



YHA Ltd Annual General Meeting Minutes 18 April 2020

YHA Office, Level 3, 9 Castlereagh St, Sydney NSW 2000 (& via Zoom teleconference)

Opening & Notice of the Meeting

The meeting began at 11.08 am with the Chair, Euan Prentice, welcoming everyone to the meeting and acknowledging the traditional owners and custodians of the land, the Gadigal people of the Eora Nation, and paying respects to their elders both past and present.

It was noted that remote meetings were permissible under Clause 6.2 (b) (2) of the YHA Ltd Constitution, and members were thanked for having convened via Zoom teleconferencing technology, as 'social distancing' measures were in place due to the coronavirus crisis.

Attendance and Apologies

A roll call was taken and 27 members were registered as being in attendance, which was over the quorum of 20 members, as prescribed in the Constitution. Also in attendance were six staff and one visitor (the organisation's auditor – Melissa Alexander from Pitcher Partners). An apology had been received from John Bowles. No proxies had been received by the closing date in advance of the meeting.

Order of Agenda

There were no changes to the order of agenda. The Chair noted that the Corporations Act required that the only substantive matters that could come before the meeting were those that all members had been informed of in the Notice of Meeting. At the conclusion of the formal Annual General Meeting there would be the opportunity to raise any other matters, including regarding YHA's response to the coronavirus crisis that was particularly impacting negatively on the tourism sector (refer to Appendix).

Minutes of the Annual General Meeting held in Sydney on 13 April 2019

The Chair referred the meeting to the minutes of the previous AGM which had been made available online and which were also distributed at the meeting. There were no questions raised concerning the minutes.

1.0 YHA Ltd Annual Report 2019

Each year YHA Ltd produced an Annual Report which was made available online at yha.com.au and email/mailed to those members requesting it. YHA also produced a more comprehensive document, the Year in Review, incorporating the Annual Report, and which had been distributed in advance of the meeting to attendees via email. It was noted that there was no requirement under the Corporations Act for the Annual Report to be received or adopted by members – it was provided for members' information and scrutiny only.

The Chair provided a summary as follows:

Results

-In the organisation's 80th anniversary year, YHA had a network of 69 unique places to stay across Australia, generating over 1.6 million overnight stays by guests from around the world.

-Several hostels were honoured at the 2019 Australia & New Zealand Adventure Tourism Awards, including Grampians Eco YHA winning 'Best Accommodation in Australia' (and Victoria); Hobart Central YHA winning for Tasmania, and Sydney Harbour YHA winning for NSW.

-YHA continued to be proudly a not-for-profit organisation, owned by its members (who mostly become members by staying at the hostels), and at year end, had 402,815 members.



Strategic Planning

Together with the management team, the Board participated in a two-day Strategic Planning Conference held in Byron Bay. The strategic focus had been on the opportunities and challenges for YHA to grow whilst still carrying out its mission of 'education through travel' into 2020 and beyond.

Finance

- Accommodation revenue increased over the prior year, with improved results from Brisbane and Western Australian hostels, and stronger income from Byron Bay YHA (due to the first full year of a new building extension there), however overall lower average bed rates were achieved during the year due to competition in a flat market for international visitors.

-Financially, on a turnover of \$46.2 million, the organisation recorded an operating deficit of \$6.1 million (2018 was a deficit of \$0.8 million).

- Earnings before interest, tax, depreciation and amortisation after adjusting for one-off disposals and impairments totalled \$6.1 million (2018: \$7.2 million).

-The results included some large non-cash expenses, including revaluation of derivative financial instruments totalling \$1.2 million (2018: \$0.3 million) and impairment of one hostel and of land for development of \$1.3 million (2018: Nil).

-Depreciation and amortisation expenses increased due to the adoption of *AASB 16 Leases*, which recognised amortisation of leased assets of \$1.2 million (2018: Nil).

-The normalised result was a deficit of \$4.6 million (\$2 million normalised deficit in 2018).

-The 2019 results as recorded in the Annual Report included a breach of the interest cover covenant with YHA's financier, the ANZ Bank. This was recorded in Note 14 to the Accounts. The Interest Cover Ratio (ICR) is earnings (before interest, tax depreciation and amortisation) divided by interest, and is a test of free liquidity. The ratio was required to be 1.4 and YHA came in at 1.33. As a result of the breach, YHA met with ANZ Bank, and measures required by the Bank were agreed upon – for example bringing forward the re-valuation of certain properties. Under accounting standards, the breach also required borrowings to be listed as current liabilities as recorded in Note 14.

Questions & feedback from members

Questions and comments were invited from members, and answered as follows (including two posed in advance of the meeting):

Question 1: Had there been further occurrences of the breach in the interest cover ratio for any of the months of the current fiscal year?

Answer: Yes, due to the coronavirus crisis.

