \$
Payable not later than 1 year	1,188,813	902,135
Later than 1 year but not later than 5 years	2,831,087	2,821,420
Later than 5 years	889,945	1,964,040
Total	4,909,845	5,687,595

An annual lease payment of \$749,905 (2008 \$623,115) included in the above figure is subject to adjustment in accordance with the movement in the Consumer Price Index or 3% whichever is the greater. A second annual lease payment of \$40,800 (2008 \$39,300) included in the above figure is subject to adjustment in accordance with the movement in the Consumer Price Index.

Notes to the Financial Statements

For the year ended 31 December 2009

In addition to the annual lease payment of \$749,905, the company is required to pay turnover rent of 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. The current turnover rent threshold will be adjusted by CPI change with market review in year 2011.

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 will be fully returned by October 2010.

Note 15. Related Party Disclosures

Key management personnel include the Directors listed in the Directors' Report, the Chief Executive Officer, Operations Manager and Chief Financial Officer.

Note 17 discloses the compensation paid to key management personnel.

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 2009 totaled \$54,082. The contract was approved by the Board in 2008 and concludes in April 2010.

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

One Director of the Company is also a Director of an affiliated body (YHA Australia Inc) which provides goods and services on terms and conditions no more favourable than those applying to any other affiliated bodies.

Note 16. Financial Instruments

Financial Risk Management

a) General objectives, policies and processes

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

	2009 \$	2008 \$
Trade and other receivables	375,917	277,716

c) Liquidity risk

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

Maturity Analysis

2009	Carrying Amount \$	Contractual Cash Flows \$	<1 years \$	1-5 years \$
Financial Liabilities				
Non-derivatives				
Trade and other payables				
	2,666,191	2,666,191	2,610,529	55,662
Borrowings				
	41,150,000	-	39,600,000	1,550,000
Total financial liabilities at amortised cost				
	43,816,191	2,666,191	42,210,529	1,605,662

2008	Carrying Amount \$	Contractual Cash Flows \$	<1 years \$	1-5 years \$
Financial Liabilities				
Non-derivatives				
Trade and other payables				
	1,556,010	1,556,010	1,502,637	53,373
Borrowings				
	22,050,000	22,050,000	-	22,050,000
Total financial liabilities at amortised cost				
	23,606,010	23,606,010	1,502,637	22,103,373

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

Notes to the Financial Statements

For the year ended 31 December 2009

Sensitivity Analysis

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

2009	Carrying Amount \$	+1% Interest Rate \$	-1% Interest Rate \$
a) Cash & cash equivalents	556,438	5,564	(5,564)
Increase/(decrease)	-	5,564	(5,564)
b) Borrowings			
- Interest rate swap (fixed)	25,000,000	-	-
- others	14,600,000	(146,000)	146,000
	39,600,000	(146,000)	146,000
Increase/(decrease)	-	(146,000)	146,000

The above analysis assumes all other variables remain constant. The same analysis was performed for the year ended 31 December 2008.

2008	Carrying Amount \$	+1% Interest Rate \$	-1% Interest Rate \$
a) Cash & cash equivalents	442,370	4,424	(4,424)
Increase/(decrease)	-	4,424	(4,424)
b) Borrowings			
- Interest rate swap (fixed)	10,000,000	-	-
- others	10,500,000	(120,500)	120,500
	20,500,000	(120,500)	120,500
Increase/(decrease)	-	(120,500)	120,500

Note 17. Key Management Personnel Compensation: Short-term benefits

	Salary \$	Super-annuation \$	Bonus \$	Non-Cash Benefits \$	Total \$
2009 Total compensation	445,215	40,069	33,644	24,000	542,928
2008 Total compensation	410,378	40,179	36,053	24,000	510,610

Note 18. New Accounting Standards issued but not yet effective

A number of Australian accounting standards have been issued or amended and are applicable to the company but not yet effective. It is not anticipated that these new or amended standards will have a material impact on the financial report.

Note 19. Limitation of 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.

Note 20. Company Details

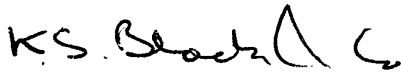
The registered office of YHA Ltd is at 422 Kent Street, Sydney, NSW 2000.

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 2009, there have been:

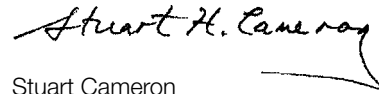
- a) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- b) No contraventions of any applicable code of professional conduct in relation to the audit.



K S Black & Co.
Chartered Accountants

20 February 2010

Level 24 MLC Centre
19-21 Martin Place
Sydney NSW 2000



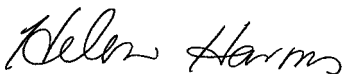
Stuart Cameron
Partner

Directors' Declaration

The Directors of YHA Ltd declare that:

1. The financial statements and notes, as set out on pages 28 to 35, 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 2009 and of the performance for the year ended on that date of the company.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Helen Harms
Director

20 February 2010



John Clancy
Director

20 February 2010

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 2009. 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

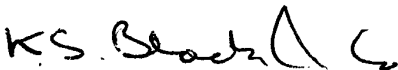
In conducting the audit I followed applicable independence requirements of Australian professional and ethical pronouncements of the Corporations Act 2001.

