CESSNOCK
HOSPITALITY GROUP

CESSNOCK HOSPITALITY GROUP

ABN 25 001 559 548

2021 ANNUAL REPORT

NOTICE OF ANNUAL GENERAL MEETING

ACN 001 559 548

NOTICE is hereby given that the Annual General Meeting of **CESSNOCK HOSPITALITY GROUP LTD.** is to be held on **Sunday, 14 November 2021** commencing at **10:30am** at the premises of the registered office of the Club at Darwin Street, Cessnock in the State of New South Wales.

COVID-19 NOTICE

If due to COVID-19 Health Regulations, a face to face AGM cannot be held, a virtual AGM will be held on online via Zoom. Members who wish to participate in this virtual AGM are required to email Paul Cousins (CEO) on pcousins@CessnockHG.com.au to obtain the Zoom login details.

AGENDA

1. Apologies.
2. To confirm and adopt the Minutes of the Annual General Meeting of the Club.
3. To receive and consider the Directors' report, financial report and auditors' report on the financial report for the last financial year, and any other reports of the Board or of individual officers of the Club. Copies of these reports are available on request at the Club and on the Club's website.

   Note: Members who may have questions in relation to any report are requested to submit their questions in writing to the Club Manager **by 12pm on Friday, 12 November 2021**. This will allow sufficient time for information to be gathered or research undertaken. If questions are not submitted in this manner, the Club may not be able to provide a complete answer at the Annual General Meeting.
4. To consider the Ordinary Resolution set out below.
5. To deal with any business of which due notice has been given.
6. General Business.

PROCEDURAL MATTERS FOR RESOLUTIONS

1. The Resolutions should be read in conjunction with the Notes to Members that follow each resolution.
2. To be passed, the Ordinary Resolution must receive votes in its favour from a majority (50%+1) of those members who being eligible to do so vote in person on the Ordinary Resolution at the meeting.
3. To be passed, a Special Resolution must receive votes in its favour from three quarters (75%) of those members who, being eligible to do so, vote in person on the Special Resolution at the meeting.
4. The Registered Clubs Act provides that members who are employees of the Club are not entitled to vote and proxy voting is prohibited.
5. The Board recommends the Resolutions to members.

ORDINARY RESOLUTION

(a) That the members hereby approve expenditure by the Club until the next Annual General Meeting of the Club for the following:

   (i) The President and Treasurer receive a **$3,000 honorarium** and the Vice Presidents and Directors receive a **$2,500 honorarium** for services rendered since the date of the Club's previous Annual General Meeting.

   (ii) The reasonable costs of Directors attending seminars, lectures and other educational activities as determined by the Board from time to time.

   (iii) The reasonable costs (including travel, accommodation, meals and beverage expenses) of Directors (and their spouses/partners if required) attending meetings, conferences and trade shows conducted by ClubsNSW, the Club Managers Association, the Leagues Clubs Association and such other conferences and trade shows as determined by the Board from time to time. Also, that each Director attending these meetings, conferences and trade shows be provided with an allowance of $100 per night to cover any additional out of pocket expenses.

   (iv) The reasonable cost of Directors (and their spouses/partners if required) attending any other registered club for the purpose of viewing and assessing its facilities as determined by the Board as being necessary for the benefit of the Club.

   (v) The reasonable cost of Directors (and their spouses/partners if required) attending any club, community or charity function as the representatives of the Club and authorised by the Board to do so.

(vi) The reimbursement of reasonable out of pocket expenses incurred by Directors travelling to and from Board meetings or other duly constituted meetings of any committee of the Board.

(vii) The reasonable cost of meals for each Director in respect of a Board or committee meeting on the day of that meeting, when such meeting coincides with a normal meal time.

(viii) The reasonable expenses incurred by Directors either within the Club or elsewhere in relation to such other duties including entertainment of special guests of the Club and other promotional activities approved by the Board on production of documentary evidence of such expenditure.

(ix) The reasonable cost of Club apparel being provided to Directors as required.

(x) The reasonable cost of an annual Christmas Dinner, including meals and beverage expenses, for Directors and their Partners.

(xi) Access to a credit card for the use of the President in respect of his duties as President of the Club.

(xii) The reasonable cost of an electronic device (iPad) being made available to Directors in respect of their duties as Directors of the Club.

(b) The members acknowledge that the benefits in paragraph (a) are not available for members generally but are only for those who are Directors of the Club (and their spouses/partners in the circumstances set out in (ii), (iii) and (iv) above).

Notes to Members on Ordinary Resolution

1. The Ordinary Resolution is to have the members in general meeting approve expenditure by the Club for Directors to attend seminars, lectures, trade displays and other similar events to be kept abreast of current trends and developments which may have a significant bearing on the Club and for other out of pocket expenses.

2. Included in the Ordinary Resolution is the reasonable cost of:

   (a) Directors attending functions as representatives of the Club and, if required, the costs of their spouses/partners also attending those functions;

   (b) an electronic device (iPad) being made available to Directors in respect of their duties as Directors;

By direction of the Board,
Paul Cousins | Chief Executive Officer
Friday, 22 October 2021

ANNUAL GENERAL MEETING

Minutes of the Annual General Meeting of Cessnock Hospitality Group Limited held at the registered office at 1 Darwin Street, Cessnock

DATE:	10:30am on Sunday, 1 November 2020
PRESENT:	28 Members (as per Members Attendance Register)
IN ATTENDANCE:	Paul Cousins (CEO), Ben McEwan (McEwan Partners) & John Harwood (Operations Manager)

A minute silence was observed to respect those Members who have passed away over the past year.

1. Apologies
Nil.

2. Confirm and adopt the Minutes of the Annual General Meeting of the Company held on 19 November 2019
RESOLVED that the minutes presented be accepted as a true and accurate copy.
CARRIED

3. Receive and consider the Board Reports.
President's Report: Bruce Wilson OAM (President) spoke briefly to his report.
Treasurer's Report: Graham Barry (Treasurer) spoke briefly to his report.
RESOLVED to accept the Board Reports presented to the Members.
CARRIED

4. Receive and consider the Balance Sheet, Profit and Loss Account and the Auditor's Report for the year ended 30 June 2020.
Ben McEwan (McEwan Partners) addressed the meeting outlining the Company's Financial Performance for the financial year.
RESOLVED to accept the Financial Reports presented to the Members.
CARRIED

5. Receive and consider Management's Reports.
CEO's Report: Paul Cousins (CEO) spoke in detail to his report.
Community Support Report: Paul Cousins (CEO) spoke briefly to this report.
RESOLVED to accept the Board Reports presented to the Members.
CARRIED

6. Consider and, if thought fit, pass the Ordinary Resolution set out in the AGM Notice.
RESOLVED that the Ordinary Resolution detailing Director benefits, honorarium and expenditure limits pursuant to the requirements of the Registered Club Act be approved.
CARRIED

7. Results of the 2020 Election of the Board
Peter Torenbeek presented the Returning Officer's Report to the meeting and announced the results of the 2020 Election (see below).

