



## **TRUST CHAIRMAN'S AND EXECUTIVE DIRECTORS' ADDRESS TO THE ANNUAL GENERAL MEETING 26 MAY 2023**

### **Chairman's address**

Good afternoon ladies and gentlemen, unitholders and guests and welcome again to the Reef Casino Trust's 2023 annual general meeting held at the Reef Hotel Casino in Cairns.

I will also ask Allan Tan, Executive Director, to provide his address just a bit later on. I hope you will find both our addresses informative and that you take away with you a good understanding regarding your investment in the Trust.

### **Director Renewal**

Earlier today, we farewelled Mr Ben Macdonald who retired as a director at the conclusion of a board meeting. Mr Macdonald has served on the board of Reef Corporate Services Limited since 20 September 1995 and from 31 October 2000 until 24 August 2018 was chairman of the board. The board acknowledges his significant contributions to the Reef Casino Trust over the years. The board and staff wish Ben well in his retirement and thank him for his service to the Trust.

It is with pleasure that I welcome to this, their first Annual General Meeting, Ms Sarah Derry, a director appointed by Accor, and Mr Erwin van Lambaart, an incoming director who will be appointed by Casinos Austria International. He has been approved by the regulator but is awaiting his Director Identification Number issued by the Australian Business Registry. We expect this shortly.

Ms Derry was appointed to the board on 28 March 2023.

The board is currently progressing with the appointment of one further independent director, one that falls under the "appointed by all unitholders" category. We have retained the services of a search specialist in this recruitment.

### **COVID-19**

During 2022, the complex stayed open throughout the year. The COVID Omicron variant had only a slight dampening impact on operations at the Reef Hotel Casino and in the 1st half of the year only.

### A record year

Despite Covid, both the Trust and the Reef Hotel Casino posted record operating results in 2022.

The Trust reported strong rental income for the financial year 2022 as the Reef Hotel Casino traded strongly.

At the Reef Hotel Casino which is owned by the Trust, local and domestic patronage was strong during the year especially from mid-March 2022 till the end of the year. Even though international borders had reopened, there were not many international patrons. The Trust received a record rental income from the Reef Hotel Casino.

Trust operating expenses were kept under good management and control. Building repair and maintenance expenses were higher than 2021 as part of an on-going program to maintain the complex. Insurance premiums were unfortunately also higher than 2021 due to market conditions.

### Distributable profit / Unit Distribution

We reported in February this year that the Trust produced a record distributable profit in 2022 of \$17.986 million compared to \$14.722 million in the previous year. This distributable profit is before finance costs attributable to unitholders.

We were pleased to declare and pay a unit distribution for the second half of 2022 of 22.99 cents per unit. This was paid on 8 March 2023.

A unit distribution for the 6 months from January to June 2022 of 13.18 cents per unit was paid on 14 September 2022.

Therefore, the total distribution for 2022 was 36.17 cents per unit. This compares to a total distribution for 2021 of 29.58 cents per unit reflecting the strong rental income received from the Reef Hotel Casino.

### A strong and healthy balance sheet

The Trust's interest only business term loan facility with the Bank of Queensland remains unchanged at \$13.500 million and expires on 31 January 2025. The amount undrawn at 31 December 2022 was \$13.300 million. Essentially, the Trust is debt free. 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 2022 was very carefully managed due to the on-going economic uncertainties posed by the COVID-19 pandemic and other economic factors such as inflation and high interest rates. Essential capital items were approved to maintain and drive operational growth. This included new gaming machines and hotel operating asset requirements.

I will now ask Allan Tan, the Executive Director to deliver his address.

## **Executive Director's address**

Thank you, Chairman. Good afternoon unitholders, ladies and gentlemen.

### **Trading and operating conditions at the Reef Hotel Casino**

Our local, regional, Queensland and Australian domestic markets held up well for our complex in 2022. There were not many international tourists, even though Australia's international borders had reopened.

Management and staff managed the transition from COVID pandemic to "living with COVID" well. Our complex operations (both casino and hotel) performed strongly.

