AQUIS ENTERTAINMENT LIMITED

ABN 48 147 411 881

Financial Statements
for the Financial Year Ended 31 December 2021

AQUIS ENTERTAINMENT LIMITED
DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements for the financial year ended 31 December 2021. The consolidated financial statements comprise the financial statements of Aquis Entertainment Limited ("Aquis" or "Company") and its controlled entities (together referred to as the "Group" or "Consolidated Entity").

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are set out below:

Tony Fung	Chairman	(resigned 30 August 2021)
Russell Shields	Chairman	(appointed Chairman 30 August 2021)
Alex Chow	Non-Executive Director	
Mark Purtill	Non-Executive Director	(appointed 30 August 2021)
Allison Gallaugher	Executive Director	

Current Directors

Tony Fung (Chairman – resigned 30 August 2021)

Mr Tony Fung is the ultimate owner and controller of the Aquis Group. He has significant experience in corporate finance and company administration, including running Sun Hung Kai & Co. Ltd, a leading Hong Kong-based non-bank financial and securities holding company. Mr Fung has significant property investments in Hong Kong and also in Australia.

Russell Shields (Chairman – appointed 30 August 2021)

Mr Russell Shields is a senior non-executive director with more than 35 years' experience in the financial services industry. He was Chairman Queensland and Northern Territory of ANZ Bank for 6 years. Prior to joining ANZ, Mr Shields held senior executive roles in Australia and Asia with HSBC including Managing Director Asia Pacific – Transport, Construction and Infrastructure and State Manager Queensland, HSBC Bank Australia. He is currently a non-executive director of ASX-listed Eclipx Group Limited, was a non-executive director of Retail Food Group Limited (December 2015 to October 2018) and was Chairman of Onyx Property Group Limited until December 2015.

Mr Shields was appointed as the Chairman of the Aquis Entertainment Board on the retirement of Mr Fung. He is also a member of the Remuneration and Nomination Committee (previously the Chair) and is a member of the Audit and Risk Committee.

Alex Chow (Independent Non-Executive Director)

Mr Yu Chun (Alexander) Chow is a senior non-executive director with over 35 years of experience in commercial, financial and investment management in Hong Kong and Mainland China. He has served as an Independent Non-executive Director of Top Form International Limited since February 1993 and retired in October 2019. He was a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants until January 2019. Mr. Chow is also currently an independent non-executive director of Playmates Toys Limited, China Strategic Holdings Limited and Symphony Holdings Ltd, each of which are listed on the Hong Kong Stock Exchange.

Mr Chow was appointed as the Chair of the Remuneration and Nomination Committee during the year and is a member of the Audit and Risk Committee (previously the Chair).

Mark Purtill (Independent Non-Executive Director – appointed 30 August 2021)

Mr Mark Purtill is a Chartered Accountant, Registered Company Auditor, Registered Tax Agent, Registered SMSF Auditor and Justice of the Peace. He has over 25 years' experience in the Chartered Accounting profession and prior to that, in commercial lending. Mr Purtill has a wide range of experience across many industries and entities and has been at the Partner level in accounting firms for 20+ years, currently as a Partner at MPM Chartered Accountants.

Mr Purtill is a director and member of the advisory board of several large private companies as well as a Charitable Foundation. He also holds a Diploma of Financial Planning.

Mr Purtill brings expertise in audit and risk management, including Anti Money Laundering matters, as well as strong corporate governance and strategic skills.

Mr Purtill was appointed as the Chair of the Audit and Risk Committee on joining the Board and is a member of the Remuneration and Nomination Committee.

Allison Gallaugher (Executive Director)

Ms Allison Gallaugher is a Chartered Accountant with over 20 years' experience in the accounting industry, advising a range of local and international listed and unlisted companies, across a broad range of industries.

Ms Gallaugher held senior management positions including at a top 5 accounting firm in Sydney, before returning to Canberra where she joined the leading boutique accounting firm as an advisor to many of Canberra's largest businesses, predominantly in the property and development industry. Ms Gallaugher's experience spans the full range of business advisory, taxation and audit fields. Most recently, Ms Gallaugher was the Financial Controller of a large club group, before joining Aquis on 24 March 2017 as Financial Controller.

Ms Gallaugher was appointed as a director on 28 June 2018 and was acting Chief Executive Officer from 1 January 2019. She was formally appointed as Chief Executive Officer effective from 27 February 2020.

Company Secretary

The Company Secretary in office at the end of the reporting period was Company Matters practitioner, Kim Bradley-Ware. Kim holds a Bachelor of Laws (LLB), a Bachelor of Commerce (B.Com), and is a full member of the Australian Society of CPAs.

Kim has over 20 years of experience as a Company Secretary and CFO and has worked in the Company Matters team since 2017, providing company secretarial, governance and chief financial officer services to Company Matters clients across a range of different industries, including, retail, infrastructure and energy.

Kim has provided support to a large number of ASX companies including Elixinol Global Limited (ASX: EXL), Energy Action Limited (ASX: EAX), People Infrastructure Ltd (ASX: PPE), as well as various Infrastructure Joint Ventures and Private Companies.