PRESIDENT	VICE PRESIDENT
Bruce Wilson OAM (Elected unopposed)	**Scott Edwards (Elected unopposed)** **John Marjoribanks (Elected unopposed)**

TREASURER

Graham Barry (Elected unopposed)

DIRECTOR

Karen Nickerson (94 votes – Elected)
Ross Murray (93 votes – Elected)
Gordon Gorton (91 votes – Elected)
Sandy Buchanan (88 votes – Elected)
Geoffrey Walker (80 votes – Elected)
Anthony Burke (34 votes)
Informal (25 votes

Resolved that the ballot papers for the 2020 Election be destroyed.
CARRIED

8. Deal with any business of which due notice has been given.

RESOLVED that the Board and Management consider posting notices in The Advertiser newspaper for future AGM's and Elections.

9. General Business

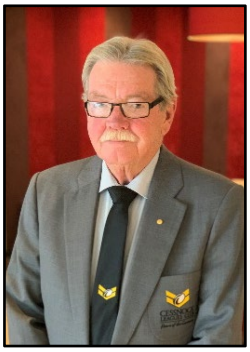
An assurance was sort by a Member that the introduction of the Cessnock Hospitality Group 'brand' will not result in the Club's heritage being discarded.

MEETING CLOSED: 11:15am

I confirm that these minutes are a true and accurate copy

Bruce Wilson | President

2021 President's Report



Resilience and confidence by all concerned sum up the Cessnock Hospitality Group's year in review.

The 2020/21 financial year enjoyed a full year of uninterrupted trading with COVID-19 lockdowns and restrictions being avoided. This resulted in record trading results for all the Group's businesses including, Cessnock Leagues Club, Vincent Street Kitchen + Bar, Paxton Bowling Club and the Wine Country Motor Inn.

Additional surpluses generated by these record trading results were carefully control by our CEO Paul Cousins, his staff and Treasurer Graham Barry so that cash reserves can built up to reduce the cash flow impact of possible COVID-19 lockdowns in the future.

The Group finished the financial year with a healthy profit of $2.9 million and being able to meet its community support targets totalling $184,795.

Other good news was to do with our food service with restaurant Entice taking out the Hunter Region Perfect Plate competition with Vincent Street Kitchen + Bar runner-up; a magnificent result considering the strong opposition from numerous other clubs.

Again, due to careful budgeting and capital expenditure control improvements were made to the Gaming Lounge at the Vincent Street Kitchen + Bar. Further improvements are planned for Cessnock Leagues Club and the Motel early next financial year.

I strongly believe that any organisation's strength rests with its staff and we have been fortunate to have a dedicated team through all areas of the business. Our success reflects the efforts of our CEO Paul Cousins and the Board of Directors

I would also like to thank my fellow directors for their contributions and support for the continuing growth and success and all the staff who provide this excellent service.

Bruce Wilson OAM | President

2021 Treasurer's Report

A bumper year for the Group.

Total revenue (that is, money spent by members and visitors) amounted to $16,316,113. This is $4,098,318 more than the last full financial year of 2018-2019. Percentage wise, it is an increase of nearly 34%.

There was a profit of $2,947,619 after tax of $241,301. This profit also includes a sum of $690,000 from the Federal Government's Jobkeeper program. Excluding the Jobkeeper money, for every dollar spent in the Group's venues, we kept 14 cents.

Naturally, the Group's main venue was the largest contributor to the profit. It provided over $13 million of the revenue, Vincent Street nearly $2 million and Paxton $500,000.

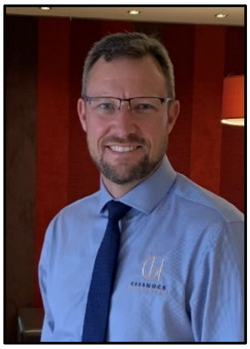
The main venue had a profit of $3,792,920 with Vincent Street losing $555,000 and Paxton $49,000.

At the 1st of July 2021, the group had assets of $26 million and liabilities of $6 million and $3,364,630 in cash at the bank.

My thanks to all involved in the running of the Group. To the directors and staff congratulations on a successful year. Special praise for our CEO, Paul Cousins, whose managerial skills guides the way for an exceptionally strong business.

Graham Barry | Treasurer

2021 CEO's Report



It is a pleasure to present my twelfth report as CEO for the Cessnock Hospitality Group Ltd. (the Group).

This time last year it was impossible to predict the year that lay ahead. At the beginning of this financial year, the Group was still in the early stages of recovering from the 2020 Lockdown with many of our services and offerings still not yet back to full capacity. There was a high level of uncertainty surrounding if the Group would ever return to pre-lockdown trading levels and profitability.

This uncertainty quickly eased as strong regional tourism, Government support payments, and the introduction of Dine & Discover vouchers resulted in record revenues ($16.3m) and profitability ($2.9m) being posted by the Group. These financial performances have not only helped our economic recovery, but it has also allowed the Group to build its cash reserves ($3.4m) to provide additional financial security against any potential lockdowns in the future.

Vincent Street profitability continues to be a concern for the Group. Although strong food and beverage revenues were generated throughout the year, gaming revenues continue to remain well below expectations. During the year the Group commissioned an independent report to review Vincent Street's entire business model and operations. The review identified that compared to other venues in the local market, Vincent Street's gaming offer (gaming product and environment) ranked poorly which was likely contributing to the disappointing results. As a result, in June/July 2021 the Group invested in its gaming offer at Vincent Street and early indications are that gaming revenues will continue to improve over the coming year.