### **Complex performance – a brief review**

New records were set for the following key performance indicators –

- Total complex rentals paid to Trust
- Casino rentals paid to Trust
- Hotel rentals paid to Trust
- Electronic games revenue
- Hotel rooms revenue

A record yearly rental was paid in 2022. Total rentals paid to the Trust were \$30.347 million, compared to \$26.760 million in 2021.

### **Our market segments**

The local and domestic markets held up well for our complex throughout the year in most sectors of our business.

Electronic gaming is our biggest revenue segment and the biggest contributor to the rentals paid to the Trust. In 2022 it performed strongly.

Table gaming also recorded a strong overall result, with increased visitation from domestic patrons coming from the southern states throughout the year.

Main floor table gaming reported growth from the previous year. Premium play was lower than last year as there were few international table games players in 2022.

Hotel revenues were higher with increased domestic travel. Strong hotel bookings from intra-state and interstate were experienced resulting in a significant increase in room rate and occupancy.

Sales throughout our food and beverage outlets also increased compared to the previous year.

### **Management strategy**

Management adopted our long standing overall low risk appetite, a targeted marketing strategy and a disciplined handling of costs. This drove our overall performance of the complex in 2022 resulting in a positive and successful result. These were coupled with the proven success of our management strategy and philosophy under our *"One Complex, One Team, One Success"* mantra.

Our complex offered an array of entertainment choices including live acts and shows, restaurants and bars.

With regards to the matter of labour shortage, it was challenging but manageable for us.

### Complex regulatory compliance, risk management

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

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

### Trading Update

Let me now provide a brief trading update at the complex.

In the first 4 months of this year, the complex traded lower than 2022. 2022 was a record year and also what I call a Covid year. The result for the first 4 months of this year compares well to the pre-Covid years of 2018 and 2019. The first half of the year is the low season for Cairns.

We expect that the high season for Cairns will kick in in the second half of the year albeit against a continuing uncertain economic backdrop.

The management team remains committed to achieve the best possible outcome for the complex.

Ladies and gentlemen, this concludes my address and I now hand back to the Chairman.

### **Chairman's address continues**

Thank you, Allan.

Ladies and gentlemen, allow me to continue.

### Sum up of 2022

In 2022 the Trust delivered a record full year profit result. 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 3 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 2022.

### Relationship between Trust and Operator

I like to take this opportunity to thank the operator of the Reef Hotel Casino which is jointly owned by Casinos Austria International 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.

### A brief update of Trust trading

Allan has earlier provided an update of trading at the Reef Hotel Casino for the first 4 months of this year.

I refer to the ASX announcement that we made earlier today regarding our forecast for the 1st 6 months of 2023. We think the Reef Casino Trust's (Trust) distributable profit\* for the 1st half year from 1 January 2023 to 30 June 2023 is estimated to be between \$3.8 million and \$4.8 million (compared to \$6.562 million in 2022).

- Each of the 4 months from January to April inclusive was profitable.
- Revenues at the Reef Hotel Casino complex are comparable to the same period last year.

- Costs at the Reef Hotel Casino complex and at the Trust have increased compared to last year
  - Inflation is running high.
  - Electricity costs have increased sharply.
  - Insurance costs have also increased.
  - There is also increased costs relating to enhanced risk management requirements.
  - As part of the building maintenance program, we are at that point of the cycle of the complex in Cairns where essential building maintenance works have to be undertaken.
- So far in May, we expect it to be another profitable month for the Trust.
- As usual, the Trust will provide a further market update regarding its trading for the 1<sup>st</sup> 6 months of 2023 and its estimated distribution announcement in mid to late June 2023.

### The rest of 2023

The Trust relies on the rentals paid by the Reef Hotel Casino. We expect that the second half year high season in Cairns will kick in.

There is continuing economic uncertainty in the months ahead though.

Being in the hotel-casino industry that the Reef Hotel Casino is, it is difficult to predict in advance what sales might be in the months ahead. The board and management will use their best efforts to aim for the best possible operating performance and continue to pay a unit distribution which it has achieved continuously each year since 1999.

Inflation and higher costs are expected to continue.

In closing, I would like to 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 2022. I would also like to thank all unitholders for their support.

Ladies and gentlemen, that concludes my address to the meeting.

Thank you.

Authorised by the Board

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