Question 2: Had all necessary reporting to ANZ Bank (in respect the current state of adherence to borrowing covenants) been completed?

Answer: Yes, and further remarks on that would be made after the AGM on YHA's responses to the coronavirus crisis.

Question 3: Could an explanation of cash-flows from investing activities be provided?

Answer: In the accounts, this related to the pricing of interest rate swaps, relative to market value.

Question 4: Could an explanation regarding lease expenses be provided?

Answer: Under *AASB 16 Leases* there was a need to amortise leases over the period of their life in the accounts, however this had been off-set by a decrease in rental expense

Question 5: Could clarification be provided regarding major equipment/plant expenses during the year?

Answer: This related primarily to the replacement and upgrading of equipment in hostels.

2.0 To elect the Patron & President

2.1 Patron

Under Rule 8.3(a) of the Constitution, a Patron who had been proposed by the Directors may be appointed by resolution at a general meeting, and he or she holds the office until death, resignation, or removal from office by resolution at a general meeting. The Board of Directors had resolved to propose to YHA members that the Governor-General of the Commonwealth of Australia, His Excellency General the Honourable David Hurley AC DSC (Retd) be appointed to serve as the Patron of YHA.



RESOLVED:

That the person as proposed by the Board - the Governor-General of the Commonwealth of Australia, His Excellency General the Honourable David Hurley AC DSC (Retd) - be appointed as Patron

Moved: Euan Prentice

Seconded: Tracey Powell

UNANIMOUSLY APPOINTED

2.2 Patron

Under Rule 8.4(a) of the Constitution, a President who had been proposed by the Directors and is a member may be appointed by resolution at a general meeting and he or she holds office until death, resignation, retirement under rule 8.4(b), ceasing to be a member or removal from office by resolution at a general meeting. Rule 8.4(b) specifies that the term of office for the President can be up to 3 years from the date of his or her appointment. James Tomkins was appointed by resolution at the 2014 and again at the 2017 AGM of YHA Ltd and his term expired at this AGM. James had been a solid supporter of YHA over the past few years, and had attended several events of the organisation, and the Board proposed that he be appointed for a further 3 year term as the President of YHA.

RESOLVED:

That James Tomkins, OAM, be appointed as the President of YHA Ltd for a 3 year term from the 2020 AGM.

Moved: Euan Prentice

Seconded: Ross McDougall

UNANIMOUSLY APPOINTED

3.0 To declare the results for the two Board of Directors vacancies by election

The CEO in his capacity as Company Secretary, and Returning Officer reported that the YHA Ltd Constitution provides for the election of two Directors each year, for a three-year term. A Call for Nominations had been sent to members in November 2019 to stand for the vacancies.

In accordance with the Constitution and By-law 1, which governs Directors' nomination and election, seven candidates had been approved as nominees for Board membership, and there were two vacancies to be filled by election. Voting was on a first-past-the-post system, and was conducted on YHA's behalf by Election Consulting Group. A total of 1,143 members had voted and the following Directors were elected:

- Bronwyn Dallow (563 votes)
- Alison McDonagh (514 votes).

Not elected were: Ross McDougall (with 390 votes); Michael McPhail (with 376 votes); Simon Spicer (with 214 votes); Adam Quirk (with 136 votes) and Brian Kitney (with 93 votes). These members were thanked for having put themselves forwards to serve.

The two elected Directors joined the continuing Directors:

- Tracey Powell
- Rob McGuirk
- Matt McNeil
- Tammy Marshall
- Brigita Bezbek

4.0 General business

General questions from members were considered, on topics including:

- the length of stay ordinarily permitted for guests (14 days);
- the impact of the Sydney light rail construction project on Sydney Central YHA (windows on the front façade of the building had been replaced with thicker glass at the expense of the developer)
- the age and limitations of some properties (e.g. Glebe Point YHA, having no lift).

Conclusion and acknowledgements

The Chair thanked all present for their input. A vote of thanks was extended to the Board and the staff. The contribution of some significant people was also acknowledged, by YHA Director & Hostelling International (HI) President, Rob McGuirk, as follows:

- Firstly, **Simon Spicer**, who was appointed to the Board in 2018, based on his strong qualifications and skills in Finance. Simon, who had served as Chair of the Audit & Risk Committee, stood for election in 2020 and was not elected. The Board was considering the



option for appointing him for a two year vacancy by appointment on the Board at a meeting that afternoon (18 April 2020), particularly as there was a need for Directors with finance skills.

