

REEF CASINO TRUST
ARSN 093 156 293

APPENDIX 4E

Preliminary final report given to the ASX under listing rule 4.3A

This report is based on the attached accounts that have been audited and are not subject to any dispute or qualification.

Reporting period

Financial year ended 31 December 2021

Previous corresponding period

Financial year ended 31 December 2020

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from ordinary activities	Up 71.6% from \$15.663 mil	to	\$26,874,000
Profit/(Loss) from ordinary activities after income tax attributable to members	Up 3622.0% from -\$209K	to	\$7,361,000
Net profit/ (Loss) for the period attributable to members	Up 3622.0% from -\$209K	to	\$7,361,000

Distributable profit*	Up 203.0% from \$4.858 mil	to	\$14,722,000
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**Basis of preparation: Distributable profit is a non-IFRS measure that is determined in accordance with the Trust Constitution and used as the basis for determining distributions to unitholders. Distributable profit is determined as net profit for the half year, adding back distributions to unitholders which have been treated as finance costs in accordance with IFRS. The distributable profit has been audited by Grant Thornton Audit Pty Ltd. Refer to the auditor's report for the year ended 31 December 2021 on page 42 of the attached.*

2. DISTRIBUTIONS

For the 6 months ended 31 December 2021	17.29 cents per unit
Record date for determining entitlements to distribution	31 December 2021

3. NET TANGIBLE ASSETS PER UNIT (NTA backing)

	Current period	Previous corresponding period
Net tangible asset backing per unit (NTA backing) ¹	\$1.38	\$1.29

¹ Excludes Right-of-use assets.

4. EXPLANATIONS

Additional 4E disclosures and other significant information can be found in the attached financial report for the year ended 31 December 2021.

ANNUAL GENERAL MEETING

The annual general meeting will be held on 27 May 2022 at the Reef Hotel Casino, 35-41 Wharf Street, Cairns Qld 4870.

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REEF
CASINO TRUST
ARSN 093 156 293

Financial, Directors' and Auditor's Reports

December 2021

REEF CASINO TRUST

Chairman's review

Dear Unitholders,

On behalf of the Board of Directors of Reef Corporate Services Limited, Responsible Entity of the Reef Casino Trust (the Trust), I present my review of the Reef Casino Trust for the financial year ended 31 December 2021.

Key points

- **The Trust can report a strong full year result despite 2021 being the second year impacted by COVID-19.**
- **Unit distribution of 17.29 cents per unit declared for 2nd half, for a total 2021 distribution of 29.58 cents per unit.**
- **Healthy balance sheet.**
- **Management and staff of Reef Hotel Casino handled the challenges posed by COVID-19 well.**

Profits

	2021 \$mil	2020 \$mil	2019 \$mil	
Net profit/(loss)	7.361	(.209)	3.335	Trust delivered a strong result in 2021
Add back "finance costs"	7.361	4.587	3.336	Distributions classified as "finance costs"
Add back Impairment of property, plant and equipment	-	19.374	-	Reversed in 2 nd half 2020
Deduct reversal of impairment of property, plant and equipment	-	(18.894)	-	
Distributable profit*/(loss)	14.722	4.858	6.671	Total profit available for distribution

Unit distribution

	2021 cents	2020 cents	2019 cents
Period 1 July to 31 December	17.29	9.76	10.60
Period 1 January to 30 June	12.29	0.00	3.04
Total	29.58	9.76	13.64

January to June 2020 was the first time in the last 21 years that no distribution was declared for any 6-month period due to COVID-19.

Chairman's review (continued)

Key points (continued)

Earnings before interest, tax, depreciation and amortisation (EBITDA) and impairment

	2021 \$mil	2020 \$mil	2019 \$mil
Period 1 January to 31 December 2021	19.617	9.471	12.133

Trust balance sheet

The Trust's balance sheet remains healthy. The Trust's cash position continues to be positive and the Trust has adequate working capital.

Novel Coronavirus Pandemic (COVID-19)

COVID-19 impacts in 2021

The Reef Hotel Casino, located in Cairns stayed open throughout this period except for 3 days between 8 August and 10 August inclusive due to Queensland Government mandated COVID-19 lockdown. It operated under varying restrictions as imposed by the Queensland Government. The Reef Hotel Casino traded strongly throughout the year.

Local and domestic markets held up well. Since just before Easter, Cairns saw a return of interstate visitors in good numbers with some impact from the Melbourne, Sydney and Greater Brisbane lockdowns at various times during the year. In the last quarter, interstate visitors eased off due to imposition of and delayed lifting of Queensland border restrictions and then due to increased COVID-19 cases in Australia. International borders remained closed. The result partly reflects a degree of short-term trading variability in table gaming.

COVID-19 impacts in 2020

23 March 2020 to 2 July 2020 - Shut down of Reef Hotel Casino

The Reef Hotel Casino, specifically the casino and food and beverage outlets, were shut down as directed by the Queensland Government from 23 March 2020, with hotel rooms following soon after. This shut down period represented 55% of the first half year of 2020 during which time there was essentially no revenue at the Reef Hotel Casino complex.

The Federal Government's JobKeeper program meant that while most staff were stood down, there were no redundancies.

3 July 2020 - Reopening of the Reef Hotel Casino

The Reef Hotel Casino reopened for trading on 3 July 2020 and remained open and operational for the rest of 2020. The Reef Hotel Casino traded strongly during this period.

Chairman's review (continued)

Financial summary

Period 1 January to 31 December 2021

	2021 \$mil	2020 mil	2019 \$mil
REVENUE AND OTHER INCOME			
Rental revenue	26.760	15.553	18.898
Other revenue and interest income	.114	.110	.162
Total revenue and other income	26.874	15.663	19.060
EXPENSES			
Operating	7.353	6.382	7.174
Depreciation and amortisation	4.799	4.423	5.215
Total expenses	12.152	10.805	12.389
Distributable profit* before impairment of property, plant and equipment and finance ¹ costs attributable to unitholders	14.722	4.858	6.671
Finance costs ¹ attributable to unitholders	7.361	4.587	3.336
Impairment of property, plant and equipment	-	19.374	-
Reversal of impairment of property, plant and equipment	-	(18.894)	-
PROFIT/(LOSS) FOR THE PERIOD	7.361	(.209)	3.335
	Cents per unit	Cents per unit	Cents per unit
Earnings/(loss) per unit	29.56	(0.84)	13.40
Distribution per unit	29.58	9.76	13.64

¹ Under Australian Accounting Standards the first 50% of distributable profit is treated as "finance costs attributable to unitholders", with the remaining 50% treated as profit.

* Basis of preparation: Distributable profit is a non-IFRS measure that is determined in accordance with the Trust Constitution and used as the basis for determining distributions to unitholders. Distributable profit is determined as net profit for each half year, adding back distributions to unitholders which have been treated as finance costs in accordance with IFRS. The distributable profit has been audited by Grant Thornton Audit Pty Ltd. Refer to the auditor's report for the year ended 31 December 2021 on page 42.

Chairman's review (continued)

Revenue and other income

The Trust reported strong rental income for the financial year 2021 as the Reef Hotel Casino traded strongly.

Both the Trust and the Reef Hotel Casino received no Federal Government JobKeeper subsidy in the current reporting period. In 2020 the Federal Government's JobKeeper subsidy program accessed by the operator of the Reef Hotel Casino complex assisted the Trust's rental income by approximately \$3.2 million.

Total Trust revenue and other income for the year (comprising mainly of rental income from the Reef Hotel Casino) was \$26.874 million. 2020's trading result was heavily impacted by the enforced closure of the complex by the Queensland Government to manage the COVID-19 risk.

Expenses

Operating expenses were kept under tight control. In 2021, building repair and maintenance expenses were higher than 2020 and 2019 as part of an on-going program to properly maintain the complex. Insurance premiums were also higher in 2021.

Non-executive directors who received directors' fees agreed to take a 50 percent reduction in their fees for the period 1 April 2020 to 30 September 2020.

Distributable profit*, Unit distribution

2021

Trust distributable profit* was \$14.722 million for the year ended 31 December 2021.

A unit distribution for the 6 months from July to December 2021 (2nd half) of 17.29 cents per unit (2020: 9.76 cents; 2019: 10.60 cents) was declared. The record date was 31 December 2021 and payment will be made on 9 March 2022.

A unit distribution for the 6 months from January to June 2021 (1st half) of 12.29 cents per unit (2020: nil; 2019: 3.04 cents) was paid on 15 September 2021.

Therefore, the total distribution for 2021 is 29.58 cents per unit (2020: 9.76 cents; 2019: 13.64 cents).

This reflects the requirement of the Trust Constitution to distribute at least 50% of the net income for each half and the Trust's usual distribution policy to distribute 100% of the full year profit before impairment of property, plant and equipment.

2020

In 2020, Trust distributable profit* was \$9.174 million for the six months ended 31 December 2020. It was nil for the six months ended 30 June 2020 as the Trust reported a net loss for that period due to the Government mandated closure of the Reef Hotel Casino for about 3 months.

53% of the Trust distributable profit* for the six months ended 31 December 2020 was paid out in unit distribution.

Undistributed income account

The undistributed income account balance is 20.3 cents per unit, or \$10.110 million in total as at 31 December 2021.

Chairman's review (continued)

Trust balance sheet

The Trust's interest only business term loan facility with the Bank of Queensland remains unchanged at \$13.500 million. This loan facility was renewed with the Bank of Queensland earlier in the year for a further 3 years and now expires on 31 January 2025. The amount undrawn at 31 December 2021 was \$13.300 million. Importantly, the Trust continues to be solvent and a going concern. At present, the Trust has determined there is no need for additional cash facilities or liquidity given the Trust's current balance sheet position and outlook.

Capital investment

Despite strong cash flows in the period, capital expenditure in 2021 was very carefully managed due to the on-going COVID-19 pandemic. Essential capital items were approved which included new gaming machines, hotel operating asset requirements, and the proper maintenance and overall upkeep of the Reef Hotel Casino complex building.

