CEO REPORT

Macksville District Ex-Servicemen's Club Ltd
Financial Performance Review – Year Ended 31 January 2026

Executive Summary

The 2026 financial year represented a **significant improvement in financial performance** for Macksville District Ex-Servicemen's Club Ltd ("the Club"), with **profitability strengthening materially**, asset values increasing, and liquidity improving despite continued cost pressures and strategic capital investment.

Net profit surged to **$182,064**, an increase of **173%** compared to FY2025, driven by **revenue growth, improved cost of goods outcomes, and stronger gaming and hospitality performance**. This result underpins a solid balance sheet position, higher retained earnings, and growing cash reserves, providing the Club with improved financial resilience and capacity to fund future development.

Financial Performance at a Glance (FY2025 vs FY2026)

Key Highlights:

- **Total Revenue:** ↑ $161,400 (+3.5%)
- **Net Profit:** ↑ $115,398 (+173%)
- **Total Assets:** ↑ $319,870 (+11.2%)
- **Cash & Cash Equivalents:** ↑ $118,470 (+21.4%)
- **Retained Earnings:** ↑ to $1.75 million

Income Statement Analysis

Revenue Performance

Total revenue from continuing operations increased to **$4.84 million** in FY2026 from **$4.68 million** in FY2025.

Key contributors included:

- **Poker Machine Revenue:** ↑ $245,625 (+12.1%)
- **Bar Sales:** ↑ $53,336 (+7.7%)
- **Entertainment & Promotions:** ↑ $29,137 (+15.2%)
- **Rental Income:** ↑ $42,466 (+81.6%)

These gains were partially offset by a reduction in **bistro income** (-$131,561), reflecting cost-of-living pressures on discretionary dining expenditure and menu rationalisation.

Overall, the revenue mix continued its shift toward **higher-margin gaming and diversified income streams**, strengthening operating leverage.

Expense Management

Total expenses increased modestly to **$4.79 million** (FY2025: $4.67 million), a growth rate significantly lower than the growth in revenue.

Notable movements included:

- **Cost of Goods Sold:** ↓ $201,823 (-16.4%)
- **Employee Benefits:** ↓ $52,268 (-2.8%)
- **Other Expenses:** ↑ $371,151 (+27.6%)
- **Finance Costs:** ↑ $16,728 (+70.5%)

The reduction in cost of goods sold and payroll costs reflects **procurement discipline and workforce stabilisation**, while higher other expenses largely relate to **maintenance, compliance, and operating scale expansion**.

Profitability Outcome

The combined effect of revenue growth and cost control resulted in net profit improving from **$66,666 in FY2025 to $182,064 in FY2026**. Margins strengthened meaningfully, confirming that the Club's operating model is responding positively to strategic initiatives implemented during the year.

Balance Sheet & Financial Position

Asset Growth

Total assets increased to **$3.17 million**, up **$319,870** year on year.

Key drivers included:

- **Property, Plant & Equipment:** ↑ $199,083
- **Cash Reserves:** ↑ $118,470
- **Non-current Assets:** ↑ through targeted capital investment

Capital expenditure during the year focused on **pokie machines, equipment upgrades, and infrastructure refresh**, supporting future revenue sustainability.

Liquidity & Cash Flow

- **Closing Cash Balance:** $671,362 (FY2025: $552,892)
- **Net Cash from Operations:** $75,350
- **Net Increase in Cash:** $118,470

While operating cash inflow reduced compared to FY2025, this was largely due to **timing differences in employee benefit liabilities and working capital movements**, rather than operational weakness.

Importantly, the Club maintained **positive operating cash flow** while simultaneously investing in assets and servicing debt.

Liabilities & Capital Structure

Total liabilities increased to **$1.42 million**, primarily due to:

- New and expanded **long-term borrowings**
- Reclassification of employee benefit obligations
- Structured lease arrangements

Despite higher gross liabilities, **net assets rose to $1.75 million**, fully supported by retained earnings and tangible asset growth. Debt levels remain manageable and aligned with asset-backed investment.

Strategic Insights & Outlook

Strategic Strengths in FY2026

- Strong rebound in profitability
- Improved liquidity position
- Diversified revenue base
- Growing asset value and equity
- Clear alignment between operating performance and financial outcomes

Key Risk Considerations

- Rising finance costs in a higher interest rate environment
- Ongoing wage and utilities pressure
- Dependence on gaming revenue requiring continued compliance vigilance

Outlook for FY2027

The Club enters FY2027 in a **financially strong position**, with cash reserves, updated assets, and operational momentum. Planned capital commitments, including further gaming machine investment, are affordable within current funding capacity.

Continued focus on **cost discipline, member engagement, and revenue diversification** will be critical to sustaining profitability while managing regulatory and economic headwinds.

CEO Commentary

The Board and Management team developed a Strategic Plan earlier this year.

Our Strategic Plan sets a clear path to rebuild Macksville Ex-Services Club as a strong, sustainable and proudly local institution at the heart of our community. It recognises that while the Club has faced challenges in recent years, it has now stabilised and is ready to move from recovery to renewal focusing on restoring financial strength, rebuilding community trust and improving the overall member experience. Guided by our vision to become the central gathering place of the Nambucca Valley and our strategy, “Where the Valley Comes Together,” the plan prioritises reconnecting with members, investing in our people and facilities, and making disciplined, long-term decisions that support growth. Above all, it reaffirms our purpose to be the social heart of the community, honour those who have served and ensure the Club remains a vibrant, welcoming and sustainable asset for current and future generations.

As members you are required to always have your membership card with you when you enter the Club. By having your membership card with you it enables you to scan your membership card when purchasing food and beverages at the Bar, Valley Bistro and Cafe and while playing the Poker Machines to earn points that can be redeemed for purchases at the Bar, Valley Bistro and Cafe.

Swiping your card also gives you access to member discounts. All promotions are member based, and your membership card is your key to entry into these promotions.

Your Club is a member of the Club Safe program. If you feel you need assistance or further information regarding problem gambling, then your Club can assist you.

In closing I’d like to thank President Docca the Board of Directors Ken W, Neville, Ian, Trevor, Nathan, Ken S my Management Team Kylee Operations Manager, Lyndel Administration Manager, Kade Bar Manager and Todd Head Chef, our Supervisors, Administration team (including Marketing, Member Engagement, Functions), Bar, Catering and Facilities staff for their support during the year and of course the support of you our members that make this Club the great Club that it is.

Paul Clarke Dip.Hos, ACCM
CEO

MACKSVILLE
EX-SERVICES CLUB
WHERE THE VALLEY
COMES TOGETHER