



# YHA Ltd Annual General Meeting Minutes 17 April 2021

The Big Dig Archaeology Centre, Sydney Harbour YHA, 110 Cumberland St, The Rocks NSW 2000

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## Opening & Notice of the Meeting

The meeting began at 11.00 am with the Chair, Tracey Powell, 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.

## Attendance and Apologies

37 members were registered as being in attendance, which was over the quorum of 20 members, as prescribed in the Constitution. There were also 12 staff and two visitors (from the organisation's auditors – Rod Shanley and Jake Hadfield from Pitcher Partners) in attendance. Apologies had been received from 18 members; 309 valid proxies had been received by the closing date in advance of the meeting.

## Order of Agenda

Item 4 regarding appointment of a Vice President was considered before Item 3 – the announcement regarding the Directors election.

The Chair noted that the *Corporations Act 2001* 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. The AGM officially opened at 11.10am.

## Minutes of the Annual General Meeting held on 18 April 2020

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

### 1.0 YHA Ltd Annual Report 2020

Each year YHA Ltd produced an Annual Report which was made available online at [yha.com.au](http://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, 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; Chair of the Audit & Risk Committee, and CEO delivered a presentation on the key results, highlighting the following:

#### a) Summary

2020 had been a year of turmoil, firstly with bushfires, affecting some hostels (including Thredbo YHA) immediately followed by the COVID-19 crisis, with Australia's international borders shut and snap closure of State borders. The organisation had also come under new leadership, with a new Chair, Vice Chair, CEO and Executive Leadership Team. A restructure of the organisation had also taken place. At the height of the COVID-19 crisis, only 19 out of 69 YHA hostels had been operating. Ten hostels had left the network permanently during 2020, leaving the network with 59 hostels at present in Australia. Focus was placed on being COVID-Safe including having reduced capacity in dormitory-style rooms at many hostels over the past year. Regional hostels such as Byron Bay YHA fared better than city ones. In total 724,862 overnight stays had been recorded in 2020 (-54% on the prior year). YHA had 439,539 active members at the end of 2020.

A new Vision had been adopted - "**An open and accommodating world where humanity flourishes**" and a new Mission – "**To create a community in diverse spaces, by connecting the curious, inspiring personal growth and creating genuine local experiences in a sustainable way**".

A new Strategy 2020-2023 had also been also developed, and focus had been placed on embedding a culture of innovation across the organisation. Sincere thanks were extended to the YHA team from the Board of



Directors and members for their hard work, resilience, and personal sacrifice in terms of hours worked and remuneration received, under very difficult circumstances in 2020. Thanks were also extended to those employees who departed in 2020 – YHA now had 245 employees against 300 the year prior. It was noted that the Board had held 15 meetings in 2020 (against 7 the year prior), for additional oversight during the COVID-19 crisis and that many Directors had also forgone remuneration during the year to assist the organisation.

#### b) Financial results

Operating turnover was \$25M, and with other revenue (sale of Glebe Point YHA property) was \$31M (against \$46M the year prior). Earnings Before Interest, Taxation, Depreciation & Amortisation (EBITDA) was \$5.7M vs \$7.2M the year prior. Total comprehensive income was a loss of \$10.1M (vs a loss \$6.0M the year prior). Hostel income was down \$26M on the prior year. The Federal Government had provided \$5M support in the form of the JobKeeper wage subsidy. Action had been taken to reduce costs including the organisational restructure. Perth City YHA had been put up for sale, noting that the property was impaired in value along with vacant land at Surfers Paradise. Interest rate SWAPs had been terminated, incurring interest break costs of \$3M to save on monthly interest cash flows. Total assets are valued at \$235m, which is above borrowings by \$140M, noting that Perth City YHA, Coffs Harbour YHA and land at Surfers Paradise were classed as assets held for sale (to be sold for liquidity purposes). Overall, earnings had been significantly impacted by the COVID-19 crisis, and borrowings have increased therefore YHA's business model was being reviewed to ensure the ability to service a sustainable level of debt, and for 2021 is working towards a \$7M in net surplus improvement on 2020.