Prior to joining Company Matters, Kim was a Company Secretary and Chief Financial Officer at ASX listed Pan Pacific Petroleum Limited (ASX: PPP) and prior to that, held various roles in accounting across a variety of different industries including credit reporting, telecommunications and media.

INTERESTS IN SHARES AND OPTIONS

As at the date of this report, the interests of the Directors in the ordinary shares of Aquis were:

Directors	Ordinary Shares	Unlisted Options
T Fung (resigned 30 August 2021)	163,871,874	-
R Shields	-	-
A Chow	-	-
M Purtill	-	-
A Gallaugher	-	-

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity during the year was entertainment, gaming and leisure through the ownership of Casino Canberra.

OPERATING AND FINANCIAL REVIEW

Operating results for the Year

The operating result for the consolidated entity for the year to 31 December 2021 was a loss of $470,628 (2020: profit $798,201).

Operating revenue for the year amounted to $24,821,129, a 32.82% increase from the 2020 result ($18,687,684). Earnings before Interest Tax Depreciation and Amortisation (EBITDA) for the year was a profit of $3,369,368 (2020: profit $4,819,796).

Casino Canberra was closed for 2 ½ months during 2021 (12 August 2021 through to 28 October 2021) due to Government mandated shutdown directions related to Covid-19 (2020 closure was 4 ½ months 23 March 2020 through to 9 August 2020).

Strategy

Aquis has a clear strategy to develop and manage quality destination integrated resorts in underserved areas of Australia. Casino Canberra is the first such investment and has been used to demonstrate the Company's ability to significantly improve an underperforming operation by a combination of leadership and targeted investment in the business.

Aquis advanced its strategy during the year by:

- Focused marketing activities to streamline expenditure on profitable revenue streams within the gaming department;
- Continuing to improve the operations of Casino Canberra by engaging experienced management who are focussed on revenue maximisation and improving customer service standards;
- Continuation of a cost control program to minimise expenditure and streamline efficiencies in business processes to improve economies of scale particularly during the shutdown period;
- Ongoing consideration of alternative and complementary business lines as opportunities arise; and
- Effective hibernation of the business during the Government mandated Covid-19 shutdown, with projects undertaken during closure to ensure continued improvements in efficiencies post reopening.

Operations

Revenue from operations for the year increased 32.82% to $24,821,129 (2020: $18,687,684). The operating profit includes a small Government Covid-19 business support grant. Other operating expenses increase by 39.8% with the major increase being the full annual casino licence fee (2020 nil).

Year on year comparatives are affected by ACT Government directions which resulted in Casino Canberra being closed for a period in each of the two years as follows:

- Closed from 23 March 2020 to 9 August 2020 (approx. 4 ½ months); and
- Closed from 12 August 2021 to 28 October 2021 (approx. 2 ½ months).

Other material differences were:

- Casino Canberra was no longer an eligible employer under the Federal Government's JobKeeper payment scheme from 4 January 2021;
- The 2020 the annual casino licence fee was waived as part of the ACT Government's Covid-19 support response; and
- The 2021 licence fee was payable in full with no reduction granted in relation to the closure.

Following the recommencement of trading on 29 October 2021, capacity restrictions and other Covid-19 restrictions remained in place under Government directions through to the end of the year.

Financial position

At 31 December 2021, the Group had cash reserves of $9,379,330 (2020: $7,259,495) and unused borrowing facilities of $7,571,317. The group had a positive net cashflow for the financial year and following the end of the financial year no further drawdowns have been made on the finance facility. The balance sheet at 31 December 2021 shows a net asset deficit of $19,578,423 (2020: $19,809,879 deficit).

Outlook

The Directors are confident of the outlook for Aquis. The casino's highly experienced operations leadership team continue to execute the vision of attracting and servicing quality players. Ongoing internal restructures to improve the alignment of teams within the group continues to improve efficiencies in our workforce, in addition to the absorption of several roles on resignation of incumbent employees. Our Business Development team have focused on growing the existing customer database over the year, continuing to customise offers to individual members which has proved very successful in maximising revenues while minimising costs, ensuring all expenditure is effective.

Legislation was enacted in 2018 to allow 200 electronic gaming machines (EGM's) to operate within the casino, subject to several conditions. During 2021 the planned advancement of this part of the strategy was restricted due to ongoing effects of the Covid-19 pandemic and another shutdown, however as the Omicron outbreak eases and operations stabilise, focus will again return to future plans for redevelopment and discussions surrounding the details of the legislated requirements for the EGM's to enable planning for the future.

Employees

The number of people employed by the Consolidated Entity at the reporting date was 195.

DIVIDENDS

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

DIRECTOR AND COMMITTEE MEETINGS

The number of meetings of the Company's Board of Directors held during the period and the number of meetings attended by each Director was:

Director	Board Meetings		Audit & Risk		Remuneration & Nomination	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
T Fung (resigned 30 August 2021)	3	2	2	1	2	2
R Shields	7	7	4	4	2	2
A Chow	7	6	4	4	2	2
M Purtill (appointed 30 August 2021)	4	4	2	2	-	-
A Gallaugher	7	7	n/a	n/a	n/a	n/a

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the year, other than disclosed in this report.