REVIEW OF PERFORMANCE AND STRATEGY AT REEF HOTEL CASINO PROVIDED BY THE EXECUTIVE DIRECTOR OF THE OPERATOR, CASINOS AUSTRIA INTERNATIONAL (CAIRNS) PTY LTD (CAIC)

Allan Tan, the Executive Director of the operator of the Reef Hotel Casino (CAIC) which is jointly controlled by Casinos Austria International Limited and Accor Casino Investments Pty Ltd, has provided his review as follows :-

Reef Hotel Casino Executive Director's Report

Trading and operating conditions

COVID-19 impact

- The Reef Hotel Casino complex was open for operations throughout 2021 except for 3 days in August due to Government mandated lockdown.
- The complex continued to operate with a site specific COVID Safe Plan as required by the Queensland Government. This plan had amendments fairly regularly, but restrictions generally lessened over time.
- The complex did not receive any Federal Government JobKeeper subsidy in the 2021 year.
- There were no international tourists because of Australia's closed borders.

Our markets

- Our local, regional and Queensland market continued to hold up well for our complex.
- As for the domestic interstate market, this improved over time as state borders reopened. However, last minute closures of state borders in the 1st half were not helpful, nor was the closure of Queensland state borders with New South Wales and Victoria in particular for a substantial part of the 2nd half.
- Our casino performed particularly well throughout the year. Our hotel operations also performed relatively well. However, hotel room performance was negatively impacted when state borders were shut.
- All this was achieved despite COVID-19 impacts and restrictions which included closed international borders, the closure of various state borders from time to time, and COVID related restrictions on our operations.

Chairman's review (continued)

Reef Hotel Casino Executive Director's Report (continued)

Complex performance – a brief review

The Reef Hotel Casino can report a strong result

Rental to the Trust

	2021 \$mil	2020 \$mil	2019 \$mil
Full year	26.760	15.553	18.898

2021 – A strong overall performance by the complex which resulted in a good rental paid to the Trust.

2020 – Complex closed from 23 March to 2 July as mandated by the government due to COVID.

2019 – Complex felt the impacts of a series of natural disasters in Queensland and other parts of the country.

Casino

Overall casino revenues

	Change compared to 2020 %	2019 %
Full year 2021	+55.8	+6.2

Electronic games

	Change compared to 2020 %	2019 %
Full year 2021 revenues	+42.4	+10.5

2021 – Electronic gaming is the Complex's biggest revenue segment and in 2021 it performed strongly with good patron support from local, regional and domestic markets. It is the biggest contributor to the rentals paid to the Trust.

Table games

	Change compared to 2020 %	2019 %
Full year 2021 revenues	+103.4	-0.7

2021 – Main floor gaming was impacted by COVID-19 due to an absence of international patrons resulting from the closed Australian national borders. With premium play, despite the absence of international patrons, there was improved and increased patron support from domestic patrons coming from other states of the country.

Hotel

Overall hotel revenues

	Change compared to 2020 %	2019 %
Full year 2021	+52.3	-15.8

2021 – When state borders were opened, overall hotel revenues improved with increased domestic travel.

Chairman's review (continued)

Reef Hotel Casino Executive Director's Report (continued)

Complex performance – a brief review (continued)

Hotel (continued)

Rooms

	Change compared to	
	2020	2019
	%	%
Full year 2021 revenues	+58.5	-23.2

2021 – Rooms performance improved steadily since the reopening of the Complex on 3 July 2020. In 1st half 2021, the improvement gained momentum due to the relaxation of the state border controls. In 2nd half 2021, state borders with New South Wales and Victoria were shut for a fair amount of time. The hotel leads the market in the 5-star competitor set in terms of RevPar (revenue per available room).

Food and beverage (F and B)

	Change compared to	
	2020	2019
	%	%
Full year 2021 revenues	+51.4	-7.5

2021 – Overall, F and B revenues are slightly lower than pre-COVID levels with seating capacity and lower operational hours than pre-COVID levels. This will be closely monitored to ensure optimum efficiency for the whole Complex. F and B services play an important part in the overall success of the Complex.

Key strategies

The following key strategies underpinned and drove our overall performance of the complex in 2021 under challenging economic and still uncertain COVID-19 conditions. These will be consolidated and built upon as the COVID-19 uncertainties continue. These will be coupled with the proven success of our management strategy and philosophy under our "One Complex, One Team, One Success" mantra.

Being COVID Safe

Our complex re-opened on 3 July 2020 in accordance with the Queensland Government's lifting of restrictions. During 2021, there were still restrictions on our operations and we operated by reference to our site-specific COVID Safe Plan as amended and approved by the health authorities until 17 December 2021 when the site-specific COVID Safe Plan ceased to apply. However, we continue to have our own set of protocol and procedures.

The key areas to note included:

- Cap on capacity – gaming and food and beverage outlets with lessened restrictions over time such that by year's end, there is virtually no more cap on capacity.
- From 17 December 2021, our complex overall was mandated by the Government as being required to have all staff and guests to be "fully vaccinated" and soon after to wear masks.
- Social distancing measures – these were lessened over time.
- Contact tracing measures – these have been enhanced with the implementation of the QR code throughout the Complex.
- COVID safe cleaning – this continues.

Chairman's review (continued)

Reef Hotel Casino Executive Director's Report (continued)

Key strategies (continued)

Casino operations

Electronic Gaming

Electronic gaming will remain our most important source of revenues. We will continue to market in Cairns, selected regional and domestic regions to target the markets that have a higher chance of visiting Cairns. An appropriate package of promotion, marketing and entertainment programs will continue.

Table Games

Similarly, we will target local, regional and domestic markets (both main floor and premium) that have a higher chance of visiting Cairns.

Hotel operations

Rooms

Our Pullman hotel will market to local, regional and domestic markets via a range of sales and marketing channels including the key and important Accor sales and marketing network in Australia which our hotel is part of.

Food and beverage

Our food and beverage offerings will also be targeted at local, regional and domestic patrons and visitors. We will be nimble as to the range of products and services that we will offer from time to time depending on the market conditions.

Complex cost control

The Executive Leadership Team has and will continue with its commitment to achieve the best possible outcome given the current COVID impacted trading conditions including initiatives to tightly manage operating costs.

Complex regulatory compliance, risk management

The Executive Leadership Team is also committed to the proper delivery of successful outcomes in overall compliance and risk management including the following areas :

- Casino regulatory compliance.
- Responsible serving of gaming and alcohol.
- Anti-money laundering and counter-terrorism funding.

A brief look at 1st half 2022

The Government mandate of requiring our complex staff and guests to be "fully vaccinated" and to wear masks has had an impact on our visitations. The steep rise in COVID-19 cases in Queensland and elsewhere in Australia following the opening of state borders also has had an impact on visitations. This has resulted in disruptions to the availability of staff to attend work against a general business environment experiencing staff shortage.

A lack of a full staff complement means that some food and beverage outlets within our complex have seen cut backs in operational hours and a slight reduction in table games capacity.

We hope that once COVID-19 cases stabilise and begin to fall, staff disruptions will lessen or come to an end.

Australia has announced a reopening of the national borders from 21 February. We can reasonably expect the trading/tourism environment for Cairns to improve from around Easter 2022.

Chairman's review (continued)

Reef Hotel Casino Executive Director's Report (continued)

A brief look at 1st half 2022 (continued)

Trading update to February 2022

The first quarter of the year is typically Cairns' low tourist season. There have been increased COVID cases due to the Omicron variant. Domestic tourists are low. International tourists are generally absent. However, the Reef Hotel Casino continues to trade profitably.

COVID uncertainties remain. The complex's operating strategies are designed to manage these as best as possible.

CHAIRMAN'S SUMMARY AND OUTLOOK

Sum up of 2021

In 2021 the Trust delivered a strong near-record full year profit result despite the on-going and ever-changing challenges of COVID-19. The Trust was comfortably able to continue to adhere to its policy of paying 100% of distributable profit*. The Trust balance sheet remains strong and healthy despite 2 years of COVID-19. Management and staff have handled and dealt with the challenges of COVID-19 well. The Trust Board also worked well together to deliver a great outcome in 2021.

Board membership

The following changes occurred during 2021:

- Mr Richard Haire retired as a director on 21 May 2021.
- Mr Michael Issenberg took over as chairman on 21 May 2021.
- Mr Keith DeLacy retired as a director on 30 September 2021.

The Board thanks Mr Haire and Mr DeLacy for their contributions during their tenure as members of the Board.

Sadly, Mr DeLacy passed away on 26 November 2021. The Executive Director represented the Board at Mr DeLacy's service and wake and conveyed the Board's condolences to his family.

On 1 November 2021, the Board announced the appointment of Ms Wendy Morris as an independent director to replace Mr DeLacy, subject to Government probity. She was appointed as a director on 10 February 2022.

On 18 January 2022, Mr Simon McGrath retired as a director. Accor has announced that Ms Sarah Derry, CEO of Accor Pacific, will replace Mr McGrath as a director appointed by Accor subject to Government probity.

Casinos Austria has advised that Mr Fritz Pühringer will replace Mr Christoph Zurucker-Burda as a director appointed by Casinos Austria subject to Government probity.

As part of the changes/renewals, Mr Michael Issenberg will step down as chairman and director of the Board in due course. His replacement is under consideration.

Relationship between Trust and Operator

The operator of the Reef Hotel Casino is Casinos Austria International (Cairns) Pty Limited (CAIC), jointly owned by Casinos Austria International Limited (CAIL) and Accor. This longstanding relationship between the Trust as the owner of the Reef Hotel Casino complex and CAIC as the operator continues to work well.

Chairman's review (continued)

Risk Management

Reef Hotel Casino – Trust's principal asset

The Trust's sole investment is the Reef Hotel Casino and so it is exposed to the risks inherent in the ownership of a single asset located in Cairns.

The Trust remains positive regarding its longer-term trading. The Reef Hotel Casino's management strategy is to drive future growth based on three key strategic areas – electronic gaming, table games including premium play, and hotel operations. The future performance of the Trust will rely on the local economy and on tourism to Cairns, the Great Barrier Reef and Far North Queensland.

The casino industry is highly regulated. A significant change in casino legislation (be it in relation to taxation changes, licence condition amendments or availability) could have a significant impact on the economic sustainability of the complex. This risk is mitigated by monitoring government policy and engagement with the Queensland Government.