Beyond the financial achievements for the year, the Group also received some well-deserved industry recognition. The new ClubsNSW Perfect Plate competition kicked off in early 2021 with around 160 Clubs from across NSW competing. Our Team did exceptionally well with Cessnock Leagues Club winning First Place in the Newcastle/Hunter region with its Confit Pork dish. To make things even better, Vincent Street Kitchen + Bar took our Second Place with their Beef Cheek dish. A huge congratulations to Ashleigh Hedges and Jonathan Heath and the entire Team on their success. Also, a big thanks to all those Members who took the time to vote for these amazing dishes, we truly appreciate the support.

The Group's strong financial results meant that our Community Support Programs could be increased to further support the local community. Over the 2021/22 financial year, the Cessnock Hospitality Group provided $184,795 in financial and in-kind support to 44 local charities, community groups and sporting organisations. Over the past 5 years the Group has provided $754,700 in financial and in-kind support to the local Cessnock community. This is an amazing achievement and highlights how the community benefits through the Group's success as a community owned asset.

As I write this report the Group has just reopened from its second lockdown in as many years. The Group was extremely well prepared this lockdown and has been able to capitalise on the closure to make some facility improvements to both our Leagues Club and Motel facilities. The improvements at the Leagues Club will see the full completion of the current masterplan for the venue. Over the coming year, the Board and Management will work towards a new masterplan to ensure that the Leagues Club's facilities meet the existing and future demand of our 13,000+ Members.

As the Group continues to grow, it is important to recognise the dedication and commitment the Board has demonstrated in working towards the Group's strategic plan. I thank the Board for their ongoing support and confidence in not only myself, but the entire Management Team. Without this support, the Group would not be able to progress in a such a positive and cohesive manner. Specifically, I would like to recognise and thank Bruce Wilson OAM (President) and Graham Barry (Treasurer) for their leadership and guidance.

In addition, I wish to acknowledge the hard work and professionalism demonstrated by our entire Team. Their customer service standards over the past year have been nothing short of amazing and trigger regular positive feedback from Members throughout the year.

Finally, everything that has been achieved this year could not be possible without the ongoing support and patronage from our 13,000+ Members. Not only have our valuable Members continued to support the Group through regular visitation and spending in our venues, but Members have also been so understanding of all the new COVID-19 Health Orders. This support and understanding has been critical to the Group being able to have such a successful year, so thank you.

Paul Cousins | Chief Executive Officer

2021 Community Support Report

Cessnock Hospitality Group prides itself on the valuable support it provides the Cessnock community. For the 2020/21 financial year, Cessnock Hospitality Group provided $184,795 in direct support (financial & in-kind) to 44 local Charities, Community Organisations, Schools & Sporting Groups.

Further information on Cessnock Hospitality Group's Community Support programs, visit our website at www.CessnockHG.com.au/community-support/.

ClubGRANTS Program	
Autism Spectrum Australia	$6,070
Camp Quality	$2,370
Careflight Australia	$5,250
Carries Place	$5,000
CHC FM Community Radio	$5,000
Cessnock City Library	$4,923
Cessnock Community Leo Club	$250
Cessnock Family Support Service	$6,365
Cessnock RSL Sub-Branch	$6,400
Life Education	$10,800
LifeLine	$5,000
OzHarvest	$5,000
Prostate Survival Alliance	$1,000
Road Safety Education	$5,000
St John Ambulance	$2,544
We Help Ourselves	$5,000
Westpac Rescue Helicopter	$4,000
Youth Off The Streets	$5,000
International Women's Day Dinner	$5,000
Children's Medical Research	$5,000
CCC Mayoral Awards	$2,500
Cancer Council (Relay for Life)	$4,545

$184,795

Donated to 44 Local Charities, Community Organisations, Schools & Sporting Groups

Cessnock Schools Education Fund	
Cessnock West Public School	$500
St Patrick's Primary School	$500
All Saints College	$500
St Phillips Christian College	$500
Cessnock High School	$500

Rural Fire Service Fund	
Greta Rural Fire Service	$2,000

Sports & Community Groups Fund	
Cessnock Lions Club	$500
Probus Bowls Day	$50
Rescue Squad	$100
Cessnock RSL Sub-Branch	$957
Mindaribba Aboriginal Land Council	$2,000
Kearsley Community Dawn Service	$900
Rotary Club of Cessnock	$2,000
Branxton Swim Club	$2,000
St John Ambulance	$2,000
Cessnock Minor League (Headgear)	$1,771

Sporting Club Sponsorships	
Cessnock Goannas Football Club	$35,000
Cessnock Minor Rugby League Club	$10,000
Cessnock Hornets Football Club	$10,000
Cessnock Netball Association	$5,000
Cessnock Hockey Association	$5,000
Cessnock Supporters Cricket Club	$1,000

Cessnock Hospitality Group Limited
ABN 25 001 559 548

Financial Report

30 June 2021

Cessnock Hospitality Group Limited
Financial Report – 30 June 2021

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Directors' Report

Your directors present their report on Cessnock Hospitality Group Limited for the year ended 30 June 2021.

Directors
The following persons were directors of Cessnock Hospitality Group Limited during the financial year and up to the date of this report:

B Wilson OAM
J Marjoribanks
S Edwards
G Barry
S Buchanan
R Murray
G Gorton
K Nickerson
G Walker

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities
The Company's principal continuing activities during the year consisted of operating as a registered club and providing amenities to members and their guests, operating a Motel providing accommodation facilities to members, their guests and the wider community.

The entity's short-term objectives are to:

- Exceed members and guests needs and expectations on the provision of facilities, products and services.
- Support a safe and friendly environment for staff and customers that encourages the principles of the Responsible Service of Alcohol and the Responsible Conduct of Gaming.

The entity's long-term objectives are to:

- Provide the community a continual level of high quality services and facilities in a safe and friendly environment.
- Generate profits that will be reinvested into improved services and facilities for members and community support.

To achieve these objectives, the entity has adopted the following strategies:

- The board of directors, management and staff together are committed to achieving the best practice principles which are measurable by the continual support of community partnerships whilst exceeding financial benchmarks.
- Meeting and surpassing our strategic goals is achieved through constant review and evaluation of business practices using the opinions of members and their guests, staff and professional alliances.

No significant changes in the nature of the Company's activities occurred during the year.