SIGNIFICANT EVENTS AFTER BALANCE DATE

The ACT has suffered an outbreak of the Omicron variant of Covid-19 during the beginning of 2022. The casino remains open and as at the date of this report, trading results continue unaffected by the outbreak, with operational procedures having been implemented to manage all mandated Government restrictions. Staff absences due to illness and quarantine requirements affected payroll expenses in January at the peak of the outbreak, with significant overtime hours issued to cover the approximately 25% of staff on leave over a two week peak for the business. Irrespective of this situation, the January monthly revenue result was approximately 10% above budget and casino EBITDA was 245% above budget for the month.

As at the date of this report, the ACT Government has lifted all restrictions and Casino Canberra has returned to its pre Covid-19 trading and capacity arrangements.

Other than as set out in this report and the attached financial statements, no other matters or circumstances have arisen since 31 December 2021, which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

INDEMNIFICATION OF OFFICERS

The Company is required to indemnify Directors, and other officers of the Company against certain liabilities which they may incur as a result of or by reason of (whether solely or in part) being or acting as an officer of the Company.

During the financial year, the Company paid a premium to insure the Directors against potential liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of Director of the Company other than conduct involving wilful breach of duty in relation to the Company. The amount of the premium is not disclosed as it is considered confidential.

The Company provides no indemnity to any auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the consolidated entity is a party for the purpose of taking responsibility on behalf of the consolidated entity or any part of those proceedings.

ENVIRONMENTAL REGULATIONS

The Directors are mindful of the regulatory regime in relation to the impact of the organisation's activities on the environment.

There have been no known breaches of any environmental regulation by the Consolidated Entity during the financial period.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Aquis is an entertainment, gaming and leisure company which currently operates a casino business in Canberra.

The company maintains its intentions to update plans in relation to a proposed redevelopment, incorporating the 200 EGM's for which approval has been legislated. There are several terms and conditions in the legislation which require clarification prior to the company being able to settle any plans. Planned discussions with the government in relation to clarification of these items were stalled due to Covid-19 closures taking the focus away from future developments, however as the pandemic eases, discussions will progress in due course. Following necessary clarifications, the company will evaluate options and variables to determine a suitable and viable way forward with regard to the redevelopment.

There remain several other prospects available to the company, which have also continued to be delayed due to the Covid-19 pandemic, but will be investigated and evaluated in the future prior to reporting in due course as appropriate.

Future Developments, Prospects and Business Strategies (cont'd)

The existing short to medium term strategy to improve service and gaming offerings, maximise revenues and minimise expenditure via improvements in processes and increased efficiency projects continues from prior years and the current major focus is solidifying the performance of the company following the second Covid-19 pandemic shutdown in two years in conjunction with managing the ongoing related trading restrictions.

The company reiterates that it remain committed to the operation of the casino and to advancing the strategy of creating a world class entertainment precinct in the Canberra CBD with the casino as its centrepiece and continues to believe that the post Covid-19 refurbishment of the area surrounding the casino presents the perfect opportunity to do so.

SHARE OPTIONS

As at the date of this report, there were no unissued ordinary Aquis shares under option (2020: nil). Accordingly, during the financial year and to the date of this report no options were exercised.

No options have been issued in the period since year end to the date of this report.

INDEPENDENT PROFESSIONAL ADVICE

Directors of the Company are expected to exercise considered and independent judgement on matters before them and may need to seek independent professional advice. A director with prior written approval from the Chairman may, at the Company's expense, obtain independent professional advice to properly discharge their responsibilities.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 31 to the financials.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services disclosed in note 31 of the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached.

REMUNERATION REPORT (AUDITED)

This Remuneration Report forms part of the Directors' Report and has been prepared in accordance with Section 300A of the *Corporations Act 2001* and has been audited as required by Section 308(3C) of that Act.

The Remuneration Report is set out under the following key headings:

- A Introduction
- B Principles used to determine the nature and amount of remuneration
- C Remuneration details
- D Service agreements
- E Other KMP disclosures

A. Introduction

The Remuneration Report sets out information relating to the remuneration of the non-executive Directors, executive Directors and senior management of the Company - collectively termed Key Management Personnel (KMP). The KMP are the persons primarily accountable for planning, directing and controlling the affairs of the Company. For the purposes of this report the executive Directors and senior management are referred to as Executives.

Details of KMP for whom remuneration disclosures are included in this Report are as follows:

Current Non-Executive Directors

A Chow	Non-Executive Director
R Shields	Non-Executive Director, Chairman
M Purtill	Non-Executive Director (appointed 30 August 2021)

Current Executives

Name	Role	Relevant Dates
A Gallaugher	Financial Controller Director Chief Executive Officer (Acting) Chief Executive Officer	Appointed 24 March 2017 Appointed 28 June 2018 Appointed 1 January 2019 Appointed 27 February 2020

Previous Directors and Executives

Name	Role	Relevant Dates
T Fung	Chairman	Resigned 30 August 2021

Except where otherwise stated, KMP held office from the commencement of the year.