There is an increased oversight in relation to anti-money laundering by the appropriate authorities. The Board of the Responsible Entity receives regular reporting from the operator of the Reef Hotel Casino on a range of matters including implementation and management of anti-money laundering and counter terrorism financing and the responsible conduct of gambling.

The Reef Hotel Casino is located in Cairns and is exposed to possible climate change risks affecting the region including weather events, the health of the Great Barrier Reef and the tourism industry. Whilst this risk is in part mitigated by emergency planning and local engagement, it could result in further significant increases in insurance premiums and less available insurance coverage on commercially reasonable terms for some risks.

While COVID-19 pandemic continues, decisions around operating restrictions to manage pandemic risk are not always in our control.

A brief operational outlook for the Trust in 1st half 2022

So far in 2022, the Trust continues to trade profitably albeit at a lower level compared to 2021. The Trust's profitability should improve from around Easter when the trading/tourism environment in Cairns can be expected to improve.

Due to the on-going COVID-19 situation, economic and trading conditions in Cairns and the region remain somewhat challenging amidst a degree of uncertainty. Consequently, Trust expenditure and costs will remain under tight control and capital investment will be carefully managed.

In closing, I would like thank my fellow board directors and the management and staff of the Trust and the operator of the Reef Hotel Casino for their efforts and contributions during 2021.



Michael Issenberg

Chairman

Reef Corporate Services Limited

Responsible Entity of Reef Casino Trust

22 February 2022

Directors' report

The directors of Reef Corporate Services Limited, ABN 66 057 599 621, the Responsible Entity of Reef Casino Trust (the Trust) present their report together with the financial statements of the Trust for the year ended 31 December 2021 and the auditor's report thereon.

Directors

The directors of Reef Corporate Services Limited during the financial year or since the end of the financial year (except as otherwise stated) are:

Mr Michael Issenberg (Chairman since 21 May 2021)
Mr Benjamin W Macdonald
Mr Christoph Zurucker-Burda
Mr Allan Tan (director and alternate for Mr Macdonald)
Mr Philip Basha (director and until 21 May 2021 alternate for Mr Issenberg)
Ms Wendy Morris (appointed 10 February 2022)
Mr Simon McGrath (retired 18 January 2022)
Mr Keith DeLacy (retired 30 September 2021)
Mr Richard Haire (Chairman until retired 21 May 2021)

Principal activities

The Trust is the owner and lessor of the Reef Hotel Casino complex which is located in Cairns, North Queensland, Australia.

Review and results of operations

Information on the operations and financial position and business strategies and prospects for future financial years is contained in the Chairman's Review commencing on page 1.

Distributions

Distributions are paid on a half yearly basis.

The distribution of \$4.861 million (9.76 cents per unit) in respect of the six month period ended 31 December 2020 as reported in the 2020 annual report was paid on 10 March 2021.

The distribution of \$6.121 million (12.29 cents per unit) in respect of the six month period ended 30 June 2021 was paid on 15 September 2021.

The directors have declared a distribution of \$8.610 million (17.29 cents per unit) in respect of the six month period ended 31 December 2021 to be paid on 9 March 2022 (note 12).

Significant changes in the state of affairs

There was no significant change in the nature of the activity of the Trust that occurred during the financial year under review.

Environmental regulation

The Trust's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Responsible Entity believes that the Trust has adequate systems in place for the management of its environmental requirements and is not aware of any material breach of those environmental requirements as they apply to the Trust.

Directors' report (continued)

Events subsequent to balance date

On 22 February 2022 the board of directors of the Responsible Entity, Reef Corporate Services Limited, declared a distribution of 17.29 cents per unit payable on 9 March 2022. This distribution totals \$8.610 million.

Other than as identified in this report, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Trust, the results of those operations, or the state of affairs of the Trust, in future financial years.

Interests of the Responsible Entity

Reef Corporate Services Limited holds no units either directly or indirectly in Reef Casino Trust. Associates of the Responsible Entity hold 36,402,911 units at 31 December 2021 (2020: 36,408,411 units).

Units on issue

Units on issue and movements in issued units are detailed in note 11 to the financial statements.

Assets

The Trust had total assets of \$104.441 million as at 31 December 2021 (2020: \$100.287 million). The basis of valuation of the Trust's property, plant and equipment which comprises the majority of the value of the total assets is disclosed in note 8 to the financial statements.

Responsible Entity's remuneration

In accordance with the Trust Constitution, Reef Corporate Services Limited is entitled to receive:

- (i) Half yearly fees calculated as 0.375% of the value of net assets of the Trust (as defined in the Trust Constitution) as at the last day of the half year period just completed, paid quarterly, plus
- (ii) Half yearly fees calculated as the greater of \$37,500 indexed and a fee calculated on a sliding scale by reference to the value of gross assets (as defined in the Trust Constitution), payable within two months of the end of each half yearly period.

Reef Corporate Services Limited is also entitled to reimbursement of Trust expenses incurred on behalf of the Trust.

Set out below are the fees paid or payable by the Trust to the Responsible Entity during the year:

	Dec 2021	Dec 2020
Responsible Entity fees	1,140,590	1,179,246
Reimbursement of Trust expenses	116,314	97,996

Directors' report (continued)

Directors' interests

The relevant interests of each director of Reef Corporate Services Limited in the unit capital of the Trust at the date of this report are set out below:

	Number of units held
Mr Michael Issenberg	220,500
Mr Ben Macdonald	263,750
Mr Christoph Zurucker-Burda	-
Mr Allan Tan	79,950
Mr Philip Basha	-
Ms Wendy Morris	-

Likely developments

The Trust will continue as owner and lessor of the Reef Hotel Casino complex located in Cairns. The Trust will also consider appropriate opportunities similar to its current investment in the Reef Hotel Casino complex.

Indemnities and insurance premiums for officers or auditors

Indemnification

Under the Trust Constitution, Compliance, Audit and Risk Committee members are entitled to be indemnified out of the Trust fund in respect of liabilities incurred in good faith through acting as a member of the Compliance, Audit and Risk Committee in successfully defending proceedings against them. The Responsible Entity is also entitled to be indemnified out of the Trust fund in accordance with the Trust Constitution. Since the end of the previous financial year, the Trust has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer of the Responsible Entity or an auditor of the Trust.

Insurance premiums

During the financial year the Trust has paid premiums to insure current and former directors and officers of the Responsible Entity against liabilities arising as a result of work performed in their capacity as directors or officers of the Responsible Entity.

The insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Other assurance services

During the year, Grant Thornton, the Trust's auditors, performed certain other services in addition to their statutory audit duties. Details are shown in note 16 and are referred to as other assurance services.

The Board has considered these other assurance services provided during the year by the auditor and is satisfied that the provision of those other assurance services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All other assurance services were subject to the corporate governance procedures adopted by the Trust and have been reviewed by the Compliance, Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor.
- The other assurance services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Trust, acting as an advocate for the Trust or jointly sharing risks and rewards.

Directors' report (continued)

Information on directors

Michael Issenberg – Non-executive chairman since 21 May 2021, non-executive director; director since 21 January 2002

Mr Issenberg is a member of the Compliance, Audit and Risk Committee from 21 May 2021.

Mr Issenberg has had an impressive background in the hotel industry, and for the past 25 years was with Accor, most recently holding the position of Chairman and Chief Executive Officer of AccorHotels Asia Pacific. Prior to joining AccorHotels, Mr Issenberg spent five years as Chief Executive Officer, Mirvac Hotels. This was following a successful career at Westin Hotels and Resorts, Laventhol & Horwath and Horwath & Horwath Services Pty Limited in San Francisco and Sydney.

Mr Issenberg, holds a degree in hotel administration from Cornell University, USA and is a Lifetime Member of the Cornell Hotel Society. Mr Issenberg is also a Lifetime Member of Tourism and Transport Forum in Australia.

Mr Issenberg was awarded the Ordre National du Mérite from the French Government for his work in forging strong links between France and the world and for showcasing the best standards in French hospitality, innovation and savoir faire. He was named Asia Pacific Hotelier of the Year 2019, 2015 and 2012 in the Hotel Management Awards and International Hotelier of the Year 2014 at the China Hotel Investment Conference.

Ben Macdonald AM – Non-executive director; director since 20 September 1995

Mr Macdonald is a member of the Compliance, Audit and Risk Committee from 18 January 2022.

Mr Macdonald was born in Brisbane and educated at Geelong Grammar School Victoria. He joined Macdonald Hamilton & Co Ltd in 1952, retiring in 1985 as joint Managing Director of the company.

Since 1985, he has served as a director of a number of Australian public companies, some of which were Perpetual Trustees Australia Ltd (Chairman), AMP Society (Australia board), CSR Limited, Placer Pacific Ltd, Allgas Energy Ltd, Bank of Queensland Ltd (Deputy Chairman), Casinos Austria International Limited (Chairman), Queensland Cotton Holdings Ltd (Chairman), FKP Ltd (Chairman) and AP Eagers Ltd (Chairman). He was a founding director and deputy Chairman of Brisbane's first FM radio station (Four Triple M Ltd).

Mr Macdonald served as the Honorary Consul for Uruguay in Queensland and served on the Committee of the Royal Automobile Club of Queensland and the Salvation Army (Brisbane Division).

For service to business and commerce through executive roles with a range of investment, banking and agricultural organisations, and to the community as a supporter of charitable and sporting bodies he has been awarded an AM.

Christoph Zurucker-Burda – Non-executive director; director since 14 November 2018

Mr Zurucker-Burda studied Business Administration at Vienna University of Economics and Business, where he specialised in Business Taxation and Investment Banking and Capital Market Communication. He also spent one semester abroad at the University of South Australia in Adelaide. After graduating, he joined the tax consultancy TPA Horwath in Vienna as a Tax Advisor, moved in 2007 to BDO Auxilia as an Auditor and Certified Tax Advisor and subsequently assumed the position of Senior Fund Manager with a large real estate property fund.

Mr Zurucker-Burda then joined Casinos Austria International as Executive Vice President Finance in 2011, was appointed Chief Financial Officer in December 2013 and held the position of Chief Executive Officer from July 2018 until 31 December 2021.

Mr Zurucker-Burda is a qualified auditor and certified tax advisor.