Review of operations

	2021	2020
	$	$
Net profit/(loss)	**2,947,619**	44,134

Directors' Report
(continued)

Information on Directors

Director	*Experience*	*Special Responsibilities*	*Expertise*
B Wilson OAM	Director for 13 years	President	Retired Newspaper Manager
J Marjoribanks	Director for 23 years	Vice President	Retired Mine Worker
S Edwards	Director for 13 years	Vice President	Mining Technician
G Barry	Director for 14 years	Treasurer	Retired School Teacher
S Buchanan	Director for 11 years	Director	Retired Corrective Services Officer
R Murray	Director for 9 years	Director	Workshop Supervisor
G Gorton	Director for 18 years	Director	Patient Advocate/Youth Conference Convenor
K Nickerson	Director for 5 years	Director	Aged Care Service Employee
G Walker	Director for 3 years	Director	Retired Bank Manager

Meetings of Directors
The number of meetings of the Company's directors held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Normal meetings		**Special meetings**	
	Number eligible to attend	**Number attended**	**Number eligible to attend**	**Number attended**
B Wilson OAM	12	9	4	3
J Marjoribanks	12	11	4	4
S Edwards	12	7	4	4
G Barry	12	11	4	3
S Buchanan	12	12	4	4
R Murray	12	10	4	3
G Gorton	12	11	4	4
K Nickerson	12	9	4	3
G Walker	12	12	4	4

Members' Guarantee
The entity is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the entity is wound up, the constitution states that each member is required to contribute a maximum of $20 each towards meeting any outstanding obligations of the entity. At 30 June 2021, the total amount that members of the Company are liable to contribute if the Company is wound up is $266,700 (2020: $247,880).

Auditor's Independence Declaration
The lead auditor's independence declaration for the year ended 30 June 2021 has been received and included on page 26.

This report is made in accordance with a resolution of the Board of Directors.

B. Wilson

B Wilson OAM
President

G. Barry

G Barry
Treasurer

Cessnock
21 October 2021

Group Property Declarations

Pursuant to Section 41J(2) of the Registered Clubs Act the Directors declare that, for the financial year ended 30 June 2021, the classifications of the property held are as follows.

Core Property:

Property Address	Current Usage
1 Darwin Street, Cessnock NSW 2325	Clubhouse and licenced premises for Cessnock Leagues Club
1A Darwin Street, Cessnock NSW 2325	Members' and guests' car park
3-7 Darwin Street, Cessnock NSW 2325	Motel
Lot 11 in Section M of Deposited Plan 9252, Cessnock NSW 2325	Motel car park
Lot 1 in Deposited Pan 834726, Paxton 2325	Clubhouse, Bowling Green & Surrounding Land For Paxton Bowling Club

Non-core Property:

Property Address	Current Usage
Lot 9 and 10 in Section M of Deposited Plan 9252, Cessnock NSW 2325	Landscaped area behind Motel
181 Wollombi Road, Cessnock NSW 2325	Commercial Property
183 Wollombi Road, Cessnock NSW 2325	Commercial Property
185 Wollombi Road, Cessnock NSW 2325	Commercial Property
187 Wollombi Road, Cessnock NSW 2325	Commercial Property
189 Wollombi Road, Cessnock NSW 2325	Commercial Property
Lot 47 in Deposited Plan 12136, Paxton 2325	Vacant Land
Lot 64 in Deposited Plan 12136, Paxton 2325	Vacant Land
Lot 1 in Deposited Plan 834726, Paxton 2325	Tennis Courts & Surrounding Land

Notes to Members

1. Section 41J(2) of the Registered Clubs Act requires the annual report to specify the core property and non-core property of the Group as at the end of the financial year to which the report relates.
2. Core property is any real property owned or occupied by the Group that comprises:
   a) The defined premises of the Group; or
   b) Any facility provided by the Group for use of its members and their guests; or
   c) Any other property declared by a resolution passed by a majority of the members present at a general meeting of ordinary members of the Group to be core property of the Group.
3. Non-core property is any other property other than that referred to above as core property and any property which is declared by the members at a general meeting of ordinary members of the Group not to be core property.
4. The significance of the distinction between core property and non-core property is that the Group cannot dispose of any core property unless:
   a) The property has been valued by a registered valuer within the meeting of the Valuers Act 2003; and
   b) The disposal has been approved at a general meeting of the ordinary members of the Group at which the majority of the votes cast support the approval; and
   c) Any sale is by way of public auction or open tender conducted by an independent real estate agent or auctioneer.
5. These disposal provisions and what constitutes a disposal for the purposes of section 41J are to some extent modified by regulations made under the Registered Clubs Act and by Section 41J itself. For example, the requirements in paragraph 4 above do not apply to;
   a) Core property that is being leased or licensed for a period not exceeding 10 years on terms that have been the subject of a valuation by a registered valuer;
   b) Core property that is leased or licensed to a telecommunications provider for the purposes of a telecommunication tower.

Income Statement

For the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue from continuing operations	3	**16,316,113**	11,432,178
Expenses from continuing operations			
Cost of goods sold	4	**1,909,121**	1,418,809
Employee benefits expense		**4,264,465**	4,052,631
Depreciation and amortisation expenses	4	**1,655,730**	1,678,264
Borrowing cost expense	4	**180,207**	228,889
Other expenses from continuing operations		**5,117,670**	4,057,422
		13,127,193	11,436,015
Profit/(loss) from continuing operations before income tax expense		**3,188,920**	(3,837)
Income tax expense/(revenue)	5	**241,301**	(47,971)
Net profit/(loss)		**2,947,619**	44,134
Total changes in equity		**2,947,619**	44,134

The above income statement should be read in conjunction with the accompanying notes.

Balance Sheet

As at 30 June 2021

	Notes	**2021 $**	2020 $
Current assets			
Cash and cash equivalents	6,22	**3,364,630**	829,124
Receivables	7,22	**289,295**	415,049
Inventories	8	**122,893**	108,605
Other	9	**59,152**	32,488
Total current assets		**3,835,970**	1,385,266
Non-current assets			
Property, plant and equipment	10	**21,377,905**	21,942,652
Deferred tax assets	11	**500,647**	675,358
Intangibles	12	**436,639**	436,639
Total non-current assets		**22,315,191**	23,054,649
Total assets		**26,151,161**	24,439,915
Current liabilities			
Payables	13,22	**1,259,809**	1,319,290
Interest bearing liabilities	14,22	**1,203,541**	932,137
Provisions	15	**354,458**	268,913
Other	16	**127,882**	81,375
Total current liabilities		**2,945,690**	2,601,715
Non-current liabilities			
Interest bearing liabilities	17,22	**2,707,357**	4,364,533
Provisions	18	**78,822**	77,480
Deferred tax liabilities	19	**164,734**	98,144
Other	20	**19,857**	10,961
Total non-current liabilities		**2,970,770**	4,551,118
Total liabilities		**5,916,460**	7,152,833
Net assets		**20,234,701**	17,287,082
Equity			
Retained profits	21	**20,234,701**	17,287,082
Total equity		**20,234,701**	17,287,082

The above balance sheet should be read in conjunction with the accompanying notes.

