



# CONCISE FINANCIAL REPORT

for the year ending 31 December 2010

## REPORT FROM CHAIR AND CEO

2010 was the third consecutive difficult year for the company. In recognition of our poor financial position, the Board undertook a significant asset restructure in an attempt to reduce debt. The focus on finances was so acute that it was difficult to concentrate on other matters unless they were of significant strategic or governance importance. Staff reductions occurred, particularly at management level. The Operations Manager has been replaced by a Risk Management Officer, with the CEO taking on some of the role. Similarly, the Business Development Manager position reduced from full time to 0.6 time fraction with HR now undertaken by the CEO.

Melbourne Central hostel sustained a robust first full year of operation, despite a continuum of teething problems.

The cash flow position was extremely tight throughout the year and remains so. In an attempt to repay some debt and consolidate the business we sold \$4 million of assets. Westpac has extended our period of interest only payments for a further year.

Attention is also focused on means of continuing expense reduction and improving yield.

Occupancy comparisons are difficult given that Oasis was sold towards the end of the year and it was Central's first full year of operation. However, total overnights in Melbourne increased from 136,187 in 2009 to 143,580. Regional hostels (with the exception of Apollo Bay) recorded significantly lower occupancy than the previous year and we are concerned that the associate network is struggling.

International guests accounted for 63% of overnights in YHA owned hostels, similar to the previous year.

There were no new developments embarked on, or planned, in 2010. To the contrary, we sold the Mt Buller hostel (leasehold) and our Chapman St property, Melbourne Oasis.

Membership continued to decline with numbers down 14% to 13,632.

Late in 2010, we moved the retail Travel Centre into the administration office. However, the travel operation overall traded at around breakeven for the year and it is obvious that ongoing restructure will be required.

We maintained our general efforts with regard to sustainability during 2010 but were unable to commit resources to any significant innovations due to staff and financial limitations. We have adopted a tailored version of the HI Sustainability Charter and established Environmental Management Plans for all eco-certified properties. We also have a Sustainability Action Plan for the total organisation for 2011.

The Board met 13 times during 2010 and maintained a strong focus on cash flow, forward monitoring and asset restructure. Emphasis was also placed on 'best practice' with regard to Corporate Governance, commencing with a program of Director/Board Evaluation which is in the early stages of implementation.

Cameron Quinten  
Chairperson

Shelley Lavender  
Chief Executive Officer

**YHA Victoria Limited is a company limited by guarantee, Incorporated and domiciled in Australia. Registered office and principal place of business is: Level 1, 377 Little Lonsdale Street, Melbourne VIC 3000**

The concise financial report is an extract from the full financial report of YHA Victoria Limited. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report of YHA Victoria Limited and cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the financial report. Further financial information can be obtained from YHA Victoria Limited's full financial report, a copy of which, including the independent audit report, available free of charge, upon request.

## DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2010

### Income Statement

A loss of \$445,225 was incurred in 2010 compared to a loss of \$1,496,332 in 2009.

Total income increased by \$982,000 over 2009 due primarily to a profit on the sale of the hostels at Chapman Street, North Melbourne and Mt. Buller in 2010.

Total memberships decreased from 15,926 to 13,499 but membership revenue increased by \$24,000 due to a shift to the adult membership category.

Travel revenue decreased by \$103,000.

Expenses were higher due to the Flinders Street hostel operating for the full year for the first time plus costs associated with the sale of the Mt. Buller and Chapman Street hostels. These sales contributed a profit of \$849,000 to the overall result.

Bank interest was \$622,000 higher than in 2009.

Operating profit (after abnormals and before interest and depreciation) was \$1,920,952 compared to \$650,012 in 2009.

### Statement of Financial Position

Total assets decreased by \$2.2 million primarily as a result of the sale of the Chapman Street hostel for 3.7 million plus an increase in the sworn value of the Howard Street, North Melbourne property.

Total liabilities decreased by \$3.4 million. Net assets at year end were \$5.74 million compared to \$4.5 million at 31st December 2009.

### Cash Flow Statement

The balance of cash and cash equivalents decreased by \$206,000 from 2009 to \$(434,000)



## DIRECTORS' REPORT

Your directors present their report on YHA Victoria Ltd ("the Company") for the financial year ended 31 December 2010.