Directors' report (continued)

Information on directors (continued)

Allan Tan – Executive director; director since 28 March 2006. Alternate for Mr Macdonald; alternate director since 10 July 1997

Mr Tan is the Executive Director of the Trust. He is also the Executive Director of Casinos Austria International (Cairns) Pty Ltd (CAIC), the operator of the Reef Hotel Casino. He was also the CEO of CAIC until 21 August 2020. He is the Executive Director of Casinos Austria International Limited.

Mr Tan joined Casinos Austria International Limited in 1995 as Chief Financial Officer and Company Secretary. Since this time, he has held several positions within the group, including Chief Financial Officer and Company Secretary for Reef Casino Trust and Regional Manager (Australia, Asia Pacific) for Casinos Austria Group.

Mr Tan holds an honours degree in Commerce (Accounting) from the University of Birmingham, England. He is a member of the Institute of Chartered Accountants in England and Wales, Governance Institute of Australia and the Chartered Governance Institute.

Mr Tan also holds a number of executive directorships within the Casinos Austria Group. Prior to joining Casinos Austria, Mr Tan held positions as an auditor with (now) global audit firm Deloitte Touche Tohmatsu in London and Brisbane, as hotel-casino internal auditor with Hilton Hotels Inc. at Jupiters on the Gold Coast, Financial Controller and Company Secretary of Bond University on the Gold Coast.

Philip Basha – Non-executive director; director since 23 November 2020. Alternate for Mr Issenberg; alternate director from 23 August 2011 until 21 May 2021

Mr Basha is a member of the Compliance, Audit and Risk Committee since 30 September 2021 and Chairman of the Compliance, Audit and Risk Committee from 18 January 2022.

Mr Basha joined the Accor finance team in 2003 and is currently the Chief Financial Officer - AccorHotels Pacific. He commenced his accounting career at KPMG in 1999 and spent five years as an auditor in its Consumer and Industrial Markets group. He holds a Bachelor of Economics (Accounting) from Macquarie University and is a member of Chartered Accountants Australia and New Zealand.

Wendy Morris – Non-executive director; director since 10 February 2022

Since 1990, Ms Morris has been in management and marketing roles in the tourism industry in the Far North including Radisson Royal Palms Resort, Reef Terraces, Radisson Treetops, the Rainforest Habitat, Quicksilver and various reef charter vessels.

Through her family's company, she was involved in the successful establishment of the Mt Emerald Windfarm now operating on the Atherton Tablelands and is currently involved in substantial property development in Port Douglas.

Board appointments have included Tourism and Events Queensland, Tourism Port Douglas Daintree, Advance Cairns, Citizens of the Great Barrier Reef, Tourism Tropical North Queensland (Chair 2018-2020), and she is a member of the Great Barrier Reef Marine Park Authority. She is also a graduate of the Australian Institute of Company Directors. In 2017, Ms Morris was awarded the Marie Watson Blake Award for outstanding contribution by an individual by the Queensland Tourism Industry Council and in 2021 was awarded Life Membership of Tourism Tropical North Queensland.

Ms Morris holds a BScHons and Grad Cert Mgmt (UNE).

Directors' report (continued)

Information on directors (continued)

Richard Haire – Non-executive Chairman from 24 August 2018 until 21 May 2021, Independent non-executive director from 1 October 2013 until 21 May 2021

Mr Haire was a member of the Compliance, Audit and Risk Committee until his retirement on 21 May 2021.

Prior to pursuing a career as a Non-executive Director, Mr Haire had an executive career in Investment Banking and in the international cotton and agribusiness industries. He was the Chief Executive Officer of Queensland Cotton Corporation Pty Ltd from 1989 to 2007 and Managing Director and Regional Head, Australia and New Zealand of Olam International from 2007 to 2012.

Mr Haire was a non-executive director of Tassal Limited, BEC Feed Solutions Limited, and the Chairman of the Cotton Research and Development Corporation (CRDC) and Chairman of Endeavour Foundation and Chairman of McLeans Farms Limited.

He served as a director on the board of BOQ Limited from 2012 to 2020 where he chaired the Audit Committee for 6 years.

Mr Haire holds a Bachelor of Economics Degree from the University of New England. He is a fellow and former State President of the Australian Institute of Company Directors.

Keith DeLacy AM – Independent non-executive director; director from 1 December 1999 until 30 September 2021

Mr DeLacy was the Chairman of the Compliance, Audit and Risk Committee until his retirement on 30 September 2021.

Mr DeLacy was a past president of the Queensland Division of the Australian Institute of Company Directors (AICD).

Mr DeLacy was born in Cairns and until recently still lived there with his family. He was the State Member for Cairns for fifteen years and Treasurer of Queensland from 1989 to 1996.

Over the years he has been Chairman of Macarthur Coal, Australia's largest cotton producer Cubbie Group, COFCO Australia, Queensland Sugar (QSL) and the Global Sugar Alliance, Ergon Energy and the Trinity Group, as well as a range of not-for profits.

For services to the community Mr DeLacy has been awarded an AM, the Centenary Medal, honorary doctorates from both James Cook University (HonDLitt) and Central Queensland University (DUniv), the Gatton Gold medal from the University of Queensland and the Directors Gold Medal for service to Corporate Governance.

Simon McGrath AM – Non-executive director; director from 23 August 2011 until 18 January 2022

Mr McGrath was a member of the Compliance, Audit and Risk Committee until his retirement on 18 January 2022.

Until 5 February 2022, Mr McGrath was the Chief Executive Officer for Accor Pacific, responsible for over 385 hotels, 53,000 rooms and 21,000 employees in the region.

He has had an extensive and highly respected career having worked in executive management positions in both main cities and iconic leisure destinations throughout Australia. He has also worked throughout Asia in key locations including Malaysia and Thailand.

Directors' report (continued)

Information on directors (continued)

Simon McGrath AM – Non-executive director; director from 23 August 2011 until 18 January 2022 (continued)

Mr McGrath was a Director of AAPC Limited, Allegiance, and Accor Vacation Club. He also holds positions on the following industry Boards: Deputy Chairman, Tourism and Transport Forum (TTF); Deputy President, Accommodation Association of Australia (AAoA). Simon participated in a special Taskforce for the NSW Government – Visitor Economy Taskforce in 2018.

Outside of tourism and hospitality, he holds the position of Independent Director of GenesisCare (leading healthcare company).

Mr McGrath has played a major advocacy role in advancing Indigenous employment in hospitality and wider economic employment. He has also championed and taken a lead role to greatly improve gender diversity in the tourism sector.

Mr McGrath has been recognised for his contribution to the hospitality industry with numerous awards including Australasian Hotelier of the Year at the HM (Hotel Management) Awards in 2009, in 2017 and in 2018. He was awarded a Gold Bernache in 2012, the highest accolade for performance for Accor globally.

For his significant work in promoting Australian tourism on the world stage Mr McGrath was recognised in the Queen's Birthday Honours List as a Member of the Order of Australia (AM) in June 2019.

Lead auditor's independence declaration under section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 45 and forms part of the directors' report for the year ended 31 December 2021.

Rounding off

The Trust is of a kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Corporations Instrument, amounts in the financial statements and the directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors of Reef Corporate Services Limited.



Michael Issenberg
Director
Cairns
22 February 2022



Allan Tan
Director

REEF CASINO TRUST

Statement of profit or loss and other comprehensive income For the year ended 31 December 2021

	Note	Dec 2021 \$'000	Dec 2020 \$'000
REVENUE AND OTHER INCOME			
Revenue and other income	4	26,874	15,663
TOTAL REVENUE AND OTHER INCOME		26,874	15,663
EXPENSES			
Depreciation and amortisation	5	4,799	4,423
Property outgoing		1,018	881
Rates and taxes		749	747
Responsible Entity fees		1,141	1,179
Repairs and maintenance		1,452	942
Insurance		1,584	1,493
Responsible Entity director fees		323	257
Impairment of property, plant and equipment		-	19,374
Reversal of impairment		-	(18,894)
Other expenses		990	693
TOTAL EXPENSES		12,056	11,095
RESULTS FROM OPERATING ACTIVITIES		14,818	4,568
Finance costs attributable to unitholders		7,361	4,587
Interest expense on financial liabilities measured at amortised cost		96	190
TOTAL FINANCE COSTS	6	7,457	4,777
PROFIT / (LOSS) FOR THE YEAR		7,361	(209)
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		7,361	(209)
Basic and diluted earnings / (loss) per unit (cents)	17	29.56	(0.84)

The statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

REEF CASINO TRUST

Statement of financial position As at 31 December 2021

	Note	Dec 2021 \$'000	Dec 2020 \$'000
ASSETS			
Cash and cash equivalents	14	9,615	4,079
Receivables	7	2,284	2,578
TOTAL CURRENT ASSETS		11,899	6,657
Receivables	7	775	750
Property, plant and equipment	8	91,693	92,775
Intangible assets		74	105
TOTAL NON-CURRENT ASSETS		92,542	93,630
TOTAL ASSETS		104,441	100,287
LIABILITIES			
Payables	9	6,052	6,222
Lease liabilities		93	-
TOTAL CURRENT LIABILITIES		6,145	6,222
Loans and borrowings	10	200	200
Deferred income		10	10
Lease liabilities		206	-
Issued units – liability portion	11	85,051	85,051
TOTAL NON-CURRENT LIABILITIES		85,467	85,261
TOTAL LIABILITIES		91,612	91,483
EQUITY			
Issued units – equity portion	11	85,051	85,051
Distribution account	12	4,307	274
Undistributed income		10,110	10,118
Accumulated losses		(86,639)	(86,639)
TOTAL EQUITY		12,829	8,804
TOTAL EQUITY AND LIABILITIES		104,441	100,287
MEMORANDUM NOTE – ISSUED UNITS			
Issued units – liability portion		85,051	85,051
Issued units – equity portion		85,051	85,051
		170,102	170,102

The statement of financial position is to be read in conjunction with the accompanying notes.