B. Principles used to determine the nature and amount of remuneration

Aquis' corporate goal is to develop and manage quality integrated resorts in Australia. To achieve this, the Group has sought to engage and retain experienced and talented Directors and Executives. The Group therefore aims to offer Directors and Executives a competitive remuneration package which reflects individual duties and responsibilities. The remuneration approach seeks to align Executive reward with the achievement of strategic objectives and the creation of value for shareholders.

The Remuneration Committee will be responsible for determining and reviewing on-going remuneration arrangements for its Directors and Executives. This Committee may seek advice of external remuneration consultants in conducting its duties. Further information regarding the Committee is set out in the Corporate Governance Statement.

The Group has established differing remuneration structures for Non-Executive Directors and Executives.

Non-Executive Directors

Fees and payments to the Non-Executive Directors reflect the demands which are made on, and the responsibilities of, these Directors. Non-Executive Director fees comprise a base salary plus statutory superannuation. Non-Executive Directors are not entitled to receive share based payments or other performance based incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 26 November 2015, where the shareholders approved an aggregate remuneration pool of $600,000.

Executives

Aquis aims to reward executives with a remuneration structure based on their position and responsibility, which has both fixed and variable components.

Fixed remuneration

Fixed remuneration aims to provide a base level of remuneration and is determined with reference to available market data, the scope of the executive's responsibilities and their experience and qualifications.

Fixed remuneration, consists of base salary, superannuation and complementary privileges at Casino Canberra, and may include other benefits where Executives may elect to sacrifice part of their salary to be contributed towards any non-cash benefit including motor vehicles, accommodation costs etc.

Fixed remuneration for Executives is reviewed annually and approved by the Remuneration Committee.

Performance based remuneration

Short term incentives

The performance based component of Executive remuneration aligns the strategies set by the Board with the individual targets of the Executives responsible for implementing those strategies.

Executives are entitled to receive short term incentives based on service and on the achievement of Key Performance Indicators.

Long term incentive plan

At the Annual General Meeting of the Company held on 31 May 2017, Shareholders approved the implementation of the Aquis Entertainment Limited Share Rights Plan (Plan). Under the Plan, Participants may become entitled to receive Rights (which are entitlements on vesting to fully paid ordinary shares in Aquis Entertainment Limited). The Rights would be granted for no monetary consideration and have no exercise price, unless otherwise determined by the Board. One vested Right is an entitlement to one Share.

The Plan allows for three kinds of Rights, being:

- Performance Rights which vest when performance conditions have been satisfied,
- Retention Rights which vest after the completion of a period of service, and
- Restricted Rights which are vested but subject to disposal restrictions.

At the date of this report, no Rights have been issued pursuant to the Plan.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to performance of the consolidated entity. A portion of short term incentive payments are dependent on achieving defined KPI's. For the 2021 year, the KPI's were set by the Board and related to the achievement of revenue and profitability outcomes. These outcomes were to be driven by the Board's strategy to improve the overall product offered to customers including service standards and marketing programs. Improvements in revenue generating capability and profitability will form the basis of providing long term earnings growth for Casino Canberra and consequently for shareholder value growth.

C. Details of remuneration

Remuneration received or receivable by Key Management Personnel during the reporting period was as follows:

Key management personnel	Short-term benefits			Post-employment benefits super - annuation	Other long-term benefits	Share based payment	Total	Performance based remuneration	Remun-eration at risk - STI
	Fees and/or salary	Cash, profit sharing / other bonuses	Other						
	$	$	$	$	$	$	$	%	%
2021									
T Fung[1]	-	-	-	-	-	-	-	-	-
R Shields[2]	109,167	-	-	10,654	-	-	119,821	-	-
A Chow	105,000	-	-	-	-	-	105,000	-	-
A Gallaugher	321,539	259,269	4,750	22,631	50,710[4]	-	658,899	39%	39%
M Purtill[3]	35,000	-	-	3,500	-	-	38,500	-	-
Totals	**570,706**	**259,269**	**4,750**	**36,785**	**50,710**	**-**	**922,220**		

[1] Resigned as Chairman on 30 August 2021
[2] Appointed as Chairman from 1 November 2021
[3] Appointed as Director from 30 August 2021
[4] Includes retention component of performance bonus payable if still in employment on 31 January 2022

Key management personnel	Short-term benefits			Post-employment benefits super - annuation	Other long-term benefits	Share based payment	Total	Performance based remuneration	Remun-eration at risk - STI
	Fees and/or salary	Cash, profit sharing / other bonuses	Other						
	$	$	$	$	$	$	$	%	%
2020									
T Fung	-	-	-	-	-	-	-	-	-
A Chow	59,167	-	-	-	-	-	59,167	-	-
R Shields	71,167	-	-	6,761	-	-	77,928	-	-
A Gallaugher[1]	273,555	90,000	-	20,241	12,303	-	396,099	23%	23%
Totals	**403,889**	**90,000**	**-**	**27,002**	**12,303**	**-**	**533,194**		

[1] Appointed as CEO from 27 February 2020

D. Service agreements

Non-Executive Directors

Each Director has signed a letter of appointment which sets out the conditions of the appointment including the remuneration for the position.