### Directors

The names of the directors in the office at the date of this report are:

The names of the directors in the office at the date of this report are:

M J Carney  
 F K Delahunt  
 K J Gowans  
 P A Harrington  
 R A McGuirk  
 P A Middelveld  
 C J Quinten  
 J A Sullivan  
 NA Simunic (retired May 2010)

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

### Company Secretary

S Lavender

Qualifications: B Eco, Dip Ed, Associate Fellow – Australian Institute of Management, Fellow – Australian Institute of Company Directors.

Experience: CEO and company secretary since July 1995, Director of Ecotourism Australia, Former teacher Union Secretary

### Operating Results

The loss of the Company for the financial year after providing for income tax amounted to \$445,225 (2009: \$1,496,332 loss)

### Review of Operations

A review of the operations of the Company during the financial year and the results of those operations found that during the year the Company continued to engage in its principal activity the results of which are disclosed in the attached financial statements.

### Significant Changes in State of Affairs

No significant changes in the state of affairs of the Company occurred during the financial year.

### Principal Activity

The principal activity of the Company during the financial year was the provision to members of secure, temporary, low cost accommodation in hostels with emphasis on people of limited means and, through affiliated organisations, provision of access to such accommodation throughout the world. In addition, the Company operates a travel agency and activity programs for its members.

No significant change in the nature of these activities occurred during the year.

### After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

### Likely Developments

The company expects to maintain present status and level of operations and hence there are no likely developments in the Company's operations.

### Environmental Regulations

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

### Dividends Paid or Recommended

The Company's Constitution prevents the distribution of profits and therefore no recommendation for payment of dividends has been made.

### Meetings of Directors

DIRECTORS	DIRECTOR'S MEETINGS		EXECUTIVE & FINANCE COMMITTEE	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
M J Carney	13	10	-	-
F K Delahunt	13	11	-	-
K J Gowans	13	11	2	2
P A Harrington	13	11	-	-
R A McGuirk	13	12	2	2
P A Middelveld	13	11	-	-
C J Quinten	13	12	2	2
J A Sullivan	13	11	2	2
N A Simunic	6	6	-	-

## Information on Directors

The information on directors is as follows:

**M J Carney**

- Appointed to the Board of Directors in March 2001.
- Employed with State owned enterprise.
- Qualifications - BEd, BBus (Marketing), Grad Cert Taxation.

**F Delahunt**

- Appointed to the Board of Directors in February 2009.
- Employed with the Victorian Department of Planning and Community Development.
- BA, Grad Dip Public Policy and Management, M Applied Science, GAICD

**K J Gowans**

- Appointed to the Board of Directors in May 2000.
- Honorary Treasurer YHA Victoria.
- Qualifications - BBus (Marketing) MP Acctg, CPA.

**P A Harrington**

- Appointed to the Board of Directors in June 1989.
- Self employed.

**R A McGuirk**

- Appointed to the Board of Directors in November 1989.
- Deputy Chair YHA Victoria
- Business Consultant.
- Qualifications - BA, LLB, FFit.

**P A Middelveld**

- Appointed to the Board of Directors in April 2001.
- Employed in Administration/Customer Service.
- Qualifications - Dip Hospitality, BBus (Tourism & Hospitality).

**C J Quinten**

- Appointed to the Board of Directors in May 1998.
- Chairperson YHA Victoria
- Employed as Business Development Manager
- Qualifications - BEd (Sec), BSc (Hons), Grad Dip App Sc, Dip. Business, Cert IV in Training and Assessment

**J A Sullivan**

- Appointed to the Board of Directors in February 2009.
- Honorary Treasurer YHA Victoria.
- Employed as a portfolio Accountant (ISPT).
- B Bus (Hotel Management), MBus (Professional Accounting), CPA.