REEF CASINO TRUST

Statement of changes in equity For the year ended 31 December 2021

	Issued units \$'000	Distribution account \$'000	Undistributed income \$'000	Accumulated losses \$'000	Total \$'000
1 JANUARY 2020	85,051	2,698	5,805	(81,843)	11,711
Profit/(loss) for the year	-	-	-	(209)	(209)
Other comprehensive income/(loss)	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	(209)	(209)
Transfer to distribution account	-	4,587	-	(4,587)	-
Transfer to undistributed income account	-	(4,313)	4,313	-	-
Distributions paid	-	(2,698)	-	-	(2,698)
31 DECEMBER 2020	85,051	274	10,118	(86,639)	8,804
1 JANUARY 2021	85,051	274	10,118	(86,639)	8,804
Profit for the year	-	-	-	7,361	7,361
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	7,361	7,361
Transfer to distribution account	-	7,361	-	(7,361)	-
Transfer from undistributed income account	-	8	(8)	-	-
Distributions paid	-	(3,336)	-	-	(3,336)
31 DECEMBER 2021	85,051	4,307	10,110	(86,639)	12,829

The statement of changes in equity is to be read in conjunction with the accompanying notes.

REEF CASINO TRUST

Statement of cash flows For the year ended 31 December 2021

	Note	Dec 2021 \$'000	Dec 2020 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		29,914	16,378
Cash payments in the course of operations		(10,093)	(7,834)
Interest received		53	53
Interest and other finance costs paid		(96)	(193)
NET CASH FROM OPERATING ACTIVITIES	14	19,778	8,404
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(3,173)	(1,631)
Payments of loans to other entities		-	(1,000)
Proceeds of loans to other entities		-	1,000
NET CASH FROM INVESTING ACTIVITIES		(3,173)	(1,631)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of loan		2,500	6,000
Repayment of loan		(2,500)	(6,300)
Principal elements of lease payments		(88)	(72)
Distributions paid (equity portion and liability portion)		(10,981)	(5,279)
NET CASH FROM FINANCING ACTIVITIES	14	(11,069)	(5,651)
Net increase/(decrease) in cash held		5,536	1,122
Cash and cash equivalents at 1 January		4,079	2,957
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	9,615	4,079

The statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the financial statements For the year ended 31 December 2021

1. The Trust

Reef Casino Trust (the Trust) was established by a Trust Constitution dated 2 July 1993 as amended by supplemental deeds dated 30 November 1993, 19 September 1999, 31 May 2000, 8 August 2001, 14 April 2004 and 29 June 2005. The Trust is a registered managed investment scheme under the *Corporations Act 2001*. Reef Corporate Services Limited, a company domiciled in Australia, is the Responsible Entity of the Trust. The Trust is the owner and lessor of the Reef Hotel Casino complex in Cairns, North Queensland, Australia. The Trust is a for profit entity.

2. Basis of preparation

(a) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements of the Trust comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the board of directors of the Responsible Entity on 22 February 2022.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis.

(c) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Trust's functional currency.

The Trust is of a kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Corporations Instrument, amounts in the financial statements and the directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The effects of COVID-19 have required significant judgments and estimates to be made including assessment of whether there are any indicators of impairment of the cash generating unit. Further details are provided in note 8. At the reporting date the Trust does not have any key assumptions concerning the future, or other key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

REEF CASINO TRUST

Notes to the financial statements For the year ended 31 December 2021

3. Significant accounting policies

The significant and other accounting policies are set out below and throughout the notes to the financial statements and have been applied consistently to all periods presented in these financial statements unless otherwise stated.

(a) Income tax

Under current Australian income tax legislation, the Trust is not subject to income tax, provided that certain legislative requirements regarding distribution are satisfied. Tax allowances for building and plant and equipment depreciation are distributed in the form of tax deferred amounts.

(b) Standards issued but not yet effective

There are no new standards, amendments to standards and interpretations effective for annual periods beginning after 1 January 2021 that would have a material impact.

4. Revenue and other income

	Dec 2021 \$'000	Dec 2020 \$'000
RENTAL		
Base rent	1,182	844
Contingent rent	25,578	14,709
	<u>26,760</u>	<u>15,553</u>
INTEREST RECEIVED AND RECEIVABLE FROM		
Other persons	1	3
Related parties	52	50
	<u>53</u>	<u>53</u>
OTHER REVENUE		
Sundry	61	57
	<u>26,874</u>	<u>15,663</u>

Rental revenue is determined in accordance with the lease agreements relating to the Reef Hotel Casino and is made up of two components: a base rent and a contingent rental component. The base rental component is indexed on a yearly basis and recognised on a straight-line basis over the lease term. The contingent rental component is based on the performance of the lessee and is recognised when contractually due.

The Queensland Government mandated the closure of the Reef Hotel Casino complex on Sunday 8 August 2021 as part of a snap three-day lockdown due to COVID-19. The complex reopened for trading on 11 August 2021.

The Trust abated the base rent for the period of closure in accordance with the lease terms.

REEF CASINO TRUST

Notes to the financial statements For the year ended 31 December 2021

5. Expenses

	Dec 2021 \$'000	Dec 2020 \$'000
Net profit includes the following specific expenses:		
DEPRECIATION		
Building	1,459	1,292
Plant and equipment	2,490	2,361
	<u>3,949</u>	<u>3,653</u>
AMORTISATION		
Computer software	48	67
Site lease	707	633
Carpark lease	95	70
	<u>850</u>	<u>770</u>
	<u>4,799</u>	<u>4,423</u>
Net loss on disposal of plant and equipment	<u>9</u>	<u>-</u>

6. Finance income and expense

RECOGNISED IN PROFIT OR LOSS		
Interest income on bank deposits	1	3
Interest income on financial assets measured at amortised cost	52	50
FINANCE INCOME	<u>53</u>	<u>53</u>
Interest expense on financial liabilities measured at amortised cost	(96)	(190)
Finance costs attributable to unitholders	(7,361)	(4,587)
FINANCE EXPENSE	<u>(7,457)</u>	<u>(4,777)</u>
NET FINANCE INCOME AND EXPENSE	<u>(7,404)</u>	<u>(4,724)</u>

The above finance income and expenses are in respect of assets and liabilities not at fair value through profit or loss.

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss using the effective interest method.

Finance costs comprise interest expense on borrowings calculated using the effective interest method, and the portion of distributions comprising 50% of net income (note 12).

7. Receivables

CURRENT

Rent and interest receivable from lessee	2,207	2,530
Prepayments and other debtors	77	48
	<u>2,284</u>	<u>2,578</u>

NON-CURRENT

Financial assets - Loan to lessee	750	750
Security deposit	25	-
	<u>775</u>	<u>750</u>

Financial assets represents a loan to the lessee which is measured initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. The loan is interest bearing at a rate of 7.08% (2020: 7.08%). For exposure to credit risk, see note 18.

REEF CASINO TRUST

Notes to the financial statements For the year ended 31 December 2021

8. Property, plant and equipment

(a) Reconciliation of carrying amount

	Site lease \$'000	Building & integral plant \$'000	Plant & equipment \$'000	Carpark Lease right- of- use \$'000	Work in progress \$'000	Total \$'000
AT 1 JANUARY 2020						
At cost or deemed cost	53,000	74,573	62,791	145	181	190,690
Accumulated depreciation/amortisation	(18,403)	(23,780)	(52,573)	(70)	-	(94,826)
Net carrying amount	34,597	50,793	10,218	75	181	95,864
YEAR ENDED 31 DECEMBER 2020						
Opening net carrying amount	34,597	50,793	10,218	75	181	95,864
Index adjustment	-	-	-	1	-	1
Additions	-	-	594	-	1,162	1,756
Transfers from WIP	-	-	1,213	-	(1,223)	(10)
Depreciation/amortisation charge	(633)	(1,292)	(2,361)	(70)	-	(4,356)
Impairment loss	(7,072)	(10,343)	(1,959)	-	-	(19,374)
Reversal of impairment loss	6,999	10,198	1,697	-	-	18,894
Closing net carrying amount	33,891	49,356	9,402	6	120	92,775
AT 31 DECEMBER 2020						
At cost or deemed cost	53,000	74,573	63,397	147	120	191,237
Accumulated depreciation/amortisation	(19,109)	(25,217)	(53,995)	(141)	-	(98,462)
Net carrying amount	33,891	49,356	9,402	6	120	92,775
YEAR ENDED 31 DECEMBER 2021						
Opening net carrying amount	33,891	49,356	9,402	6	120	92,775
Additions	-	-	825	387	2,466	3,678
Disposals	-	-	(9)	-	-	(9)
Transfers from WIP	-	844	1,577	-	(2,421)	-
Depreciation/amortisation charge	(707)	(1,459)	(2,490)	(95)	-	(4,751)
Closing net carrying amount	33,184	48,741	9,305	298	165	91,693
AT 31 DECEMBER 2021						
At cost or deemed cost	53,000	74,927	64,308	387	165	192,787
Accumulated depreciation/amortisation & impairment	(19,816)	(26,186)	(55,003)	(89)	-	(101,094)
Net carrying amount	33,184	48,741	9,305	298	165	91,693

Operating leases as lessor

The Trust leases out the building and integral assets that comprise the Reef Hotel Casino to the operator, CAIC, under separate operating leases. The net carrying value of the assets covered by the leases are as follows:

Subject to operating lease						
2020	33,891	49,356	9,402	-	120	92,769
2021	33,184	48,741	9,305	-	165	91,395

REEF CASINO TRUST

Notes to the financial statements For the year ended 31 December 2021

8. Property, plant and equipment (continued)

(a) Reconciliation of carrying amount (continued)

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Dec 2021 \$'000	Dec 2020 \$'000
Site lease	33,184	33,891
Carpark lease	298	6
Total right-of-use assets	<u>33,482</u>	<u>33,897</u>
Capital expenditure commitments		
Contracted but not provided for and payable: Not longer than one year	<u>448</u>	<u>284</u>

(b) Accounting policy

(i) Recognition and measurement

Site lease, buildings, integral plant, plant and equipment and work in progress are measured at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Trust.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss (note 5).

The estimated useful lives for the current and comparative periods are as follows:

- Site lease 75 years
- Buildings and integral plant 15 – 73 years
- Plant and equipment 2 – 20 years

Depreciation methods, useful lives and residual values are reassessed at each annual reporting date and adjusted if appropriate.