Non-Executive Directors are entitled to the following remuneration components:

- A base fee of $80,000 per annum as a director
- 50% of the base director's fee per annum for the Chairman of the Board
- $20,000 per annum for the Chair of a Board Committee
- $5,000 per annum for serving on a Board Committee (each committee)

Statutory superannuation where required by law.

Executives

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name	**Allison Gallaugher**
Title	Financial Controller [1] & CEO[2,3]
Commencement Date	24-Mar-2017
Term of Agreement	Open
Annual Salary	$300,000 from 2020 as CEO, increased to $320,000 from July 2021
Superannuation	Statutory superannuation
Bonus	Annual KPI bonus = 30% (2020) 30% (2021) of base salary as determined at the absolute discretion of the Board subject to KPI's agreed between the Executive and the Chair of the Remuneration Committee. No bonus payment if Executive gives notice of termination prior to the payment date or if terminated for cause An additional performance bonus of $100,000 p.a. for achievement of a Casino EBITDA of $3m (2021), plus a sliding scale for performance above $3m EBITDA (EBITDA setting determined annually by the Chair of the RNC). The total performance bonus is payable 60% on achievement of the set EBITDA and 40% on a retention arrangement on 31 January in the subsequent year subject to continued employment at that date.
Post-employment restraint	Company may impose restraint for various periods up to 12 months and for various regions
Termination Period	2 months either party

[1] *Was Financial Controller to 26 February 2020*

[2] *Appointed acting CEO from 1 January 2019*

[3] *Appointed CEO from 27 February 2020*

E. Other KMP disclosures

Movements in share holdings

The movement during the year in the number of ordinary shares in the Company held directly, indirectly or beneficially by each key management person, including their related parties, follows:

Name 2021	Opening Balance[1]	Acquired on Market	Disposed	Closing Balance[2]
T Fung	163,871,874	-	-	163,871,874

Name 2020	Opening Balance[1]	Acquired on Market	Disposed	Closing Balance[2]
T Fung	163,871,874	-	-	163,871,874

[1] *Opening balance includes balance at beginning of the period or at date of appointment*

[2] *Closing balance includes balance at end of the period or at date of resignation*

Other than as detailed in the table above, no shares were held in the Company either directly, indirectly or beneficially by any key management personnel.

b) Movement in option holdings

There were no options over ordinary shares in the Company held directly, indirectly or beneficially by key management personnel.

Loans to directors and executives

There were no loans to directors or executives at balance date.

Other transactions and balances with directors and executives

There were no other transactions with Directors or executives during the financial year. At the reporting date, the Group had loans outstanding from entities related to Mr Tony Fung totalling \$35.6 million (2020: \$37.4 million) inclusive of accrued interest.

End of audited remuneration report

Signed in accordance with a resolution of the directors.

Mark Purtill
Director

Canberra

24 February 2022

AQUIS ENTERTAINMENT LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Note	Consolidated 2021 $	Consolidated 2020 $
Revenue and other income			
Revenue	3	24,821,129	18,687,684
Other income	3	363,338	245,498
Total revenue and other income		**25,184,467**	**18,933,182**
Expenses from continuing operations:			
Casino taxes		(2,743,608)	(1,951,035)
Employee benefit expenses		(13,617,118)	(8,251,025)
Other operating expenses	4	(5,447,799)	(3,896,394)
Finance charges	4	(2,015,175)	(2,244,286)
Depreciation	4	(1,805,760)	(1,766,606)
Amortisation	4	(25,635)	(25,635)
Total expenses from continuing operations		**25,655,095**	**18,134,980**
(Loss) / Profit before income tax expense		**(470,628)**	**798,201**
Income tax benefit	5	**701,424**	**-**
Profit attributable to members of the consolidated entity		**230,796**	**798,201**
Other comprehensive income for the year, net of tax		660	179
Total comprehensive profit for the year attributable to the members of the consolidated entity		**231,456**	**798,380**
Basic and diluted earnings per share (cents per share)	6	0.12	0.43

The accompanying notes form part of these financial statements.