Cash Flow Statement

For the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**18,058,077**	12,532,259
Payments to suppliers and employees (inclusive of goods and services tax)		**(12,804,266)**	(10,579,580)
		5,253,811	1,952,679
Interest received		**129**	117
Borrowing costs		**(162,652)**	(208,662)
Net cash inflow (outflow) from operating activities	25	**5,091,288**	1,744,134
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,120,010)**	(503,778)
Payments for investment loan – Clubs 4 Fun		**(50,000)**	(50,000)
Net cash inflow (outflow) from investing activities		**(1,170,010)**	(553,778)
Cash flows from financing activities			
Repayment of borrowings		**(1,250,000)**	(750,000)
Repayment of lease liabilities		**(135,772)**	(135,653)
Net cash inflow (outflow) from financing activities		**(1,385,772)**	(885,653)
Net increase (decrease) in cash held		**2,535,506**	304,703
Cash at the beginning of the financial year		**829,124**	524,421
Cash at the end of the financial year	6	**3,364,630**	829,124
Commitments for expenditure	24		

The above cash flow statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2021

	Notes	**2021** **$**	2020 $
Total equity at the beginning of the financial year	21	**17,287,082**	17,242,948
Total recognised income and expense for the year		**2,947,619**	44,134
Total equity at the end of the financial year	21	**20,234,701**	17,287,082

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

30 June 2021

Note 1. Summary of significant accounting policies

The financial statements are for Cessnock Hospitality Group Limited, incorporated and domiciled in Australia. Cessnock Hospitality Group Limited is a company limited by guarantee.

Basis of Preparation
Cessnock Hospitality Group Limited applies Australian Accounting Standards - Reduced Disclosure Requirements as set out in AASB 1053: *Application of Tiers of Australian Accounting Standards*.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board and the Corporations Act 2001. The Company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

Accounting Policies

(a) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss. Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(b) Inventories

Inventories held for sale are measured at the lower of cost and net realisable value. Inventories held for distribution are measured at cost adjusted, when applicable, for any loss of service potential.

Inventories acquired at no cost, or for nominal consideration, are valued at the current replacement cost as at the date of acquisition.

Notes to the Financial Statements

30 June 2021 (continued)

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Freehold Property

Freehold land and buildings are measured on the cost basis. The carrying amount of freehold land and buildings is reviewed to ensure it is not in excess of the recoverable amount based on valuations by external independent valuers, less subsequent depreciation for buildings.

In periods when the freehold land and buildings are not subject to an independent valuation, the directors conduct directors' valuations to ensure the carrying amount for the land and buildings is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Revaluation decreases that offset previous increases of the same class of assets shall be recognised in other comprehensive income under the heading of revaluation surplus. All other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Freehold land and buildings that have been contributed at no cost, or for nominal cost, are initially recognised and measured at the fair value of the asset at the date it is acquired.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of impairment).

Plant and equipment that have been contributed at no cost, or for nominal cost, are valued and recognised at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The expected useful lives are as follows:

Buildings	40 years
Plant and equipment	1-20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement in the period in which they arise. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to the entity, are classified as finance leases.

Finance leases are capitalised, recognising an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Note 1. Summary of significant accounting policies (continued)

(e) Financial Instruments

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are recognised immediately as expenses in profit or loss.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value (refer to Note 1(q)), amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company’s intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) Financial Liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Notes to the Financial Statements

30 June 2021 (continued)

Note 1. Summary of significant accounting policies (continued)

(e) Financial Instruments (continued)

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability, which is extinguished or transferred to another party, and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(f) Impairment of Assets

At the end of each reporting period, the entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(g) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue is recognised for the major business activities as follows:

(i) Poker Machines

Revenue is recognised as the net amount cleared from all machines.

(ii) Other

A sale is recorded when the goods or services have been provided to the customer.

All revenue is stated net of the amount of goods and services tax (GST).

Note 1. Summary of significant accounting policies (continued)

(h) Intangibles

Poker machine Entitlements

Entitlements are recognised at cost of acquisition. Entitlements have an infinite life. Entitlements are tested annually for impairment and carried at cost less accumulated impairment losses.

(i) Employee benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the balance sheet.

Other long-term employee benefits

The company classifies employees' long service leave and annual leave entitlements as other long-term employee benefits as they are not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Provision is made for the company's obligation for other long-term employee benefits, which are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss classified under employee benefits expense.

The company's obligations for long-term employee benefits are presented as non-current liabilities in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current liabilities.

Retirement benefit obligations

Defined contribution superannuation benefits

All employees of the company receive defined contribution superannuation entitlements, for which the company pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The company's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the company's balance sheet.

(j) Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(l) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the company during the reporting period that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income statement in the period in which they are incurred.

Note 1. Summary of significant accounting policies (continued)

(n) Goods and Service Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

(o) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(p) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key estimates

Impairment

The freehold land and buildings were independently valued on 24 April 2006 by Wise & Horton. The valuation was based on the fair value in accordance with *AASB 116: Property, Plant and Equipment*. The critical assumptions adopted in determining the valuation included the location of the land and buildings, the current strong demand for land and buildings in the area and recent sales data for similar properties.

At 30 June 2021, the directors have performed a directors' valuation on the freehold land and buildings. The directors have reviewed the key assumptions adopted by the valuers during the 2006 year and do not believe there has been a significant change in the assumptions at 30 June 2021. The directors therefore believe the carrying value of the land correctly reflects the fair market value at 30 June 2021.

(q) Fair Value of Assets and Liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or a non-recurring basis, depending on the requirements of the applicable Accounting Standard.

'Fair value' is the price the entity would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability). In the absence of such a market, market information is extracted from the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (if any) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Notes to the Financial Statements
30 June 2021 (continued)

Note 2. Segment information

The entity operates in 2 industries, being the Club and Motel industries. The entity operates predominantly in 1 geographical area, being Cessnock, New South Wales.

