



REEF
CASINO TRUST

**TRUST CHAIRMAN'S AND REEF HOTEL CASINO EXECUTIVE DIRECTORS'
ADDRESS TO THE ANNUAL GENERAL MEETING
21 MAY 2021**

Chairman's address

Good afternoon ladies and gentlemen, unitholders and guests and welcome to the Reef Casino Trust's 2021 annual general meeting here at the Reef Hotel Casino in Cairns.

Last year, due to COVID-19, the Trust did not hold an annual general meeting. Under the Trust's constitution, while it has been customary, it is not a requirement. We are pleased that we are able to once again hold an annual general meeting of unitholders this year.

A little later, the Reef Hotel Casino's Executive Director, Allan Tan will also provide his address. 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.

COVID-19

2020 was characterised by 2 different halves due to COVID-19. The first half year was severely impacted by the mandated closure of the Reef Hotel Casino complex. For the second half year, the Trust delivered a strong trading result.

The Reef Hotel Casino here in Cairns was shut down from 23 March 2020 to 2 July 2020 as directed by the Queensland Government. This shut down period represented 55% of the first half year during which time there was essentially no revenue at the Reef Hotel Casino complex.

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

The 2020 annual report sets out the Trust financial statements in detail. Let me briefly mention a few key points

Distributable profit

We reported in February this year that the Trust produced a distributable profit in 2020 of \$4.858 million compared to \$6.671 million in the previous year. This distributable profit is before impairment costs and finance costs attributable to unitholders.

In the first half of 2020, this figure was a loss of \$4.316 million but in the second half year, it was a profit of \$9.174 million.

Rental income from the Reef Hotel Casino was 17.7% lower than 2019. The total expenses of the Trust were 12.8% lower.

Overall, despite COVID-19, the Trust managed to deal with the challenges of 2020 reasonably well and continued to report a distributable profit.

As Chairman, I record my thanks to my fellow board members of the Trust and the management and staff of the Reef Hotel Casino for their efforts during 2020.

Unit distribution

We were pleased to declare and pay a unit distribution in the second half of 2020 of 9.76 cents per unit. This was paid on 10 March 2021. No distribution was declared in the first half of 2020. This total unit distribution comprised 100.1% of 2020 distributable profit. The undistributed income account balance is 20.3 cents per unit, or \$10.118 million.

A strong and healthy balance sheet

Again despite the challenges of COVID-19, the Trust's balance sheet remains strong and healthy with positive cash flows, and the Trust continues to have sufficient working capital. The interest only loan facility with the Bank of Queensland was renewed for a further 3 years and remains unchanged at \$13.5 million. This loan facility expires on 31 January 2025. The amount drawn down at 31 December 2020 was just \$200k.

Independent external valuation of the Reef Hotel Casino complex

Per the Trust's Constitution, the Reef Hotel Casino complex was independently valued at \$132 million as at 31 December 2020. This valuation as at 31 December 2020 in part reflected the solid cash flows and operating performance of the Reef Hotel Casino since its reopening on 3 July 2020, together with a more confident outlook than that which existed at the half year.

Year-end reversal of half year impairment of property, plant and equipment.

The final outcome as at 31 December 2020 was no impairment for the financial year 2020. At 30 June 2020, due to the uncertainty of COVID-19 at the time, 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. A reversal of \$18.894 million was made as at 31 December 2020.

Capital Investment

Capital expenditure in 2020 was very carefully managed due to COVID-19 impact on the Reef Hotel Casino operations and cash generating capacity. Only 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.

I will now ask Allan Tan, the Executive Director of the Reef Hotel Casino to deliver his address.

Executive Director's address

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

Overview of Reef Hotel Casino in 2020

For the financial year, total rentals paid to the Trust were \$15.553 million, 17.7% lower than 2019. \$1.82 million in the 1st half, and \$13.733 million in the 2nd half. The complex traded strongly in the 2nd half.

Throughout the 2020 financial year, the Reef Hotel Casino operated against the backdrop of COVID-19.

From 1 January to 22 March 2020, our local and domestic markets held up well for our complex, particularly for our casino operations. For the complex as a whole, rentals paid to the Trust were up on 2019.