AQUIS ENTERTAINMENT LIMITED
STATEMENT OF FINANCIAL POSITION
as at 31 December 2021

	Note	Consolidated 2021 $	Consolidated 2020 $
CURRENT ASSETS			
Cash and cash equivalents	7	9,379,330	7,259,495
Trade and other receivables	8	155,020	536,765
Inventories	9	247,774	255,585
Other current assets	10	457,547	243,474
Total current assets		**10,239,671**	**8,295,319**
NON-CURRENT ASSETS			
Property, plant and equipment	11	7,319,289	8,783,682
Right of use assets	12	-	18,133
Trade and other receivables	8	5,000	5,000
Intangible assets	13	1,791,272	1,816,907
Financial assets at fair value through other comprehensive income	14	5,569	4,909
Deferred tax assets	5	701,424	-
Total non-current assets		**9,822,554**	**10,628,631**
TOTAL ASSETS		**20,062,225**	**18,923,950**
CURRENT LIABILITIES			
Trade and other payables	15	4,076,550	2,958,574
Lease liabilities	16	-	18,133
Employee benefit provisions	17	1,700,452	1,413,205
Total current liabilities		**5,777,002**	**4,389,912**
NON-CURRENT LIABILITIES			
Employee benefit provisions	17	193,078	188,524
Loans and borrowings	18	33,670,568	34,155,393
Total non-current liabilities		**33,863,646**	**34,343,917**
TOTAL LIABILITIES		**39,640,648**	**38,733,829**
NET ASSETS		**(19,578,423)**	**(19,809,879)**
EQUITY			
Contributed equity	19	4,167,952	4,167,952
Reserve	19	5,773,838	6,276,150
Accumulated losses	20	(29,520,213)	(30,253,981)
TOTAL EQUITY		**(19,578,423)**	**(19,809,879)**

The accompanying notes form part of these financial statements

AQUIS ENTERTAINMENT LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

	Share capital	Reserve	Accumulated losses	Total
	$	$	$	$
Balance at 1 January 2020	4,167,952	6,678,349	(31,454,560)	(20,608,259)
Profit attributable to members of the company	-	-	798,201	798,201
Other Comprehensive income for the year net of tax	-	(402,199)	402,378	179
Balance at 31 December 2020	**4,167,952**	**6,276,150**	**(30,253,981)**	**(19,809,879)**
Balance at 1 January 2021				
Profit attributable to members of the company	-	-	231,456	231,456
Other Comprehensive loss for the year net of tax	-	(502,312)	502,972	660
Balance at 31 December 2021	**4,167,952**	**5,773,838**	**(29,520,214)**	**(19,578,423)**

The accompanying notes form part of these financial statements

AQUIS ENTERTAINMENT LIMITED
STATEMENT OF CASH FLOWS
for the year ended 31 December 2021

	Note	Consolidated 2021 $	2020 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		27,843,722	20,149,049
Payments to suppliers and employees		(22,888,744)	(15,825,652)
Interest received		6,574	14,933
Interest paid		-	(791)
Net cash provided by operating activities	21	**4,961,552**	**4,337,539**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(348,897)	(165,969)
Proceeds from sale of assets		25,000	3,780
Dividend received		313	101
Net cash (used in) investing activities		**(323,584)**	**(162,088)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(18,133)	(21,899)
Repayment of borrowings		(2,500,000)	(2,000,000)
Net cash (used in) provided by financing activities		**(2,518,133)**	**(2,021,899)**
Net increase (decrease) in cash held		2,119,835	2,153,552
Cash at beginning of the period		7,259,495	5,105,943
Cash at end of the period	7	**9,379,330**	**7,259,495**

The accompanying notes form part of these financial statements

1. Statement of significant accounting policies

The financial report covers the consolidated group of Aquis Entertainment Limited ("Aquis" or "Company") and its controlled entities (together referred to as the "Consolidated Entity" or "Group). Aquis is a for-profit company limited by shares incorporated and domiciled in Australia. The Company's shares are publicly traded on the Australian Securities Exchange (ASX: AQS).

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgements in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Functional and presentation currency

The Company's functional and presentation currency is Australian dollars.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 27.

Summary of accounting policies

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial statements.

(a) Principles of consolidation

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases. A list of subsidiaries is contained at Note 26. All controlled entities have a December year end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

1. **Statement of significant accounting policies (continued)**

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit.

(b) Revenue recognition

The consolidated entity recognises revenue as follows:

Gaming Revenue

Gaming Revenue is the net of gaming wins and losses, and is recognised upon the outcome of the game.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Contract and contract-related liabilities

In providing goods and services to its customers, there may be a timing difference between cash receipts from customers and recognition of revenues, resulting in a contract or contract-related liability.

The Group primarily has liabilities related to contracts with customers as follows:

- Unredeemed casino chips, which represent the amounts owed to customers for chips in their possession.
- Loyalty program liabilities, which represent the deferral of revenue until loyalty points are redeemed.

These liabilities are generally expected to be recognised as revenues within one year of being purchased, earned, or deposited and are recorded within current trade and other payables on the Statement of Financial Position. Decreases in these balances generally represent the recognition of revenues and increases in the balances represent additional chips held by customers and increases in customer loyalty program balances made by customers.

(c) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

1. **Statement of significant accounting policies (continued)**

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Profit or Loss and Other Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Goods & services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Goods & Services Tax (GST) receivable from, or payable to, the Australian Taxation Office has been accounted for and included as part of receivables or payables in the Statement of Financial Position.

Cash flows are presented in the Statement of Cash Flows on a gross basis except for the GST component of investing activities, which are disclosed as an operating cash flow.

(e) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

(g) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any provision for impairment.