#### c) Strategy & Outlook

Occupancy had declined during the COVID-19 crisis to around 15% (and overall settled at 30% at year-end for 2020). Average rates charged had also declined. Predictions were that it wouldn't be until the middle to end of 2022 that international travel patterns would normalise to 2019 levels. YHA also had to face the threat of competitors who were planning to set up alternative hostels in Australia. There is an opportunity to reinvigorate the organisation, while building on the legacy of YHA's history.

Diversity, equality, and sustainability are a core part of YHA's ethos. There is a need to build on the dynamic, vibrant culture of YHA and to contemporise the organisation. Focus would be placed on new technology and innovation to enhance the guest experience. YHA needed to maintain relevance to the next generation of members, and to continue to build a community of travellers. Significant changes had been made to the business to be leaner and running at optimal level, particularly once the Federal Government JobKeeper subsidy ended. The focus was on evolving and adapting whilst maintaining standards of service; reimagining, rebuilding, and redefining the organisation.

#### d) Questions & feedback from members

Questions and comments were invited from members, and answered as follows:

##### Question 1: asset sales

Why was YHA selling Perth City YHA and the land at Surfers Paradise?

**Answer** – This was due to liquidity needs to ensure YHA will get through the pandemic. The intention was that Perth City YHA would still be run as a YHA under a management agreement after the sale. The goal was to continue operating properties as a YHA where possible with assets that were changing ownership. At Surfers Paradise, YHA currently just had a block of land, therefore significant capital investment was required to develop on it.

##### Question 2: redevelopment of Railway Square YHA, Sydney

Regarding the redevelopment of Railway Square YHA in partnership with technology company Atlassian – this company was changing their method of working, with more remote working and a 'work from anywhere' policy, so how would that impact on plans for re-development of the site?

**Answer:** Atlassian is in a rapid growth phase and during 2021 still employing many new employees per month – their workplace model is a hybrid (partial work at home and partial in the office). The planned new Atlassian headquarters - incorporating a larger Railway Square YHA in the building - will form part of a larger Tech Central hub in the area around Central Station and is therefore is a strategically significant site for YHA.

##### Question 3: diversity of guests

How is YHA taking gender fluidity into account in the organisation's operations?

**Answer:** Diversity, equity and inclusion is part of YHA's mission, and all guests are welcome. The language used by YHA, including in the Constitution, is also being modernised to be more inclusive.



**Question 4:** finance – Classification of borrowings

Please explain the situation regarding classification of in the Annual Report for 2019 and 2020.

**Answer:** The covenants within the bank borrowings required YHA to maintain an Interest Cover Ratio of greater than or equal to 1.4 times. YHA had not complied with the financial covenants of its borrowing facilities during the 2020 reporting period and the breach had been reported to ANZ Bank with a request for no action to be taken made and a waiver for the interest cover ratio financial covenant granted prior to year-end. This waiver was the reason that the borrowings had been classified as non-current, as there was no requirement at the time of the report to repay these loans within the 2021 year. The year prior, a waiver for the ICR for 2019 had been received from ANZ Bank in February 2020 (before the accounts had been signed). Accounting standards allow for classification of loans as non-current if the waiver from the bank has been received prior to year-end.

## 2.0 To amend the YHA Ltd Constitution

The Chair outlined that over the past year, the Board had spent time considering proposed amendments to the YHA Ltd Constitution, mainly regarding enabling the issuance of mutual capital instruments (MCIs) in the future as a method to raise funds for reinvestment in the business. The Board had also obtained legal advice on the proposed amendments. An Explanatory Memorandum and a marked-up copy of the proposed Constitution had been made available on yha.com.au and sent to members. It was noted that YHA would remain as a mutual entity if the amendments proceeded. The Board recommended that members vote in favour of the resolutions to amend the Constitution.