- Secondly, **Ross McDougall**, who reached the end of his term on the Board at the conclusion of the 2020 AGM. Ross was first appointed to the YHA Ltd Board in September 2014. He was previously the long-standing Operations Manager for YHA Victoria, and was responsible for the development of Grampians Eco YHA and Apollo Bay YHA. Ross was thanked for his contribution in both these roles over many years.
- Thirdly, **Euan Prentice** was acknowledged as having served on the YHA Board for the past eight years, including as Chair since December 2018 (and as Vice Chair prior to that). He was also on the former Hostelling International Australia (HI-A) Board. Euan had shown strong leadership during some difficult times recently for YHA, and was thanked for his deep contribution over the past eight years. Euan had resigned from the Board with effect from the end of the 2020 AGM, which created a casual vacancy on the Board for up to one year, which the Board was considering the options for filling by appointment at the Board meeting later that day (18 April 2020).

The Chair, Euan Prentice, then spoke regarding the CEO role as follows:

- The current CEO, **Julian Ledger**, had given notice mid-way through 2019 of his intention to retire in 2020. On behalf of the Board of Directors, staff and members, the Chair thanked Julian for his long and dedicated service to YHA over more than 40 years. During Julian’s leadership, YHA had transformed into a unified, national organisation, and the network had grown to its current size and quality, with many award-winning properties across Australia. Julian had also been a leader in the wider youth tourism sector, and a proponent for high standards across the travel accommodation industry.
- The Board had appointed a new, incoming CEO, **Paul McGrath**, who would commence in the role on 27 April 2020. Paul had a track record in leadership roles in the airline, travel and tourism sectors, and had been chosen from a strong field of candidates (both internal and external) in a competitive selection process run by the YHA Board and external recruitment specialists.

The CEO, Julian Ledger, made a few parting comments as follows:

- It had been a privilege to serve the organisation for so long, and it had been a team effort, with the management and Board. In particular, it had been unique to have worked with so many volunteer Directors over the years. Modest remuneration had been introduced for Directors at the 2018 AGM, and it was noted that currently, individual Directors had opted out of remuneration given the circumstances regarding coronavirus crisis. Thanks were extended to Akiko Ledger for her support of Julian and his family during his tenure at YHA, which had included many periods of travel away from home.

Other members present also paid tribute to Julian Ledger, including comments that his contribution to the industry both in Australia and internationally had been substantial; that he had been an inspiring and admirable leader; he had been a long-term supporter of the YHA clubs; had ‘kept the ship stable’; been ‘a rock holding YHA together’, and had provided opportunity for many young people to have safe and high quality travel experiences through YHA.

5.0 Closure

The meeting closed at 12.05pm. The Chair thanked all for attending, including the auditor, and acknowledged all members who had shown an interest in and supported YHA over the past 12 months.

Signed:

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Chair

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Date



APPENDIX:

NOTES FROM MEETING OF MEMBERS, 18 APRIL 2020 – UPDATE ON CORONAVIRUS CRISIS

Following the AGM, the Chair outlined the current situation regarding the impact of the coronavirus crisis on YHA as follows:

- The Board and management team had been meeting weekly to coordinate a swift response;
- Currently 28 hostels out of the network of 69 hostels were open, accommodating around 500 guests, some of whom were international travellers including Working Holiday Makers, effectively stranded in Australia, and others of whom were essential workers who needed accommodation near their employment;
- Hostels open were complying with Health Department directives, including regarding social distancing and public gatherings, and staff were being provided with Personal Protective Equipment, as required;
- Due to the loss of income from guests during these times of closed borders and enforced self-isolation, YHA had gained an additional finance facility of \$5M from financiers, ANZ Bank, to take the organisation 'over the bridge' to September 2020 when it is anticipated that some travel, initially by Australians within Australia, might be able to resume and YHA's business would re-commence;
- YHA was also engaging real estate agents to run Expressions of Interest campaigns to attract potential purchasers of land and property that is surplus to current requirements, to free up cash, including a carpark at Adelaide Central YHA, land at 3 Beach Road in Surfers Paradise YHA, and the hostel at Glebe Point Road, in Glebe, Sydney. The Glebe hostel being the least centrally located of the Sydney hostels. The Board would assess each proposal on its individual merit;
- As a result of the immediate downturn, YHA had laid off around a third of the workforce, and the rest were working reduced hours, with YHA availing of the Federal Government's 'JobKeeper' subsidy of wages;
- Like all other travel and tourism businesses, the organisation was profoundly affected by this crisis and would necessarily have to make many changes. It had the advantage of a strong balance sheet but the Board had to always ensure that the organisation was in a position to meet debts as and when they fell due. With the majority of guests being from overseas, YHA would be dependent on the resumption of international travel for recovery. In the meantime when domestic restrictions are lifted, the organisation would be encouraging members, their friends and families to discover Australia through staying with YHA;
- Technology, such as Zoom, was being utilised, to continue Board meetings;
- Information about the hostel network and YHA was being kept up to date on the website yha.com.au;
- Thanks were extended to the Directors, staff and members, for their support in these turbulent times.