1. **Statement of significant accounting policies (continued)**

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(i) Property, plant and equipment

Land and buildings are stated based on historical cost less accumulated depreciation and impairment for buildings. Historical cost includes expenditure that is directly attributable to the acquisition of the land and building.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	10-40 years
Plant and equipment	3-20 years

The assets' residual values and useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement.

(j) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either:

(i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or

(ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

1. **Statement of significant accounting policies (continued)**

(k) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

(l) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(m) Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(n) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

1. **Statement of significant accounting policies (continued)**

(o) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

(p) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowing using the effective interest rate method.

(q) Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received.

Any transaction costs arising on the issue of shares are recognised (net of tax) directly in equity as a reduction of the share proceeds received.

(r) Earnings per share (EPS)

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than shares, by the weighted average number of shares outstanding during the financial year, adjusted for any bonus elements in Shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential shares**.**

(s) New or amended accounting standards and interpretation adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

1. **Statement of significant accounting policies (continued)**

(t) *JobKeeper Payments*

The Group is no longer eligible for JobKeeper effective from 4 January 2021. In accordance with Section 323DB(1) of the Corporations Act 2001, the Group disclosed all JobKeeper payments in the JobKeeper Payments Notification announcement to the ASX on 11 November 2021.

Employees who were eligible, while the ACT was in lockdown during the year, received Covid-19 disaster payments from the Federal Government directly.

(u) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity produced a loss of $470,628 (2020: $798,201 profit), had net cash inflows from operating activities of $4,961,552 (2020: inflows of $4,337,539) and net liabilities of $19,578,423 (2020: $19,808,879) for the year ended 31 December 2021.

The Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- The consolidated entity has unused financing facilities of $7.57 million at the balance date. This facility is sufficient to meet the cash flow requirements for the consolidated group. The facility matures on 25 August 2024.
- The 2022 forecast cash flow is positive.
- Cash balances are in excess of $9 million at balance date and are forecast to increase, current assets in excess of current liabilities of $4.46 million and generated cash flow from operations of $4.96 million.

Accordingly, the Directors believe that the going concern basis is the appropriate basis for the preparation of the financial report. If for any reason the consolidated entity is unable to continue as a going concern, it would impact on the consolidated entity’s ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Impairment of Intangibles

The consolidated entity assesses impairment of intangible assets at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating unit to which the intangible is allocated. The assumptions and methodology used to assess the recoverable amount are set out in Note 13.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be wholly settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

	Consolidated	
	2021	**2020**
3. Revenue and other income	**$**	**$**
Revenue		
Revenue from services	22,837,340	17,292,814
Revenue from sale of goods	1,983,789	1,394,870
Total revenue	**24,821,129**	**18,687,684**
Other income		
Interest	6,574	14,933
Other revenue	356,764	230,565
Total other income	**363,338**	**245,498**

4. Expenses from continuing operations

	Consolidated	
	2021	2020
(a) Other operating expenses	$	$
Cost of sales	511,116	412,898
Annual casino licence fee	980,563	74,323
Repairs & maintenance	246,257	219,261
Utilities	397,309	415,089
Insurance	266,916	241,532
Printing & stationery	18,068	23,830
Marketing, promotion and associated costs	1,514,037	1,085,118
Legal, accounting and consultants	235,572	308,503
Travel and associated costs	17,665	9,027
Gaming supplies	189,725	129,312
Rates and taxes	139,941	146,235
Computer supplies	178,385	151,553
Uniform replacement and cleaning	80,931	47,947
Other expenses	671,314	631,766
Total other operating expenses	**5,447,799**	**3,896,394**
(b) Finance charges		
Interest – 3rd parties	-	791
Interest – related parties	2,015,175	2,243,495
Total finance charges	**2,015,175**	**2,244,286**
(c) Depreciation		
Buildings	1,085,221	1,046,428
Plant and equipment	702,406	698,279
Right-of-use assets	18,133	21,899
Total depreciation	**1,805,760**	**1,766,606**
(d) Amortisation		
Casino licence and fees	**25,635**	**25,635**

5. Income tax

	Consolidated	
	2021	**2020**
(a) The components of income tax expense comprise	**$**	**$**
Current tax	-	-
Deferred tax	(701,424)	-
	(701,424)	-
(b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Net (loss)/profit	(470,628)	798,201
Prima facie income tax on the profit / loss from		
Ordinary activities at 25% (2020: 26%)	(117,657)	207,532
Tax effect of permanent differences:		
Non-deductible amortisation	6,409	6,665
Non-deductible interest expense	380,183	441,144
Sundry items	11,412	(13,620)
De-recognition of DTA on temporary differences	178,322	45,574
Use of tax losses not previously recognised as a DTA	(259,033)	(687,295)
De-recognition of DTA / (DTL) on CY tax losses	-	-
De-recognition of DTA on arising from tax consolidation	-	-
Recognition of DTA for tax losses	(701,424)	-
Adjustment recognised for prior periods	(199,636)	-
Income tax attributable to entity	**(701,424)**	-
(c) DTA recognised at 25%		
Net deferred tax assets at beginning	-	-
Charged to income statement current year	701,424	-
Net deferred tax assets at end of the year	**701,424**	-

As at 31 December 2021, a net deferred tax asset of $6,767,645 (2020: $8,013,243) has not been recognised.