### Questions were taken from the floor on the proposed amendments.

It was noted that to be passed at least 75% of members voting needed to be in favour. A total of 309 proxies had been received and voting also took place at the AGM by those members present who had not already appointed a proxy. The results were collated by two tellers (being YHA's Financial Controller and Business Administration Manager). The final count including proxies and from those present at the meeting was 90% in favour of the resolution. There were 25 abstentions from voting.

**RESOLUTION:**

That in accordance with section 136(2) of the *Corporations Act 2001 (Cth)*, YHA Ltd's Constitution be modified by making the amendments contained in the document tabled at the Annual General Meeting and signed by the Chair for the purposes of identification.

**Moved:** Tracey Powell

**Seconded:** Dr Tasha Prabhakar

**CARRIED**

**(286 IN FAVOUR; 33 AGAINST)**

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

The Company Secretary reported that the YHA Ltd Constitution provides for the election of two Directors each year, for up to a three-year term. A Call for Nominations had been sent to members in November 2020 to stand for the vacancies.

In accordance with the Constitution and By-law 1, which governs Directors' nomination and election, two candidates had been approved as nominees for Board membership, and there were two vacancies to be filled by election.

As there was no greater number of candidates than vacancies to be filled, no voting was required. The two approved nominees, who would continue as Directors, were as follows:

- Tammy Marshall – for three years.
- Tracey Powell – for two years, due to a term limit being applicable.

These two Directors joined the continuing Directors:

- Bronwyn Dallow, Simon Spicer, Brigita Bezjak, Alison McDonagh and Matthew McNeil.

## 4.0 To elect a Vice President

Under Rule 8.5(a) of the Constitution up to 10 Vice-Presidents, each of whom has 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 8.5(b), ceasing to be a member or removal from office by resolution at a general meeting. Rule 8.5(b) specifies that the term of office for each Vice President cannot be more than 3 years from the date of their appointment.

The following members were appointed to the role of Vice-President at the 2019 AGM and their term would expire at the 2022 AGM:



David Wardle - Alex Zilkens - Jim Whitehead - Cameron Quinten - Ray Temperley - Dr Tasha Prabhakar  
- Helen Harms - Leonie Clark.

The Board had formally resolved to propose to members that as Director Robert McGuirk would be standing down at the conclusion of this AGM due to reaching a term limit, that he be appointed to serve as a Vice-President for a term of three years to expire at the Annual General Meeting of 2022 (noting that he had abstained from voting on that resolution).

**RESOLUTION:**

That Robert McGuirk be appointed as Vice-President for a 3-year term.

**Moved:** Tracey Powell

**Seconded:** David Wardle

**UNANIMOUSLY APPOINTED**

## 5.0 General business

### a) Questions from members

General questions from members were considered.

#### Question 1 – finance options

Had the Board considered whether a property trust could be established, where members could contribute funds to YHA for the development of hostels?

**Answer** – The Constitutional amendments would enable the potential raising of finance via MCIs in future. YHA was also exploring alternative refinance options for the near future. Selling assets and leasing them back triggered Capital Gains Tax which was an issue - it was important therefore for YHA to hold on to key properties.

#### Question 2 – digital nomads

Could YHA's co-working spaces be open 24 hours, whilst still maintaining high levels of security?

**Answer** – Accelerator sprints had been carried out by employees, investigating options for the investment required for the infrastructure and staffing levels required to enable this, that would be further considered.

#### Question 3 – hostel network

Given that 10 YHAs had left the YHA network in 2020, are there plans for any of these to re-join or for YHA to open new hostels in other locations?

**Answer** – A Network Strategy is being developed to analyse the locations where YHA needs to be. The Year in Review lists all hostels at year end including by ownership type (i.e. whether owned/operated by YHA or run under a managed service agreement or Associate hostels). Considering hostels that are in close proximity/easy reach of each other is part of the strategy. 'Pop-up' hostels for temporary use would also be considered.