Notes to the financial statements For the year ended 31 December 2021

8. Property, plant and equipment (continued)

(c) External valuation

At 31 December 2020 an independent valuation of the Trust's interest in the Reef Hotel Casino Complex was carried out by CBRE Valuations Pty Limited. The complex was valued at \$132 million. The valuation was determined in line with the process set out below. The current use is considered to be the highest and best use. The Trust's interest in the complex, which is considered to be a single cash generating unit, comprises the building, site lease, casino licence and plant and equipment. The casino licence has an amortised cost of nil (2020: nil).

Valuation process

The Trust Constitution requires the Trust to obtain independent valuations of the complex at least once during every 3 years, by an independent valuer, under the instructions given by the Responsible Entity. The valuation is used for disclosure purposes, and also assists the Trust in determining whether there is any impairment of the cash generating unit or reversal of a previously recognised impairment.

The Trust Constitution requires that the valuation is based on the price, at which a property might reasonably be expected to be sold at the date of valuation, assuming:

- i) a willing, but not anxious, buyer and seller; and
- ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind; and
- iii) that the property was reasonably exposed to that market; and
- iv) that, except in relation to the Casino Licence, no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of property being valued; and
- v) that the Trust has sufficient resources to allow a reasonable period for the exposure of the property for sale; and
- vi) that the Trust has sufficient resources to negotiate an agreement for the sale of the property.

The valuer utilises industry recognised valuation methodologies. The discounted cash flow method derives the net present value by applying a selected discount rate to the five year cash flow forecast. The market capitalisation method capitalises the present value of the stabilised year forecast net income at a stabilised yield and deducts the present value of the income shortfall from the first year until the year of stabilisation.

As some of the inputs used in these valuation techniques are not based on 'observable market data' the valuation is classified as a level 3 in the fair value hierarchy.

(d) Impairment testing

The carrying amount is reviewed at each reporting date to determine whether there is any indication of impairment or that reversal of a previously recognised impairment may be required. If any such indication exists, then the asset's recoverable amount is estimated. This supplements the external valuation in the intervening years.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGU). The recoverable amount of an asset or (CGU) is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Fair value less costs to sell is based on the external valuation.

Impairment losses are recognised in profit and loss if the carrying amount of the asset or its CGU exceeds the recoverable amount. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount on a pro rata basis. An impairment loss is reversed only to the extent that the carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

Notes to the financial statements For the year ended 31 December 2021

8. Property, plant and equipment (continued)

(d) Impairment testing (continued)

Impairment loss and subsequent reversal

At 30 June 2020, due to the continuing uncertainty of COVID-19, a non-cash impairment charge of \$19.374 million was recorded in relation to the carrying value of the Reef Hotel Casino property, plant and equipment. At 31 December 2020 following an independent valuation \$18.894 million of the loss was reversed.

Assessment of recoverable amounts and key assumptions used in assessment

The valuations used to support the carrying amounts of property, plant and equipment assets are based on forward looking key assumptions that are, by nature, uncertain.

30 June 2020 half year

The Trust considered that the ongoing uncertainty regarding COVID-19 which had resulted in trading restrictions as indicators of impairment and therefore determined the recoverable amount of its cash generating unit. In determining the recoverable amount of its cash generating unit, the Trust considered the accounting standards, which state that the recoverable amount is the higher of the cash generating unit's fair value less costs of disposal and its value in use. The Trust determined the recoverable amount using a value in use approach, and considered that the value in use, approximates the fair value less costs of disposal as at the end of that half year.

The recoverable amounts were determined based on value-in-use calculations using cash flow projections covering a five-year period. The key assumptions were:

Operating cash flows - The cash flows were probability weighted based on the following scenarios:

- i) Best case (25% weighting): the complex is open throughout and experiences some trading peaks with increased spend per visitor from pent up demand and government stimulus measures. Queensland domestic borders are open to some states gradually increasing to include all states and New Zealand, domestic tourists replace some international tourists. Consumer demand not returning to pre-pandemic levels until international travel resumes which is estimated to be from mid 2021. International premium players resume from mid 2021. Consumer demand returning to pre-pandemic levels by 2022 and then growing year on year.
- ii) Base case (25% weighting): the complex is open throughout. Domestic tourists replace some international tourists. Queensland domestic borders are open to some states with a more gradual increase to include all states and New Zealand, domestic tourists replace some international tourists. International borders open in 2022. No revenue from international premium players in 2021. Consumer demand returning to pre-pandemic levels by 2022 and gradually increasing year on year.
- iii) Negative case (25% weighting): the complex is open throughout, consumer demand is soft. Domestic tourists replace some international tourists. International borders open in 2022. Consumer demand returning to pre-pandemic levels in 2025.
- iv) Worst case (25% weighting): the complex is mandated to close for a second period of 3 months followed by soft consumer demand. International borders open in 2022. Consumer demand returning to pre-pandemic levels after 2025.

Discount rates - pre-tax rates used were 12.27%.

Terminal growth rates - 2.5% was applied to the terminal growth cashflows.

Notes to the financial statements For the year ended 31 December 2021

8. Property, plant and equipment (continued)

(d) Impairment testing (continued)

31 December 2020

The recoverable amounts were determined based on the fair value less costs of disposal based on the independent valuation. The key assumptions were:

- Discount rate - 10.75% as independently assessed by CBRE.
- Terminal yield and capitalisation rate - 9%.
- Cash flows were based on forecast revenues as independently assessed by CBRE and operational costs and expenses varied in accordance with visitation and occupancy and inflationary effects.
- To make allowances for the uncertainty of how soon and how strong the recovery from COVID-19 will be the stabilised year used in the market capitalisation method was year 4 (2024).

Due to the uncertainty related to COVID -19 that has led to a reduction in the number of real estate transactions and has impacted the availability of market data as at 31 December 2020, the independent valuation as at 31 December 2020 includes a 'significant valuation uncertainty' declaration, meaning less certainty and a higher degree of caution should be applied to the valuation. The opinion of value has been determined at 31 December 2020 based on a certain set of assumptions used by the valuer, however these could change in a short period of time.

The recoverable amount of \$132 million exceeds the carrying amount of property, plant and equipment measured at cost or deemed cost less accumulated depreciation and accumulated impairment losses of \$92.8 million. The excess provides headroom against changes in key assumptions. The impact on the recoverable amount of changes in key assumptions is:

	Capitalisation rate %	Discount rate %	Terminal yield %
Sensitivity to .5% increase in rate/yield	-\$6.7 million	-\$2.5 million	-\$4.5 million
Sensitivity to .5% decrease in rate/yield	+\$7.5 million	+\$2.5 million	+\$5.0 million

(e) Leased assets

(i) Trust as lessee accounting policy

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Trust. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

At the commencement date, the Trust measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Trust's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Additional rentals based on financial performance are not included in the measurement of lease liability and are recognised on a straight-line basis as an expense in profit or loss.

Subsequent to initial measurement, the lease liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in future lease payments resulting from a change in index or rate. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

REEF CASINO TRUST

Notes to the financial statements For the year ended 31 December 2021

8. Property, plant and equipment (continued)

(e) Leased assets (continued)

(i) Trust as lessee accounting policy (continued)

The Trust depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Trust also assesses the right-of-use asset for impairment when such indicators exist.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In the statement of financial position right-of-use assets have been included in property, plant and equipment in the same line items as underlying assets of the same nature that are owned.

(ii) Site lease

The Trust paid \$53 million to the Queensland Government by way of a lump sum prepayment of the rental payable for the term of the lease (75 years) for the site on which the Reef Hotel Casino complex is situated. At 31 December 2021, the remaining term of the site lease was 47 years. The conditions of the lease are set out in the Cairns Casino Agreement which forms part of the Cairns Casino Agreement Act 1993. Negotiations for a further lease can take place during the last 10 years. The lease cannot be assigned or sublet without consent of the Minister. The site is required to be used for commercial purposes only.

(iii) Operating leases as lessor

The Trust leases out the Reef Hotel Casino under casino, hotel and ancillary facilities operating lease agreements which expire on 26 October 2029 and will automatically extend from year to year until 16 June 2054 subject to certain ownership conditions being met. Base rent is set out in the lease (and is indexed annually) and additional rent is based on financial performance.

The future minimum lease payments shown do not include rentals which are contingent on revenue of the operator, and do not include recovery of outgoings. The future minimum lease payments receivable under non-cancellable leases are as follows:

	Dec 2021 \$'000	Dec 2020 \$'000
Less than one year	1,191	1,179
Between one and two years	1,191	1,179
Between two and three years	1,191	1,179
Between three and four years	1,191	1,179
Between four and five years	1,191	1,179
More than five years	32,809	33,652
	38,764	39,547

(f) Lease liabilities

Future minimum lease payment were as follows:

Less than one year	103	-
Between one and two years	106	-
Between two and three years	109	-
Future minimum lease payments	318	-
Interest	(19)	-
Present value of minimum lease payments	299	-

REEF CASINO TRUST

Notes to the financial statements For the year ended 31 December 2021

8. Property, plant and equipment (continued)

(g) Lease payments recognised in the statement of profit or loss

	Dec 2021 \$'000	Dec 2020 \$'000
Interest on lease liabilities (included in finance cost)	12	2
Expenses relating to short-term leases (included in other expenses)	10	11
	22	13

Total cash outflow for leases in 2021 was \$110,296 (2020: \$85,223).

9. Payables

Trade creditors and accruals – unsecured	1,749	1,635
Accrued distributions (note 12)	4,303	4,587
	6,052	6,222

Payables are measured initially at fair value and subsequently measured at amortised cost using the effective interest method.

10. Loans and borrowings

	Facility available		Facility used		Facility unused	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
NON-CURRENT						
Bank loan – BOQ Limited (expires 31 January 2025)	13,500	13,500	200	200	13,300	13,300
	13,500	13,500	200	200	13,300	13,300

The Trust's loans and borrowings are measured at amortised cost. For more information about the Trust's exposure to interest rate and liquidity risk, see note 18.

The bank loan is secured by a registered first and second mortgage over the Special Lease (a Crown lease for a term of 75 years under which the Trust occupies the site on which the complex is built) and a first ranking fixed and floating equitable charge over the whole of the assets and undertakings of the Trust.