Note 3. Revenue

	2021 $	2020 $
Revenue from operations		
Sale of goods – Leagues	**3,026,001**	2,269,710
Services – Leagues	**8,863,290**	5,891,662
Sale of goods – Paxton	**272,489**	228,601
Services – Paxton	**225,269**	220,106
Sale of goods – Vincent Street	**1,318,615**	810,283
Services – Vincent Street	**463,055**	268,827
Services – Motel	**1,262,795**	891,512
	15,431,514	10,580,701
Other Revenue		
Cash Flow Boost	**50,000**	50,000
Gain on Amalgamation	**-**	72,182
Interest	**129**	117
JobKeeper Rebate	**696,000**	603,000
Rent – commercial properties	**138,470**	126,178
	884,599	851,477
Revenue from continuing operations	**16,316,113**	11,432,178

Note 4. Profit/(loss) from continuing operations

Net gains and expenses

Profit/(loss) from continuing operations before income tax expense includes the following specific net gains and expenses:

	2021 $	2020 $
Expenses		
Cost of sales of goods:		
Bar – Leagues	**610,231**	470,563
Catering – Leagues	**625,386**	455,103
Function Centre – Leagues	**59,804**	57,123
Bar – Paxton	**92,449**	84,432
Catering – Paxton	**33,084**	18,337
Bar – Vincent Street	**204,128**	124,375
Catering – Vincent Street	**279,403**	200,441
Motel	**4,636**	8,435
	1,909,121	1,418,809
Depreciation and amortisation expense:		
Buildings	**523,699**	528,137
Plant and equipment	**1,132,031**	1,150,227
Total depreciation and amortisation expense	**1,655,730**	1,678,364
Borrowing costs:		
Bank charges and interest – Motel	**15,667**	13,854
Bank charges and interest – Leagues	**93,361**	126,102
Bank charges and interest – Vincent Street	**54,249**	66,006
Interest – Investment Property	**16,930**	22,927
Interest and finance charges paid/payable	**180,207**	228,889

Notes to the Financial Statements

30 June 2021 (continued)

Note 4. Profit/(loss) from continuing operations (continued)

	2021 $	2020 $
Net (profit)/loss on disposal of property, plant and equipment	**29,027**	(6,474)
Lease and interest expense relating to operating leases	**25,178**	25,995
Employee entitlements	**282,404**	250,226

Note 5. Income tax

	2021 $	2020 $
(a) Income tax expense		
Current income tax (revenue) expense	**-**	-
Deferred income tax (revenue) expense	**241,301**	(47,971)
	241,301	(47,971)
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 12)	**174,711**	(87,411)
(Decrease) increase in deferred tax liabilities (note 20)	**66,590**	39,440
	241,301	(47,971)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Pre-tax profit	**3,188,920**	(3,837)
Tax at Australian tax rate of 26.00% (2020 – 27.5%)	**829,119**	(1,055)
Tax effect of amounts which are not deductible (assessable) in calculating taxable income:		
Non-Deductible Items	**492,986**	488,696
Other Assessable Income	**52,260**	-
Tax Depreciation and capital works	**(585,384)**	(577,041)
Non-Assessable Income	**-**	(75,125)
Other Deductible Expenses	**(26,365)**	(33,523)
Effect of Mutuality	**(607,022)**	109,249
Tax losses accumulated (used)	**(155,594)**	88,799
Total income tax expense (revenue)	**-**	-

Note 6. Current assets – Cash and cash equivalents

	2021 $	2020 $
Cash at bank and on hand	**3,364,630**	829,124
	3,364,630	829,124

The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:

	2021 $	2020 $
Balances as above	**3,364,630**	829,124
Less: Bank overdrafts	**-**	-
Balances per cash flow statement	**3,364,630**	829,124

Notes to the Financial Statements
30 June 2021 (continued)

Note 7. Current assets – Receivables

	2021 $	2020 $
Trade debtors	**92,008**	264,376
Other debtors	**47,287**	50,673
Investment Loan - Clubs4Fun	**150,000**	100,000
	289,295	415,049

Note 8. Current assets – Inventories

	2021 $	2020 $
Retail stock – at cost	**122,893**	108,605

Note 9. Current assets – Other

	2021 $	2020 $
Prepayments	**59,152**	32,488

Note 10. Non-current assets – Property, plant and equipment

	2021 $	2020 $
Land and buildings		
Freehold land at cost	**3,560,338**	3,560,338
Buildings at cost	**21,106,800**	21,177,814
Less: Accumulated depreciation	**(7,124,315)**	(6,672,008)
	13,982,485	14,505,806
Total land and buildings	**17,542,823**	18,066,144
Plant and equipment		
At cost	**12,238,188**	12,282,304
Less: Accumulated depreciation	**(8,403,106)**	(8,405,796)
Total plant and equipment	**3,835,082**	3,876,508
Total Property, plant and equipment	**21,377,905**	21,942,652

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are as set out below:

	Freehold land $	Buildings $	Plant and equipment $	Total $
Carrying amount at 1 July 2020	3,560,338	14,505,806	3,876,508	21,942,652
Additions	-	102,282	1,183,505	1,285,787
Disposals	-	(101,904)	(92,900)	(194,804)
Depreciation expense	-	(523,699)	(1,132,031)	(1,655,730)
Carrying amount at 30 June 2021	3,560,338	13,982,485	3,835,082	21,377,905

Notes to the Financial Statements

30 June 2021 (continued)

Note 11. Non-current assets – Deferred tax assets

	2021 $	2020 $
The balance comprises temporary differences attributable to:		
Employee benefits	**23,501**	14,379
Payables	**13,431**	5,940
Tax losses	**463,715**	655,039
Net deferred tax asset	**500,647**	675,358
Less: deferred tax assets at 30 June 2020	**675,358**	587,947
Decrease (increase) in deferred tax included in income tax expense (note 5)	**174,711**	(87,411)

Note 12. Non-current assets – Intangibles

	2021 $	2020 $
Poker machine entitlements	**436,639**	436,639

Note 13. Current liabilities – Payables

	2021 $	2020 $
Trade creditors and payables	**433,860**	283,433
Net BAS liability	**250,029**	390,770
Accrued expenses	**244,801**	164,726
Poker Machine duty payable	**152,671**	480,361
Other creditors	**178,448**	-
	1,259,809	1,319,290

Note 14. Current liabilities – Interest bearing liabilities

	2021 $	2020 $
Secured		
Bank bills	**1,000,000**	750,000
Lease liabilities	**203,541**	182,137
	1,203,541	932,137

Note 15. Current liabilities – Provisions

	2021 $	2020 $
Bonus points	**128,125**	107,206
Employee entitlements	**226,333**	161,707
	354,458	268,913

Note 16. Current Liabilities – Other

	2021 $	2020 $
Income in advance	**127,882**	81,375

Note 17. Non-current liabilities – Interest bearing liabilities

	2021 $	2020 $
Secured		
Bank bills	**2,707,357**	4,207,357
Lease liabilities	**-**	157,176
	2,707,357	4,364,533
Secured liabilities		
Total secured liabilities (current and non-current) are:		
Bank bills	**3,707,357**	4,957,357
Lease liabilities	**203,541**	339,313
	3,910,898	5,296,670

The bank bills are secured by a registered first and second equitable mortgage and floating charge over all assets and undertakings of the entity. Lease liabilities are secured against the assets under lease.

