

Members,

Well members, to describe 2020 as an eventful year would be a very big understatement!

From July 2019 we have had members approve an amalgamation with The Greens The Entrance, received approval from Liquor and Gaming NSW, completed the amalgamation, opened the new lobby/reception area at Mingara, and undertaken some minor works at The Greens, and then lost the lot in a fire at the Club. Two weeks later we were completely shut down as a result of the COVID 19 pandemic, then 71 days later we reopened four clubs. What a year.....

I'd have to say members the first few weeks of the mandatory shut down due to the COVID-19 pandemic were the most stressful in my entire career. Having to oversee the standing down of over 530 members of our team and, prior to the announcement by the Prime Minister of the Job Keeper Program, not knowing how our people would get on financially was extremely difficult. Fortunately, the Job Keeper Program was introduced and our people, among many Australians, were able to get by financially.

The remaining members of our team not stood down, formed a skeleton team and in doing so, all willingly agreed to very substantial salary reductions to assist the club financially during the time we were closed. The team have not yet returned to their normal salaries as we deal with the financial issues which come with being closed for such an extended period. As members would appreciate, the club is not blessed with enormous cash reserves and the indication was the shutdown could last up to six months. The clubs still cost money to maintain, even when closed and as such we had to take drastic measures to help ensure the long-term security of our clubs. As the skeleton crew, on substantially reduced salaries, we closed down all clubs, cleaning as we went, in order to ensure the assets of the club were protected as much as possible, in readiness for reopening one day. The skeleton crew also became the security for the buildings, ensuring the property was protected at all times. We will remain indebted to those team members for their dedication to our organisation and each other in these challenging times. My thanks and gratitude to each and every one of them.

When the announcement came that we were able to reopen from June 1, with social distancing measures in place, the team swung into action again. We wanted our gaming players to feel safe and comfortable to come back into our venues, so we redesigned and moved every single gaming machine, all 1,100 of them across 4 venues, into new massively spaced out floor layouts, with only half of the machines returned to the floor. We had to order food and restock all freezers and cool rooms ready for the kitchens to swing into action. Kegs of beer and all manner of bar stock items were prepared. Cash was delivered so we could have till floats and stock the ATM's, all in readiness for the first day of trading again.

Many difficult but necessary decisions had to be made during the shutdown period. We made the decision to outsource the catering at Lantern Club, to CateringHQ, a very well-regarded specialist provider of catering in the club industry. Upon reopening the clubs, we initially did not open the Aquatic Centre, Athletics Track and Playhouse (creche) at Mingara. Any existing courtesy bus services were also suspended. None of these decisions were taken lightly, but given they cost substantial funds to operate, it was appropriate to be cautious in our approach.

Most people were understanding of the circumstances, but unfortunately there were a number of very “entitled” people demanding we recommence the service that they particularly wanted. A number of our team members were on the receiving end of some inappropriate abuse and those abusers should have a good hard look at themselves, as it was completely uncalled for. We thought we “we’re all in this together.....” . Apparently not all of us.

Mingara Aquatic Centre was reopened on July 20, much to the delight of our Aquatics Team and customers, particularly the young ones who are learning to swim. Similarly, Mingara Athletics Track reopened, with reduced hours, in early June.

Members as I mentioned previously, the devastating fire at our newest club, The Greens The Entrance ravaged the property after the close of trade on Monday March 2. The only good news was that no one was injured, but the club was completely incapable of operating. The insurance company’s fire investigation did take some time initially to determine the cause of the fire, eventually concluding that the fire commenced in the ceiling cavity between the ground floor and the first floor. Further delays were caused by the detection of asbestos in the ceiling cavity. A very lengthy process was then undertaken to treat all of the rubble caused by the fire for potential asbestos contamination, before it could be removed off site.

In the meantime, we have commenced preparations to rebuild the club to enable full operations for our members once again, however it may take up to another 18 months before the new club opens. We are pleased we were able to amalgamate with The Greens The Entrance as it is hard to imagine that after such a devastating fire, the detection of asbestos and then the closure due to COVID-19, whether the club would have been able to survive had it not joined with Mingara Leisure Group.

One of the few highlights for the year was the opening of the new reception/lobby at Mingara. Much like the old entry we renovated last year, the old lobby area had served us well, but our members deserved so much more. We have received numerous compliments on the new area, and we are proud we undertook the building project ourselves.

Of course members, the closure of your clubs due to COVID-19 has had a very substantial impact on the financial performance for this 2019/2020 financial year. Revenue from operations across the Group decreased from \$83.86 million to \$67.39 million. In addition to this, we received a “gain on amalgamation of \$8.35 million, from the amalgamation with The Greens The Entrance.

EBITDA increased from \$12.1 million to \$15.2 million this year, an increase of \$3.1 million or 25.6% Net profit this year has increased from \$2.6 million last year to \$3.6 million this year, an increase of \$1.0 million, however this is increased by the treatment of the gain on amalgamation with The Greens The Entrance. Our Balance Sheet shows total assets have increased from \$135 million last year to \$148 million. Net assets have increased from \$97.9 million last year to \$101.5 million, an increase of 3.68%.

Our debt position at the end of the financial year was \$26.6 million up from \$23.1 million last year. Whilst we have made principal repayments of \$4.9 million, we did take the opportunity to halt principle repayments during the pandemic closure, however our position remains strong. During the course of the year we spent \$8.5 million on property plant and equipment and our closing cash balance was up over \$11 million.

Every year I like to acknowledge the magnificent people we have on our Team, but this year is particularly poignant. The skeleton team of people which I mentioned previously were absolutely amazing during the shutdown period and ever since. Really, I never should expect anything less from these people as we are very fortunate to have such incredible people on our Team.

Many other members of the Team deserve acknowledgement too. Under the Job Keeper Program, we were able to have a significant number of the Team carry out a whole raft of tasks, that not only assisted the organisation, but gave them contact with us and other team members.

Tasks such as painting back of house corridors, sanding and staining outdoor furniture, and mowing grass and maintaining gardens. Thank you to all those Team members who contributed. Since reopening our clubs, it has been a wonderful experience to welcome them all back. Thank you to all of you.

Members in this forum every year I also acknowledge the efforts of our Board of Directors. As a Director on a few Boards myself, I can assure you the shutdown period did not diminish the workload or the responsibility and stress of a Director. In fact, it is never harder than in the middle of a crisis. Chair Phil Walker and the entire Board of Directors were fantastic during this year as well, and I thank them once again.

In line with corporate governance best practice and as part of the Board's succession planning, Deputy Chair Gary Knight retired from the Board in May this year, after almost 18 years of service to our organisation. During these years, our group of clubs have changed significantly, and Gary has played a very important part in our success. At this year's Annual General Meeting, the members will be asked to approve the motion to appoint Gary as a Life Member of the Club. This is the most symbolic recognition of a member's significant contribution to our organisation. Members of staff of course cannot vote at an AGM, but this recognition is very much deserved. Thanks you for your service and friendship Gary and we wish you well in retirement.

To all the members who have lost a loved one throughout the course of the year, please accept our heartfelt condolences. Members, as a result of your wonderful ongoing support, we are able *"to make a significant contribution to the quality of community life"*.

A handwritten signature in blue ink, appearing to read 'P. Barnett', with a stylized flourish at the end.

Paul Barnett
Chief Executive Officer
Mingara Leisure Group