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:

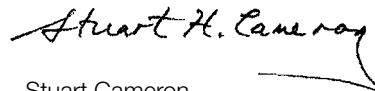
- a. giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.



K S Black & Co.
Chartered Accountants

20 February 2010

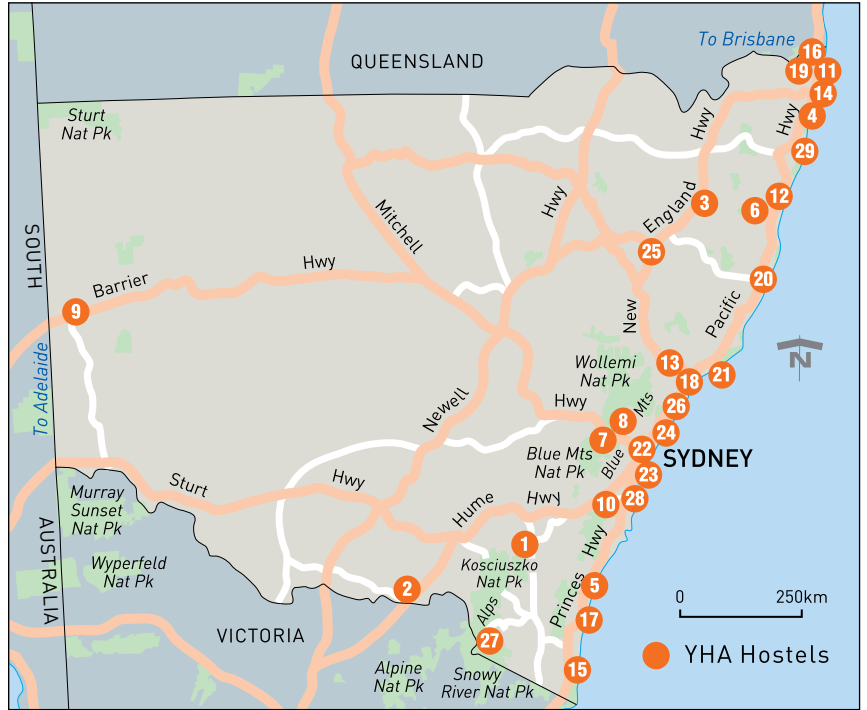
Level 24 MLC Centre
19-21 Martin Place
Sydney NSW 2000



Stuart Cameron
Partner

New South Wales

- | | |
|--|--|
| Australian Capital Territory | 16 Mount Warringah - Murwillimbah |
| 1 Canberra | 17 Narooma |
| New South Wales | 18 Newcastle |
| 2 Albury/Wodonga (see Victoria) | 19 Nimbin |
| 3 Armidale | 20 Port Macquarie |
| 4 Ballina | 21 Port Stephens |
| 5 Batemans Bay | 22 Sydney |
| 6 Bellingen | - Sydney Harbour YHA |
| 7 Blue Mountains - Katoomba | - Sydney Central YHA |
| 8 Blue Mountains - Hawkesbury Heights | - Railway Square YHA |
| 9 Broken Hill | - Glebe Point YHA |
| 10 Bundanoon | - Bondi Beachouse YHA |
| 11 Byron Bay - Byron Bay YHA - Cape Byron YHA | - Cronulla Beach YHA |
| 12 Coffs Harbour | - Sydney Beachouse YHA (Collaroy) |
| 13 Hunter Valley | 23 Sydney |
| 14 Lennox Head | - Garie Beach YHA |
| 15 Merimbula | 24 Sydney - Pittwater YHA |
| | 25 Tamworth |
| | 26 Thredbo |
| | 27 Wollongong |
| | 28 Yamba |



Northern Territory

- 1** Alice Springs
- 2** Ayers Rock
- 3** Darwin
- 4** Kings Canyon



Year In Review 2009 YHA Ltd

This Year in Review, incorporating the Annual Report 2009, was produced for presentation to the Annual General meeting of YHA Ltd on 17 April 2010, and for distribution to YHA members, friends and supporters.

YHA Ltd
422 Kent St
Sydney NSW 2000
ABN: 94 008 387 791
ACN: 008 387 791

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

Solicitors: Whitehead Cooper Williams
Auditors: K.S. Black & Company
Bankers: Westpac Banking Corporation
Insurance Brokers: Insurance Advisernet Australia Pty Ltd

Top to bottom: Alice Springs YHA, Byron Bay YHA, Canberra City YHA, Sydney Harbour YHA (photo by Ethan Rohloff), Darwin YHA, Thredbo YHA.

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.