**N A Simunic**

- Appointed to the Board of Directors in May 2009.
- Retired in May 2010
- Employed as an accountant
- B Commerce, CA

### Indemnification of Officer or Auditor

During or since the end of the financial year, the Company has given indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

As provided under its Constitution, the Company indemnifies every director and officer for any liability incurred by him/her in his/her capacity as a director or officer of the Company, but excludes acts of dishonesty, lack of good faith or breach of duty. During the financial year the Company paid insurance premiums totaling \$10,200 (2009 \$7,427) in respect of directors' and officers' liability insurance. The policies do not specify the premium allocation for individual directors and executive officers. In accordance with the Corporations Act 2001, further details have not been disclosed due to confidentiality provisions of the insurance contract.

The directors' and officers' liability insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company) incurred in their position as director or executive officer unless the conduct involves a willful breach of duty or an improper use of inside information or position to gain advantage.

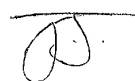
### Proceedings on Behalf of Company

No person has applied for leave of 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.

### Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001

The lead auditor's independence declaration on page 6 forms part of the Directors' Report for the year ended 31st December 2010.

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



J A Sullivan  
 Director  
 Dated this day of March 2011

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 \$	2009 \$
Revenue	2	8,156,006	7,173,692
Employee benefits expense		(2,833,637)	(2,882,462)
Depreciation and amortisation expenses		(809,279)	(744,204)
Administration and operating expenses		(2,905,259)	(3,159,913)
Increment/(decrement) in building valuation	3	(-)	(467,808)
Occupancy cost		(496,158)	(481,305)
Borrowing costs		(1,556,898)	(934,332)
(Loss) Profit before income tax		(445,225)	(1,496,332)
Income tax	4	-	-
(Loss) Profit after income tax		(445,225)	(1,496,332)

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	2010 \$	2009 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	117,534	151,203
Trade and other receivables	6	164,456	154,486
Inventories	7	35,347	40,366
Other	8	221,473	261,827
<b>TOTAL CURRENT ASSETS</b>		<b>538,810</b>	607,882
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	9	23,317,541	25,391,203
Other	8	25,231	14,967
<b>TOTAL NON CURRENT ASSETS</b>		<b>23,342,772</b>	25,406,170
<b>TOTAL ASSETS</b>		<b>23,881,582</b>	26,014,052
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	689,793	583,680
Borrowings	11	13,584,747	16,978,696
Provisions	12	152,467	186,501
Other	13	654,912	725,636
<b>TOTAL CURRENT LIABILITIES</b>		<b>15,081,919</b>	18,474,513
<b>NON CURRENT LIABILITIES</b>			
Borrowings	11	3,000,000	3,000,000
Provisions	12	18,787	6,602
Other	13	44,301	51,774
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>3,063,088</b>	3,058,376
<b>TOTAL LIABILITIES</b>		<b>18,145,007</b>	21,532,889
<b>NET ASSETS</b>		<b>5,736,575</b>	4,481,163
<b>EQUITY</b>			
Retained profits		4,035,938	4,481,163
Reserves	14	1,700,637	-
<b>TOTAL EQUITY</b>		<b>5,736,575</b>	4,481,163

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 \$	2009 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from members and other customers		7,994,027	7,142,864
Payments to suppliers and employees		(6,890,820)	(6,332,430)
Cash generated from operations		1,103,207	810,434
Interest received		11	54
Borrowing costs paid		(1,556,898)	(934,332)
Net cash provided by/(used in) operating activities	21(b)	(453,680)	(123,844)

### CASH FLOWS FROM INVESTING ACTIVITIES

Payment for property, plant and equipment		(154,180)	(4,074,051)
Proceeds from Disposal of Property, Plant and Equipment		3,968,140	-
Net cash used in investing activities		3,813,960	(4,074,051)

### CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from borrowings		-	4,485,000
Repayment of borrowings		(3,566,600)	-
Net cash provided by financing activities		(3,566,600)	4,485,000
Net increase/(decrease) in cash and cash equivalents		(206,320)	287,105
Cash and cash equivalents at beginning of financial year		(227,993)	(515,098)
Cash and cash equivalents at end of financial year	21(a)	(434,313)	(227,993)