From 23 March 2020 to 2 July 2020, our complex was shut to all guests and patrons as mandated by the Queensland Government. While expenses were cut right back wherever possible, still there were no operating revenues. Therefore, no rentals were paid to the Trust.

Our complex reopened on 3 July 2020. From 3 July to 31 December 2020, our local and domestic markets continued to hold up well for our complex. Our casino performed particularly well led by electronic gaming. Our hotel operations also performed relatively well. 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-19 restrictions on our operations.

For the 1st half of 2020, due to the shutdown of the complex operations for over 3 months, complex revenues across all main sources of revenues were down on 2019.

For the 2nd half of 2020, following the reopening of the complex operation in early July 2020, the complex again traded profitably and paid good rentals to the Trust.

Electronic gaming was the standout area of performance. Turnover for the 2nd half was up 11% on 2019. While the other main sources of revenue were still down on 2019, casino table games, hotel room accommodation and complex food and beverage all made satisfactory contributions to the complex rentals paid to the Trust.

Towards the end of 2020, our complex opened a new food and beverage venue called Soy Kitchen.

During 2020 with the onset of COVID, cost cutting initiatives were implemented including regrettably some staff redundancies, some organisational restructuring, adjustment, and rescaling of our operations to better suit a largely local and regional market. The Federal Government's JobKeeper program assisted the complex in managing costs.

Trading Update

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

For the first 4 months of this year, the complex has traded positively and strongly. Rentals paid to the Trust for this period is, of course, up on 2020, 2020 being much impacted by COVID-19, but pleasingly is also up on 2019. With just over a week to go in May, we also expect May to be another profitable month.

Looking ahead for the rest of the year, we can see some positives for our complex. While it is difficult to see a swift return of international visitors to Cairns, our complex should continue to see strong local and regional support. Since just before Easter, Cairns has seen a return of interstate visitors in good numbers. As the COVID-19 vaccination continues to roll out and the State border situation stabilises further, we can expect to see more domestic visitors to Cairns especially during the traditional second half year high season for Cairns. This increased visitation to Cairns can only improve our casino and hotel operations further.

The management team is committed to achieve the best possible outcome given the current challenging conditions.

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, let me continue.

Summary and conclusion

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.

A brief outlook for the Trust in 2021

The operator of the Reef Hotel Casino in Cairns has reported profitable and strong trading for the first four months in 2021. This has resulted in strong rental income for the Trust. The Trust can report a profitable result for the first 4 months of this year.

On 22 April 2021, the Trust had provided a trading update to the market and reported a distributable profit of \$2.88 million for the first 3 months of this year.

The Trust will make an announcement of the estimated distribution around the middle of June 2021 which will also include a further brief trading update.

Since 2000, the Trust has consistently delivered profits, declared unit distributions and carefully managed the business and corporate risks. 2020 has presented unprecedented challenges in the form of COVID-19.

The first half year ended 30 June 2020 was the first half year since December 1999 that the Trust did not pay a distribution. The Trust resumed paying a distribution for the 2nd half of 2020. The Trust expects to pay a distribution for the 1st half of 2021.

Notwithstanding the strong trading for the year so far already flagged, we remain slightly cautious about the prospects ahead and acutely aware of the uncertainty our region, our broader hospitality industry and our own facility must confront. We will continue to be vigilant in our management of costs and the elimination of waste, and we will be prudent with capital management. Having said that, we have great confidence in the quality of our product offering, the commitment of our people, and the future of our region, and I am optimistic the Trust will be a vibrant participant in the inevitable recovery in our area when it happens.

In closing, I would like thank my fellow board directors, the management and staff of the Trust, and the operator of the Reef Hotel Casino for their efforts and contributions during financial year 2020 and for so far in 2021. 2020 was indeed a year like no other we have faced and the discretionary effort, individual sacrifice, and enthusiasm which all applied to the task at hand reflects wonderfully well on the enduring culture of the Trust. And last but not least, I would like to thank you, our unitholders for your support during this past financial year.

Since 2000, the Trust has consistently delivered profits, declared unit distributions, and carefully managed the business and corporate risks. The Trust intends to continue with its policy to distribute 100% of distributable income. Your Board remains committed to continue with this.

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

Thank you.

Authorised by the Board

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