Assets pledged as security

The carrying amounts of non-current assets pledged as security are:

	2021 $	2020 $
First mortgage		
Freehold land and buildings (note 11)	**17,542,823**	18,066,144
Floating charge		
Plant and equipment (note 11)	**3,835,082**	3,876,508
Total property, plant and equipment pledged as security	**21,377,905**	21,942,652
Poker machine entitlements (note 13)	**436,639**	436,639
Total non-current assets pledged as security	**21,814,544**	22,379,291
The following current assets are also pledged as security under the floating charge:		
Cash and cash equivalents (note 6)	**3,364,630**	829,124
Receivables (note 7)	**289,295**	415,049
Inventories (note 8)	**122,893**	108,605
Other current assets (note 10)	**59,152**	32,488
Total current assets pledged as security	**3,835,970**	1,385,266
Total assets pledged as security	**25,650,514**	23,764,557

Financing arrangements

	2021 $	2020 $
Unrestricted access was available at balance date to the following lines of credit:		
Bank bills facilities		
Total facilities	**5,184,672**	5,334,000
Less: Used at balance date	**(3,707,357)**	(4,957,357)
Unused at balance date	**1,477,315**	376,643

The bank bills weighted interest rate average is 1.71% (2020: 2.03%).

Note 18. Non-current liabilities – Provisions

	2021 $	2020 $
Employee entitlements	**78,822**	77,480

Note 19. Non-current liabilities – Deferred tax liabilities

	2021 **$**	2020 $
The balance comprises of temporary differences attributable to:		
Depreciation	**164,734**	75,662
Receivables	**-**	22,482
Net deferred tax liabilities	**164,734**	98,144
Less: deferred tax liabilities at 30 June 2020	**98,144**	58,704
Increase (decrease) in deferred tax liabilities included in income tax expense (note 5)	**66,590**	39,440

Note 20. Non-current Liabilities – Other

	2021 **$**	2020 **$**
Income in advance	**19,857**	10,961

Note 21. Reserves and retained profits

	2021 **$**	2020 $
Retained profits		
Retained profits at the beginning of the financial year	**17,287,082**	17,242,948
Net profit/(loss)	**2,947,619**	44,134
Retained profits at the end of the financial year	**20,234,701**	17,287,082

Note 22. Financial instruments

(a) Interest rate risk exposures

The entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the entity intends to hold fixed rate assets and liabilities to maturity.

2021			**Fixed interest maturing in:**				
	Notes	**Floating interest rate $**	**1 year or less $**	**Over 1 to 5 years $**	**More than 5 years $**	**Non-Interest Bearing $**	**Total $**
Financial assets							
Cash and deposits	6	**8,784**	**-**	**-**	**-**	**3,355,846**	**3,364,630**
Receivables	7	**-**	**-**	**-**	**-**	**289,295**	**289,295**
		8,784	**-**	**-**	**-**	**3,645,141**	**3,653,925**
Weighted average interest rate		**0.35%**					
Financial liabilities							
Trade and other creditors	13	**-**	**-**	**-**	**-**	**1,259,809**	**1,259,809**
Bank bills	14,17	**3,457,357**	**250,000**	**-**	**-**	**-**	**3,707,357**
Lease Liabilities	14,17	**-**	**203,541**	**-**	**-**	**-**	**203,541**
		3,457,357	**453,541**	**-**	**-**	**1,259,809**	**5,170,707**
Weighted average interest rate		**1.71%**	**3.43%**				
Net financial assets (liabilities)		**(3,448,573)**	**(453,541)**	**-**	**-**	**2,385,332**	**(1,516,782)**

Note 22. Financial instruments (continued)

2020	Notes	Floating interest rate $	Fixed interest maturing in: 1 year or less $	Over 1 to 5 years $	More than 5 years $	Non-Interest Bearing $	Total $
Financial assets							
Cash and deposits	6	488,839	-	-	-	340,285	829,124
Receivables	7	-	-	-	-	415,049	415,049
		488,839	-	-	-	755,334	1,244,173
Weighted average interest rate		0.01%					
Financial liabilities							
Trade and other creditors	13	-	-	-	-	1,319,290	1,319,290
Bank bills	14,17	4,332,357	375,000	250,000	-	-	4,957,357
Lease Liabilities	14,17	-	182,137	157,176	-	-	339,313
		4,332,357	557,137	407,176	-	1,319,290	6,615,960
Weighted average interest rate		1.77%	4.39%	4.49%			
Net financial assets (liabilities)		(3,843,518)	(557,137)	(407,176)	-	(563,956)	(5,371,787)

(b) Net fair value of financial assets and liabilities

On-balance sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the entity approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Note 23. Remuneration of directors

	2021 $	2020 $
Income paid or payable, or otherwise made available to directors in connection with the management of affairs of the Company	**6,300**	6,300

The number of directors whose total income from the Company was within the specified bands are as follows:

$		$	2021	2020
0	-	10,000	**9**	9

Notes to the Financial Statements

30 June 2021 (continued)

Note 24. Commitments for expenditure

	2021 $	2020 $
Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within 1 year	**26,690**	24,300
Later than 1 year but not later than 5 years	**49,810**	52,670
	76,500	76,970
Representing:		
Non-cancellable operating leases	**76,500**	76,970
Operating leases		
Commitments for minimum lease payment in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	**26,690**	24,300
Later than 1 year but not later than 5 years	**49,810**	52,670
Commitments not recognised in the financial report	**76,500**	76,970

Note 25. Reconciliation of profit/(loss) after income tax to net cash inflow (outflow) from operating activities