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	Retained Profits	Asset Revaluation	Total Equity
	\$	\$	\$
<b>At 1 January 2009</b>	<b>5,977,495</b>	<b>2,097,447</b>	<b>8,074,942</b>
Loss for the year	(1,496,332)	-	(1,496,332)
Revaluation of land and buildings	-	2,097,447	2,097,447
<b>At 31 December 2009</b>	<b>4,481,163</b>	<b>-</b>	<b>4,481,163</b>
Revaluation of land and buildings	-	1,700,637	1,700,637
Loss for the year	(445,225)	-	(445,225)
<b>At 31 December 2010</b>	<b>4,035,938</b>	<b>1,700,637</b>	<b>5,736,575</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The concise financial report has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 1039 "Concise Financial Reports". The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report of YHA Victoria Limited. All amounts are presented in Australian dollars.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the financial report. Further financial information, including full description of the accounting policies adopted by the Company is provided in the full financial report and this is available, free of charge, upon request.

## (b) Going Concern

The company had an excess of current liabilities over current assets of \$14,543,109 as at 31st December 2010. This condition gives rise to a material uncertainty that may cast doubt over the ability of the company to continue as a going concern.

During the 2009 year the Company completed construction of the new Flinders Street Building and it opened for business. The continuing viability of the Company and its ability to continue as a going concern and meet its debts and commitments as they become due and payable is subject to the continuing support of external financiers and the Company generating positive cash flows in the future from operations. Current finance arrangements allow for interest only payments. These facilities are currently subject to review and would need to remain predominately interest only for the going concern basis to apply.

The financial statements have been prepared on a going concern basis. The going concern is considered to be appropriate as:

- Positive cash flows from hostel operations are expected to be adequate to cover debt service requirements;
- The Company has no short term commitments unable to be met in the opinion of directors;
- Certain current liabilities can be satisfied by the provision of services rather than cash payments.

If the Company is unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the company be unable to continue as a going concern and meet its debts as and when they fall due.

## (c) Land and Buildings

Land and buildings have been revalued by the directors in the 2009 year and again in 2010 year to fair value being the higher of the asset's net selling price (as determined by the Directors), and the depreciated replacement cost of the asset. The properties at Howard Street, North Melbourne, Apollo Bay and Halls Gap were revalued at 31st December 2010 in accordance with a certified Valuation report.

The property at Flinders Street, Melbourne has been valued as at 31st December 2009 at a Directors valuation of \$8,000,000. The Directors consider this value fair having regard to replacement cost, insured value and industry data. The Company's financier have engaged an independent valuer who advised a going concern valuation of \$8,000,000 which includes goodwill of \$1,300,000.

## NOTE 2: REVENUE

	2010	2009
	\$	\$
<b>Operating activities</b>		
Hostel income	5,989,550	5,854,978
Membership subscriptions	402,167	378,060
Rent	83,298	39,783
HIC sales	89,145	80,054
Travel commission	686,955	789,889
Activity income	55,940	30,874
Gain on disposal of assets	848,940	-
	<b>8,155,995</b>	<b>7,173,638</b>
<b>Non-operating activities</b>		
Interest	11	54
	<b>8,156,006</b>	<b>7,173,692</b>

# 2011 AGM

The 72nd Annual General Meeting  
of YHA Victoria Limited

23 May 2011 at 7.00pm

at Jasper Hotel, 489 Elizabeth St, Melbourne

15 March 2011

The Directors  
YHA Victoria Limited  
Level 1, 377 Little Lonsdale Street  
MELBOURNE VIC 3000

Dear Directors

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of YHA Victoria Limited for the year ended 31st December 2010, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

**Clarke & Company**  
Chartered Accountants

**B D McMenamin**  
Director  
FCA

## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF YHA VICTORIA LIMITED

We have audited the accompanying financial report of YHA Victoria Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and presentation of the concise financial report in accordance with Australian Accounting Standard 1039: Concise Financial Reports (including the Australian Accounting Interpretations) statutory and other requirements. This responsibility includes establishing and maintaining internal controls relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

### Auditor's Opinion

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

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

### Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the entity's current liabilities exceeded its current assets by \$14,543,109 as at 31 December 2010. This condition indicates the existence of material uncertainty which may cast doubt about the company's ability to continue as a going concern.

**Clarke & Company**  
Chartered Accountants

**B D McMenamin**  
Director  
FCA