

Hello Members,

It feels like I've only just written last year's report and here we are again. It's certainly been a busy year for our Team, and we have lots to report on to you.

Undoubtedly, we are pleased to have come through the last twelve months without having to endure any closures due to the pandemic, but that's not to say we haven't had our share of COVID related issues. At various times we have had a number of our team, across all venues, isolating and unable to work. On occasions, this has impacted on our ability to open various outlets, but we have managed to minimise the disruptions to our members. We thank you for your patience and understanding at those times.

Perhaps our most exciting news has been the approval of our development application by Central Coast Council (CCC) for the hotel development at Mingara. Despite being delayed and taking some fourteen (14) months to be approved, we have now gone to tender, selected our builder and signed the construction contract. Redeye Constructions, a local Central Coast family-owned company will have commenced construction by the time you read this report and we anticipate a Spring 2024 opening, just in time for Christmas and the busy holiday period.

The hotel will be located adjacent to the front entry of the club and will comprise 86 rooms spread over 5 levels. It will be a welcome addition to the club's facilities and is expected to be well patronised by sporting groups, attendees at weddings and events at Mingara, as well as people travelling for work or visiting friends and relatives in the local area. The hotel will be marketed and operated under our own brand.

Finally, some good news about The Greens The Entrance. Following the devastating fire in 2020 and the protracted insurance process, we reported last year that we had received the DA approval from the Regional Planning Panel, albeit with 21 pages of conditions attached. Whilst these conditions have now been resolved, the process has been further delayed by the discovery of a major council stormwater pipe running adjacent to a bowling green, despite being clearly marked in another location. Ironically, this pipe was where the very substantial footings had been planned for the bowls green's structure to be located. This took some time to be resolved, but the roof structure plans have now been finalised, the deposit paid and the manufacturing of the greens covers has commenced. To facilitate their construction, the members have been relocated to Mingara and they are sharing and enjoying the facilities at Mingara temporarily.

At the time of writing this report, we are about to go to tender for the clubhouse construction and by the time you are reading this report, it's very likely we will have signed a contract and will be soon commencing construction. Exciting times for our organisation.

During the course of the year, we completed a minor cosmetic upgrade of Lantern Club. These works included new carpet and paint throughout, and the completion of a new gaming area. The works totalled \$3.6 million and have been very well received by our members. Lantern Club, despite the building works, managed to achieve its best trading year on record.

To complete our building works update for the year, we also opened the alfresco component of Hadley's Lounge in time for the busy Christmas and summer trading period in December 2022. Those works have also been well received by our members.

Of course, in order to undertake all of these projects for the benefit of our members, we need to be trading successfully and have a strong balance sheet.

In the last few months of the financial year, like all other businesses, we have experienced the slowing of the economy. I reported last year that the increasing rates of inflation would eventually have an impact on our organisation, and unfortunately this has occurred. Our customers feel the impact of inflation and so do we. The increasing cost of food and beverage, consumables, energy and wages is impacting on the club. Inflation needs to be brought under control as quickly as possible.

Following the reopening after the most recent COVID closure, we traded very well for the balance of the year as people generally looked to enjoy socialising normally again. As I mentioned previously, the impact of inflation had a negative impact in the later part of the financial year. EBITDA decreased from \$19.39 million to \$15.43 this year, a decrease of \$3.96 million or 20.4%. Net profit this year has decreased from \$9.9 million last year to \$7.0 million this year, a decrease of \$2.9 million. Please remember, last year's results were distorted by the accounting treatment of the insurance claim we received during that year and as such, we are very pleased with the year's result.

Our Balance Sheet remains strong and shows total assets have increased from \$157.8 million last year to \$160.0 million. Net assets have increased from \$121.1 million last year to \$128.1 million, an increase of 5.8%. Of particular note is our strong cash position and our reduced debt position. We anticipate using significant cash funds towards constructing our hotel on the Mingara site and for the rebuilding of The Greens. The balance of the construction of both projects will be debt funded by our bankers.

Much of our catering operations underwent significant change throughout the 2022/23 year. At both Springwood Sports Club and Lantern Club we replaced our caterer with a new partner, Clubs Catering, who are continuing to impress the local members of those respective clubs with their menu and quality of their food. Gather and Mazi respectively are performing well under the guidance of the new team.

At Mingara the Hadley's catering has been taken back on by our own team. The team, which includes a number of new team members, is performing well, and our members are enjoying the quality of the meals and the beautiful surroundings of Hadley's.

Our Vision, to make a significant contribution to the quality of community life remains our guiding light and I am pleased to report that in the 2022/2023, both our Mingara Aquatics Centre and the Mingara Regional Athletics Centre remained well patronised by our local Central Coast community, as well as a huge number of visitors to the area. Whilst both facilities are not commercial in nature, both have required significant capital investment over the course of the year. The Aquatic centre required the pool deck to be resurfaced as well as major electrical works in the pool pump room. Our Athletics Centre has undergone a total replacement of the flood lights, with every light on all four towers being upgraded to LED lighting. Our female facilities also underwent an upgrade to better serve our local women's sporting teams. A Grant from the NSW Government under the Female Friendly Community Sport Facilities & Lighting Upgrades Program helped defray some of the cost of these track upgrades and we thank our local Members of Parliament for their support of this initiative.

Of course, across all clubs in our group, we support many, many community and welfare organisations, as well as a huge number of sporting groups. The club industry continues to draw the ire of many detractors and clubs never get the recognition that is so richly deserved for all of the amazing programs, events, sporting groups and charitable organisations that we support. We are very clearly focused on diversifying our business model away from reliance on gaming, but in the interim the industry is determined to support those who need help, and to minimise any potential impacts upon our communities. The recent introduction of ClubsNSW's Gaming Code of Practice is one such example of the voluntary initiatives supported by clubs to protect the communities in which we operate. In our organisation, we are committed to acting in a responsible manner and do all that we can to provide our members with a safe experience, both from a gambling and alcohol perspective.

Members, with the ever-increasing governance obligations and legal responsibilities faced by our organisation, the workload of our Board of Directors has never been greater. Our Board, under the leadership of Chair Phil Walker, continues to provide vision and strategic direction for our organisation. My thanks to every member of the Board.

As always, our Team continues to receive glowing feedback and under sometimes very difficult circumstances. I mentioned earlier, it has been a challenging year for all hospitality venues, and ours have been no different. My thanks to all members of the team across all of our venues.

Losing loved ones is part of life as we know, but that doesn't make it any easier when it happens to us. My condolences to those of you who have lost loved ones during the past 12 months.

With five venues in our group, I can be spread quite thinly these days, but if you see me in the club, please feel free to reach out and say hello. Talking to members is one of my favourite parts of my role.

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