Interest is payable at a fixed margin over Bank of Queensland's cost of funds and is calculated daily on the drawn down value.

REEF CASINO TRUST

Notes to the financial statements For the year ended 31 December 2021

11. Issued units

	Dec 2021 \$'000	Dec 2020 \$'000
49,801,036 (December 2020: 49,801,036) units		
Issued units – equity portion	85,051	85,051
Issued units – liability portion	85,051	85,051
	170,102	170,102

The number of issued units includes 740,000 (December 2020: 740,000) restricted founder units.

Founder units can only be transferred with consent of the founders and the Governor of Queensland and by making a binding covenant to be bound by the Foundation Agreement. Founder units cannot be encumbered.

Compound financial instruments – issued units

The Trust Constitution contains a contractual obligation to distribute at least 50% of Trust income for any income period. The issued units have therefore been classified as a compound financial instrument containing both a liability and an equity component. The liability component is measured at amortised cost using the effective interest method. As the fair value of future distributions cannot be ascertained with any certainty, the directors of the Responsible Entity have determined that the liability component comprises 50% of the value of total issued units with the equity component comprising the other 50% in line with the obligation to distribute 50% of Trust income.

12. Distributions

Distributable income

The Trust Constitution requires calculation of distributable income for each half yearly period commencing either on the first day of January or July and the amount transferred to a distribution account on the last day of such period. As the Trust must distribute at least 50% of net income for the period, this 50% is classified as a liability, and shown as an accrued liability on the statement of financial position (note 9). The remaining portion of the distribution is debited directly to equity and recognised as a liability in the period it is declared.

The proposed distribution for the six months ended 31 December 2021 was declared on 22 February 2022, and accounted for as follows:

	Dec 2021 \$'000	Dec 2020 \$'000
DISTRIBUTION ACCOUNT (refer to statement of changes in equity)		
Balance relating to issued units – equity portion	4,307	274
ACCRUED DISTRIBUTION (payables – note 9)		
Balance relating to issued units – liability portion	4,303	4,587
TOTAL OF DISTRIBUTION ACCOUNTS	8,610	4,861

	Dec 2021		Dec 2020	
	Total \$'000	Cents per Unit	Total \$'000	Cents per Unit
Distributions paid and payable				
Half year ended 30 June paid September	6,121	12.29	-	-
Half year ended 31 December paid/payable March	8,610	17.29	4,861	9.76
	14,731	29.58	4,861	9.76

REEF CASINO TRUST

Notes to the financial statements For the year ended 31 December 2021

13. Segment information

The results and financial position of the Trust's single operating segment are prepared for the board on a basis consistent with Australian Accounting Standards and thus no additional disclosures in relation to the revenues, profit or loss, assets and liabilities and other material items have been made. Entity-wide disclosures are detailed below:

	Dec 2021 \$'000	Dec 2020 \$'000
RENTAL INCOME		
Casino operations	24,110	13,875
Hotel and other non-casino operations	2,650	1,678
	26,760	15,553

Rental income is received from the lessee of the complex, Casinos Austria International (Cairns) Pty Ltd, which is the Trust's only customer. All revenue received and non-current assets held are located in one geographical area – Australia.

14. Cash and cash equivalents

Cash (held in interest bearing accounts, at call)	9,615	4,079
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Reconciliation of cash flows from operating activities

PROFIT / (LOSS) FOR THE YEAR	7,361	(209)
ADJUSTMENTS FOR:		
Loss on disposal of property, plant and equipment	9	-
Finance costs attributable to unitholders	7,361	4,587
Depreciation and amortisation	4,799	4,423
Impairment	-	19,374
Reversal of impairment	-	(18,894)
NET CASH FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	19,530	9,281
Changes in operating assets and liabilities		
(Increase)/decrease in receivables and other assets	269	(750)
Increase/(decrease) in payables	(21)	(124)
Increase/(decrease) in deferred income	-	(3)
NET CASH FROM OPERATING ACTIVITIES	19,778	8,404

Reconciliation of liabilities and associated equity balances arising from financing activities

	Loan \$'000	Liabilities Lease Liability \$'000	Accrued distribution \$'000	Equity Distribution account \$'000	Total \$'000
AT 1 JANUARY 2020	500	71	2,580	2,698	5,849
Index adjustment	-	1	-	-	1
Cashflows	(300)	(72)	(2,580)	(2,698)	(5,651)
Distribution paid/payable	-	-	4,587	274	4,861
AT 31 DECEMBER 2020	200	-	4,587	274	5,060
AT 1 JANUARY 2021	200	-	4,587	274	5,060
New lease	-	387	-	-	387
Cashflows	-	(88)	(7,645)	(3,335)	(11,069)
Distribution paid/payable	-	-	7,361	7,368	14,730
AT 31 DECEMBER 2021	200	299	4,303	4,307	9,108

REEF CASINO TRUST

Notes to the financial statements For the year ended 31 December 2021

15. Related party information

The Responsible Entity

The Responsible Entity of Reef Casino Trust is Reef Corporate Services Limited (ABN 66 057 599 621) which is jointly controlled by Casinos Austria International Limited and Accor Casino Investments (Australia) Pty Ltd.

Key management personnel

	Short-term salary & fees	Post-employment superannuation benefits	Total
	\$	\$	\$
2021			
Non-executive directors			
Richard Haire (Chairman until 21 May 2021)	60,807	5,777	66,584
Benjamin Macdonald	75,000	7,313	82,313
Keith DeLacy (until 30 September 2021)	62,250	6,018	68,268
Christoph Zurucker-Burda	-	-	-
Michael Issenberg (Chairman from 21 May 2021)	95,613	9,473	105,086
Simon McGrath	-	-	-
Philip Basha	-	-	-
Executive director			
Allan Tan	221,760	-	221,760
Executive			
Alison Galligan (Company Secretary)	133,071	-	133,071
Total	648,501	28,581	677,082
2020			
Non-executive directors			
Richard Haire	117,000	11,115	128,115
Benjamin Macdonald	56,250	5,344	61,594
Keith DeLacy	62,250	5,914	68,164
Christoph Zurucker-Burda	-	-	-
Michael Issenberg	-	-	-
Simon McGrath	-	-	-
Philip Basha	-	-	-
Executive director			
Allan Tan	92,962	-	92,962
Executive			
Alison Galligan (Company Secretary)	130,496	-	130,496
Total	458,958	22,373	481,331

Only directors who are not full time executives of Casinos Austria International Limited group or Accor Asia Pacific group receive director fees which are reimbursed by the Trust.

The Trust has no employees and pays no amounts directly to executives. The amounts disclosed above have been reimbursed by the Trust to Casinos Austria International Limited, the employer of executives involved in the management of the Trust. The amount is based on an allocation of the executive's time spent on managing the affairs of the Trust (and includes on costs).

The Responsible Entity determines remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced directors. This is determined by given trends in other public companies in the same industry.

REEF CASINO TRUST

Notes to the financial statements For the year ended 31 December 2021

15. Related party information (continued)

Key management personnel (continued)

None of the directors of the Responsible Entity has or has had any interest in the promotion of the Trust or in the property acquired for the purposes of the Trust other than the directors of the Responsible Entity who are entitled to receive directors' fees which are reimbursed by the Trust, as set out above.

During the financial year the Trust has paid premiums to insure current and former directors and officers of the Responsible Entity against liabilities arising as a result of work performed in their capacity as directors or officers of the Responsible Entity.

The insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Unit holdings of directors of the Responsible Entity

Name	Balance at start of the year	Changes during the year	Balance at end of the year
	Number	Number	Number
Benjamin Macdonald	263,750	-	263,750
Christoph Zurucker-Burda	-	-	-
Michael Issenberg	221,000	(500)	220,500
Allan Tan	79,950	-	79,950
Simon McGrath	-	-	-
Philip Basha	-	-	-
Former Directors			
Richard Haire (retired 21 May 2021)	-	-	-
Keith DeLacy (retired 30 September 2021)	5,000	(5,000)	-

Responsible Entity's remuneration

	Transactions value		Balance outstanding	
	Dec 2021	Dec 2020	Dec 2021	Dec 2020
	\$	\$	\$	\$
Fees paid or payable by the Trust to Reef Corporate Services Limited during the year				
Responsible Entity fee	1,140,590	1,179,246	570,899	563,675
Reimbursement of Trust expenses	116,314	97,996	-	-

Under the Trust Constitution, the Responsible Entity is entitled to fees amounting to:

- (i) Half yearly fees calculated as 0.375% of the value of net assets of the Trust (as defined in the Trust Constitution) as at the last day of the half year period just completed, paid quarterly, plus
- (ii) Half yearly fees calculated as the greater of \$37,500 indexed and a fee calculated on a sliding scale by reference to the value of gross assets (as defined in the Trust Constitution), payable within two months of the end of each half yearly period.

The Responsible Entity is also entitled to reimbursement of Trust expenses incurred on behalf of the Trust.

REEF CASINO TRUST

Notes to the financial statements For the year ended 31 December 2021

15. Related party information (continued)

Other related parties

- Casinos Austria International Limited and Accor Casino Investments (Australia) Pty Limited jointly control the lessee.
- Reef Casino Investments Pty Ltd (jointly owned by Casinos Austria International Limited and Accor Casino Investments (Australia) Pty Ltd) directly owns 50.2% (2020: 50.2%) of Reef Casino Trust.
- Casinos Austria International Holding GmbH (the parent company of Casinos Austria International Limited) is incorporated in Austria and directly owns 11.37% (2020: 11.37%) of Reef Casino Trust.
- Casinos Austria International Limited directly owns 5.53% (2020: 5.53%) of Reef Casino Trust and Accor Casino Investments (Australia) Pty Ltd directly owns 4.86% (2020: 4.86%) of Reef Casino Trust.

Each of these entities is considered to be a related party and transactions and balances with these entities are summarised below.