	2021 $	2020 $
Operating profit/(loss) after income tax	**2,947,619**	44,134
Depreciation and amortisation	**1,655,730**	1,678,364
Profit/(loss) on disposal of property, plant and equipment	**29,027**	(6,474)
Change in operating assets and liabilities:		
(Increase) decrease in trade debtors	**175,754**	11,864
(Increase) decrease in inventories	**(14,288)**	3,026
(Increase) decrease in prepayments	**(26,664)**	(2,385)
(Increase) decrease in deferred tax assets	**174,711**	(87,411)
Increase (decrease) in trade creditors	**(59,481)**	112,121
Increase (decrease) in other operating liabilities	**55,403**	(40,962)
Increase (decrease) in provisions	**86,887**	(7,583)
Increase (decrease) in deferred tax liabilities	**66,590**	39,440
Net cash inflow (outflow) from operating activities	**5,091,288**	1,744,134

Note 26. Amalgamation Details

On 3 September 2018, the Group completed amalgamation with Cessnock Ex-Services Club Limited under the terms of the deed of company arrangement. The primary reason for the amalgamation was to develop the Ex-Services Venue into a sustainable and financially viable hospitality operation. The Group has assumed the operations of the Ex-Services Club from the Amalgamation date.

Under the amalgamation, the Group had made a Fund Contribution of $350,00 and obtained title to Ex-Services' 67 Gaming Machine Entitlements. It is noted that during the 2020 year, the Group has been refunded $72,182 of that amount.

Note 27. Impact of COVID-19

Covid-19 and ensuing Government regulations have significantly influenced the Group's operations, both during the financial year and post year end. The Club was forced to close on 5 August 2021 due to a new COVID outbreak and remains closed as at the signing of this report. However, with the assistance of Government relief and favourable trading conditions during the 2021 financial year, together with a strong asset base, the directors maintain that it is appropriate to prepare the financial statements on a going concern basis. This assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The factors considered to assist in mitigating the identified risk, include but are not limited to:

- Substantial cash reserves due to strong trading during 2021.
- Cash flow forecasts which indicate that debts can be met when they fall due.
- The Group is eligible for and has enacted relevant Government relief, the most relevant being:
    - COVID Disaster payment which provides weekly assistance to individuals
    - NSW 2021 JobSaver payment which provides weekly assistance to the Group

  These payments greatly assist the Group and its staff to meet ongoing financial obligations during times of greatly reduced turnover, and indeed closure of the Group’s sites.
- Assistance from bankers in the form of access to funds and deferral of loan repayments to assist cashflow.
- The Group has previously demonstrated its ability to continue to operate through COVID-19 restrictions.
- The commencement and consistent progress of the nationwide vaccination program.
- The region has relatively low levels of infection and measures such as personal hygiene and social distancing have been extremely effective thus far.

Directors' Declaration

In accordance with a resolution of the directors of Cessnock Hospitality Group Limited (the Company), the directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 22, are in accordance with the Corporations Act 2001 and:
   (a) comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
   (b) give a true and fair view of the financial position of the Company as at 30 June 2021 and of its performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

B. Wilson

B Wilson OAM
President

G Barry

G Barry
Treasurer

Cessnock
21 October 2021

MCEWAN | and | PARTNERS
CHARTERED ACCOUNTANTS

Independent Audit Report to the Members

of Cessnock Hospitality Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of Cessnock Hospitality Group Limited (the Company) as set out pages 4 to 23, which comprises the balance sheet as at 30 June 2021, the income statement, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of Cessnock Hospitality Group Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Cessnock Hospitality Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – COVID-19

Without modifying my opinion, I draw attention to note 27 of the financial report, which describes the impact of the COVID-19 virus.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent Audit Report to the Members

of Cessnock Hospitality Group Limited (continued)

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BE McEwan CA
Registered Company Auditor
Newcastle
21 October 2021

McEwan and Partners Pty Limited
Chartered Accountants

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MCEWAN AND PARTNERS PTY LIMITED ABN 59 097 329 274

Auditor's Independence Declaration

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021 there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cessnock Hospitality Group Limited for the year ended 30 June 2021.

BE McEwan CA
Registered Company Auditor
Newcastle
21 October 2021

McEwan and Partners Pty Limited
Chartered Accountants

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Disclaimer of Opinion on Additional Financial Data of Cessnock Hospitality Group Limited

The additional financial data on page 28 is in accordance with the books and records of Cessnock Hospitality Group Limited which have been subjected to the auditing procedures applied in our statutory audit of the Company for the year ended 30 June 2021.

It will be appreciated that our statutory audit did not cover all details of the additional financial information. Accordingly, we do not express an opinion on such financial data and no warranty of accuracy or reliability is given.

In accordance with our firm policy, we advise that neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any person (other than the Company) in respect of such information, including any errors or omissions therein, arising through negligence or otherwise however caused.

BE McEwan CA
Registered Company Auditor
Newcastle
21 October 2021

McEwan and Partners Pty Limited
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Operating Statement

30 June 2021

	2021	2020
	$	$
Group Trading		
Bar trading	**422,059**	276,435
Gaming trading	**5,689,877**	3,434,893
Catering trading	**86,301**	(245)
Motel trading	**265,065**	18,769
Paxton BC trading	**(50,138)**	(45,794)
Bingo trading	**(14,819)**	(23,314)
Entertainment trading	**(78,994)**	(75,580)
Function Centre trading	**52,024**	57,568
Vincent Street trading	**(512,795)**	(937,899)
Raffle trading	**11,228**	3,579
Property Investments	**89,154**	76,371
Profit from Group Trading	**5,958,962**	2,784,783
Other Income		
ATM commission	**88,287**	68,394
Cash Flow Boost	**50,000**	50,000
Gain on Amalgamation	**-**	72,182
Interest received	**129**	117
JobKeeper Rebate	**696,000**	603,000
Members subscriptions	**45,511**	44,291
Rent – parts of Club	**22,175**	17,582
Sundry income	**15,354**	1,859
Vending commission	**2,896**	1,982
Total Other Income	**920,352**	859,407
	6,879,314	3,644,190
Expenses		
Operating expenses	**3,690,394**	3,648,027
Income tax expense/(revenue)	**241,301**	(47,971)
Total Expenses	**3,931,695**	3,600,056
Net trading profit	**2,947,619**	44,134

The above operating statement has not been subject to audit. Refer to the disclaimer of opinion on additional financial data on page 27.