### b) Conclusion and acknowledgements

The Chair thanked all present for their input. A vote of thanks was extended to the Board and team. The contribution of some significant people present was also acknowledged by the Chair, as follows:

#### i) Vote of thanks to Julian Ledger

Former CEO, Julian Ledger, had retired in mid-2020, after 42 years of service. During his time, YHA NSW had grown into a strong network of high-quality properties across Australia in urban and regional areas, anchored by flagship properties owned and operated by YHA in key tourism destinations. Just some of the hostels developed during that period include Sydney Central YHA, Blue Mountains YHA, Byron Bay YHA, Canberra City YHA, and Sydney Harbour YHA. Julian had also played a leadership role in the merging of YHA into one organisation, becoming its first CEO in 2017 and wider youth tourism sector, including in the establishment of the Backpacker Operators Association of NSW, and the national Backpacker & Youth Tourism Advisory Panel.

Julian was presented with a gift on behalf of members for his long service, and made a few comments as follows: The fundamentals of the business are eternal - to have the right location, price and function of hostels. There is opportunity with the cohort of young people eager to travel globally, including from the USA, when Australia's international borders re-open. Many existing competitor hostels are dropping out permanently which will benefit YHA, although new entrants will also be coming. There was opportunity to reinvent YHA for each generation.

#### ii) Vote of thanks to Robert McGuirk

A gift was presented on behalf of members to retiring Director, Robert McGuirk, who had served in a voluntary capacity on YHA Boards continuously for the past thirty-one years, including as Chair of the YHA Victoria Board,



and as Chair of the YHA Ltd Board from 2014 to 2018. During Rob’s time, the organisation had transformed from a federated entity into a unified, national organisation, YHA Australia, with all the strength and efficiencies that stem from that. Throughout the various mergers to achieve this, Rob had played a key leadership role.

Rob was also a former Vice-President of Hostelling International (HI) and from October 2018 to September 2020 was that organisation’s President. This was a great achievement for Rob personally, but also for YHA, and for Australia, with him being the first Australian to hold this global leadership role. During his time in that role, Rob had focussed on bringing together regional groups of youth hostel associations across the world to work in closer collaboration and be stronger together. Rob had always placed the mission and for-purpose ethos of both HI and YHA at the forefront of his thinking and actions, with a keen focus on how best to serve the members.

Rob was also presented with a medallion from the Governor-General of Australia to recognise his significant contribution and steadfast commitment to the organisation - including over the past, very challenging year, for both YHA and HI.

Rob was thanked by the Board and members for his significant contribution and achievements over many years to YHA, HI and the worldwide youth hostel movement. At the conclusion of this AGM he would commence in a new role as a Vice President for YHA Ltd.

Rob made a few parting comments as follows: he thanked the many colleagues including Directors and mentors that he had worked with at YHA, especially Shelley Lavender - the first CEO he had recruited at YHA, who had always placed high emphasis on sustainability. Other key issues of importance included indigenous recognition and promoting aboriginal culture to YHA members. Rob also acknowledged the former HI-Australia Chair, Bede King, who he had worked closely with on planning and working towards a national merger of YHA in Australia – he was proud to see how YHA has evolved. Particularly, appreciation was extended to the YHA team who had helped Rob in his bid for the HI Presidency. Thanks were also given to former CEO Julian Ledger; current CEO Paul McGrath, and the current YHA Board and team for all their efforts. Rob looked forward to his new role as a Vice President.

**iii) Vote of thanks to the Board & team**

A vote of thanks was extended to the Board for steering the organisation through the past, very difficult, year - and particularly to the staff for the personal sacrifices they had made.

**6.0 Closure**

The meeting closed at 12.55pm. The Chair thanked all for attending, including the auditors, and acknowledged all members who had shown an interest in and supported YHA over the past 12 months.

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**Signed:**

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**Tracey Powell, Chair**

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**Date**