	Transaction value		Balance outstanding	
	Dec 2021 \$	Dec 2020 \$	Dec 2021 \$	Dec 2020 \$
Aggregate amounts brought to account in relation to transactions with other related parties:				
Rental income received from lessee	26,760,010	15,552,803	2,202,952	2,525,878
Interest on loan to lessee	52,664	50,181	4,510	4,498
Operating expenses paid by the Trust to the lessee and entities related to the Responsible Entity	2,873,335	1,989,242	195,645	309,845
Management fee to lessee	117,294	150,771	33,177	37,030
Distribution paid or payable	7,698,041	5,242,957	3,096,445	3,300,840
Aggregate amounts receivable/payable with related parties at balance date:				
Current receivables			2,207,462	2,530,376
Non-current receivables			750,000	750,000
Current payables			799,721	910,550
Accrued distribution			3,145,191	3,353,311

All of the above transactions were conducted under normal commercial terms and conditions, and where applicable, in accordance with lease agreements.

Controlling entity

The ultimate chief parent entity is Reef Casino Investments Pty Ltd which is incorporated in Australia.

REEF CASINO TRUST

Notes to the financial statements For the year ended 31 December 2021

16. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Trust:

	Dec 2021 \$	Dec 2020 \$
GRANT THORNTON AUDIT PTY LTD		
Audit of statutory financial reports	78,600	72,100
Other assurance services	26,643	29,257
	105,243	101,357

17. Earnings per unit

Basic earnings per unit is calculated by dividing the profit or loss attributable to unitholders of the Trust by the weighted average number of the equity component of issued units outstanding during the period.

	Dec 2021 Cents	Dec 2020 Cents
Basic and diluted earnings / (loss) per unit (cents)	29.56	(0.84)
WEIGHTED AVERAGE NUMBER OF UNITS (EQUITY PORTION) FOR THE YEAR (NOTE 11)	24,900,518	24,900,518
Profit / (loss) for the year	\$'000 7,361	\$'000 (209)

18. Financial instruments – fair values and risk management

The Trust has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, and market risk.

Risk management framework

The board has overall responsibility for the establishment and oversight of the risk management framework. The board has established a Compliance, Audit and Risk Committee, with responsibilities including the review of risk management policies and reports. The committee reports regularly to the board on its activities.

Credit risk

Credit risk is the risk of financial loss to the Trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Trust's receivables from customers.

The carrying amount of financial assets represents the maximum credit exposure. The Trust's most significant customer, Casinos Austria International (Cairns) Pty Ltd (lessee of the Reef Hotel Casino), accounts for \$2,957,462 of the receivables carrying amount at 31 December 2021 (2020: \$3,280,376). Details of the lease agreement are contained in note 8.

Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Trust's approach to managing liquidity is to use cash flow management and forecasts to ensure there is enough cash to meet liabilities when due.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

REEF CASINO TRUST

Notes to the financial statements For the year ended 31 December 2021

18. Financial instruments – fair values and risk management (continued)

Liquidity risk (continued)

	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1yr \$'000	1 to 2 years \$'000	2 to 5 years \$'000
31 DECEMBER 2021					
NON-DERIVATIVE FINANCIAL LIABILITIES					
Trade creditors and accruals	1,749	1,749	1,749	-	-
Accrued distribution	4,303	4,303	4,303	-	-
Bank borrowings	200	224	8	8	208
Lease liabilities	299	318	103	106	109
Issued units – liability portion*	85,051	-	-	-	-
31 DECEMBER 2020					
NON-DERIVATIVE FINANCIAL LIABILITIES					
Trade creditors and accruals	1,635	1,635	1,635	-	-
Accrued distribution	4,587	4,587	4,587	-	-
Bank borrowings	200	209	8	201	-
Lease liabilities	-	-	-	-	-
Issued units – liability portion*	85,051	-	-	-	-

* Future cash flows from the liability portion of issued units are dependent on the future income of the Trust (refer to note 11). Finance costs attributable to unitholders for the year ended 31 December 2021 totalled \$7,361,000 (2020: \$4,587,000).

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Trust's income. The Trust generally manages interest rate exposure by considering a balance of fixed interest debt to variable interest debt with some flexibility to adjust the ratio, and investing excess cash at variable interest rates.

Interest rate risk

At the reporting date the interest rate profile of the Trust's interest-bearing financial instruments was:

	Dec 2021 \$'000	Dec 2020 \$'000
VARIABLE RATE INSTRUMENTS		
Financial assets	10,365	4,829
Financial liabilities	(200)	(200)
	10,165	4,629

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would increase or decrease the Trust's finance income by \$104,000 (2020: \$48,000), finance costs by \$2,000 (2020: \$2,000) and profit for the year by \$51,000 (2020: \$46,000).

REEF CASINO TRUST

Notes to the financial statements For the year ended 31 December 2021

18. Financial instruments – fair values and risk management (continued)

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	31 December 2021		31 December 2020	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
ASSETS CARRIED AT AMORTISED COST				
Cash and cash equivalents	9,615	9,615	4,079	4,079
Receivables	3,059	3,059	3,328	3,328
	12,674	12,674	7,407	7,407
LIABILITIES CARRIED AT AMORTISED COST				
Payables	6,052	6,052	6,222	6,222
Loans and borrowings	200	200	200	200
Issued units – liability portion	85,051	77,689	85,051	68,476
	91,303	83,941	91,473	74,898

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows are as follows:

	2021	2020
Receivables	7.08%	7.08%
Loans and borrowings	3.79%	3.92%

Fair value hierarchy

The Trust uses the following hierarchy in determining and disclosing the fair value of a financial instrument:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) Current receivables and current payables

Due to the short-term nature of the Trust's current receivables and current payables, their carrying value is assumed to approximate their fair value.

(ii) Non-current receivables and loans and borrowings

The fair value of the Trust's non-current receivables and loans and borrowings is estimated as the present value of future cash flows (principal and interest), discounted at the market rate of interest at the reporting date. The inputs used are classified as level 2.

(iii) Issued units – liability portion

Fair value is based on the quoted market price per unit at the reporting date and is a level 1 input.

Notes to the financial statements For the year ended 31 December 2021

19. Capital management

The Trust policy is to maintain the current level of issued units (2021: \$170,102,000; 2020: \$170,102,000). Capital requirements are assessed based on budgeted cash flows and capital expenditure commitments and are monitored on an ongoing basis. Should new funding be required for enhancement or for investment in new opportunities the Trust will consider an appropriate balance of new equity and/or debt funding. Surplus funds are used to repay debt.

The board sets the level of distributions to unitholders taking into account the requirements of the Trust Constitution which require that the Trust must distribute at least 50% of net distributable income for each half yearly period commencing either on the first day of January or July and the taxation legislation regarding Trust distributions. It is the board's current policy to distribute all of the Trust's distributable income.

Directors' declaration

- 1 In the opinion of the directors of Reef Corporate Services Limited, the Responsible Entity of Reef Casino Trust:
- (a) the financial statements and notes that are set out in pages 18 to 40, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Trust's financial position as at 31 December 2021 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 31 December 2021.
- 3 The directors draw attention to note 2(a) to the financial statements which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors of Reef Corporate Services Limited:



Michael Issenberg
Director

Cairns
22 February 2022



Allan Tan
Director

Independent Auditor's Report

To the Unitholders of Reef Casino Trust

Report on the audit of the financial report

Opinion

We have audited the financial report of Reef Casino Trust (the Trust), which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Trust is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Trust's financial position as at 31 December 2021 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards 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 Trust 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 (including Independence Standards)* (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter
How our audit addressed the key audit matter
Determination and recognition of revenue – Note 4

The Trust leases its facilities to a related party, Casinos Austria International (Cairns) Pty Ltd (the Lessee). Accordingly the Trust's rental revenue is determined in accordance with the lease agreements between the Trust and the Lessee.

Rental revenue comprises two components: a base rent and a contingent rent. The base rent component is indexed yearly and recognised on a straight line basis over the lease term.

The contingent rent component is based on the financial performance and results of the Lessee and is recognised when contractually due. The contingent rent component comprises the majority of total rental revenue.

This is a key audit matter given that it is material to the Trust's results and is recognised based on the financial performance and results of the Lessee.

Our procedures included, amongst others:

- Assessing the design and implementation of management's controls over the determination and recognition of rental revenue;
- Analysing management's calculation of rental revenue in accordance with the lease agreements and with the audited financial statements of the Lessee;
- Agreeing whether the inputs to management's calculation of contingent rental revenue are in accordance with the lease agreements and with the audited financial statements of the Lessee;
- Assessing the appropriateness and sufficiency of the work performed on the Lessee's financial statements for the relevant period by the Lessee's auditor; and
- Evaluating the disclosures in the financial statements for appropriateness and consistency with accounting standards.

Information other than the financial report and auditor's report thereon

The Directors of Reef Corporate Services Limited, the Responsible Entity of the Trust, are responsible for the other information. The other information comprises the information included in the Trust's annual report for the year ended 31 December 2021, 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 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 Responsible Entity of the Trust are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 Trust'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 Trust or to cease operations, or have no realistic alternative but to do so.

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar2_2020.pdf. This description forms part of our auditor's report.

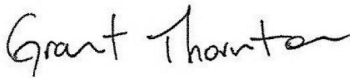
Report on the audit of non-IFRS information

Opinion on non-IFRS information

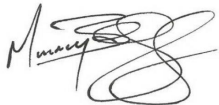
In our opinion, the non-IFRS information disclosed as distributable profit included in the chairman's review on pages 1 to 3 for the year ended 31 December 2021 is prepared, in all material respects, in accordance with the basis of preparation set out on page 3.

Responsibilities

The Directors of the Responsible Entity of the Trust are responsible for the preparation and presentation of the non-IFRS financial information in accordance with the basis of preparation set out on page 3 and for having regard to the guidelines set out in the ASIC Regulatory Guide 230: *Disclosing Non-IFRS Financial Information*. Our responsibility is to express an opinion on the non-IFRS financial information, based on our audit conducted in accordance with Australian Auditing Standards.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M C Bragg
Partner – Audit & Assurance

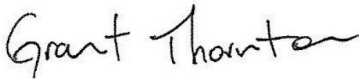
Brisbane, 22 February 2022

Auditor's Independence Declaration

To the Directors of the Responsible Entity of Reef Casino Trust

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Reef Casino Trust for the year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M C Bragg
Partner – Audit & Assurance

Brisbane, 22 February 2022

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