6. Earnings per share

Basic and diluted earnings per share (cents per share)	0.12	0.43
	No.	**No.**
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted EPS	**185,141,050**	**185,141,050**

Options are considered potential ordinary shares. For the years ended 31 December 2021 and 31 December 2020, their conversion to ordinary shares would have had the effect of reducing the loss per share (from continuing operations). Accordingly, the options were not included in the determination of diluted earnings per share for that period.

	Consolidated	
	2021	**2020**
7. Cash and cash equivalents	**$**	**$**
Cash at bank	7,800,050	6,094,748
Cash on hand	1,579,280	1,164,747
Total	**9,379,330**	**7,259,495**

Pursuant to the Deed between the ACT Gambling and Racing Commission, the Company and the Australian Capital Territory dated 23 December 2014, the Company is required to maintain at all times a minimum of $3 million in liquid assets that are not otherwise used in the day to day operations of the business unless with the prior written consent of the Commission.

The funds were not used during the year.

8. Trade and other receivables

Current		
Trade receivables	155,020	34,900
Other receivables	-	501,865
Total	**155,020**	**536,765**
Non-current		
Other receivables	**5,000**	**5,000**

9. Inventories

Consumable stores - at cost	178,668	170,379
Goods for resale – at cost	69,106	85,206
Total	**247,774**	**255,585**

10. Other assets

Current		
Prepayments and deferrals	375,299	176,737
Other	82,190	66,737
	457,489	**243,474**

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11. Property plant and equipment

	Consolidated 2021 $	Consolidated 2020 $
Building and leasehold improvements		
Building at cost	27,977,763	28,196,319
Accumulated depreciation	(14,104,698)	(13,188,595)
Accumulated impairment	(8,173,980)	(8,223,418)
	5,699,085	**6,784,306**
Plant and equipment		
Plant and equipment at cost	5,726,557	5,591,234
Accumulated depreciation	(4,106,353)	(3,591,858)
	1,620,204	**1,999,376**
Balance	**7,319,289**	**8,783,682**
Movements in property plant and equipment:		
Building and leasehold improvements		
Opening written down value	6,784,306	7,830,734
Depreciation	(1,085,221)	(1,046,428)
Carrying value at 31 December	**5,699,085**	**6,784,306**
Plant and equipment		
Opening written down value	1,999,376	2,529,729
Additions	348,897	139,969
Addition – transfer from right-of-use assets	-	26,000
(Loss) / Profit on disposal of plant and equipment	(25,663)	1,957
Depreciation expense	(702,406)	(698,279)
Carrying value at 31 December	**1,620,204**	**1,999,376**

12. Non-current assets – right-of-use assets

	2021 $	2020 $
Carrying amount at beginning of the period	18,133	54,399
Depreciation expense	(18,133)	(36,266)
Carrying amount at end of the period	**-**	**18,133**

The consolidated entity lease plant and equipment under agreements of between one to three years. There is also office equipment under agreement either short-term or low-value, which have been expensed as incurred and not capitalised as right-of-use assets.

13. Intangible assets	Consolidated 2021 $	2020 $
Casino Licence and associated costs		
At cost	19,000,000	19,000,000
Accumulated amortisation and impairment	(17,208,728)	(17,183,093)
Carrying value at 31 December	**1,791,272**	**1,816,907**
Movements in intangible assets		
Opening written down value	1,816,907	1,842,542
Amortisation	(25,635)	(25,635)
Carrying value at 31 December	**1,7916,272**	**1,816,907**

The Casino Canberra licence is tested annually for impairment. The remaining term on the licence is 70 years.

Casino Canberra is considered a cash-generating unit (CGU) for the purpose of impairment testing. The recoverable value of the casino CGU was based on its fair value less costs to sell. The fair value less costs to sell of the CGU was determined to be higher than its carrying value at 31 December 2021 of $8,293,338 (2020: $9,794,265) and accordingly no impairment loss was recognised.

Fair value less costs to sell was determined by discounting the future cash flows generated from the continuing use of the CGU for five years and a terminal growth rate thereafter and adjusting the result for the likely costs to sell the CGU. The calculation of the fair value less costs of disposal was based on the following key assumptions.

Cash flows are based primarily on a five-year forecast extrapolated using average annual growth rates of approximately 2 – 2.5% (2020: 2 – 2.5%).

A post-tax discount rate of 13.5% (2020:13.5%) was applied in determining the recoverable amount of the unit. The discount rate was determined by using the weighted average cost of capital applicable to the CGU.

Sensitivity

Judgements and estimates have been applied in respect of impairment testing of the CGU. Should these judgements and estimates not occur the resulting carrying amount may decrease. The key sensitivities are as follows:

- Revenue would need to decrease by more than 5.4% (2020: 23%) from the forecast levels (with all other assumptions remaining constant) before the carrying value of the CGU would need to be impaired,
- Expenses would need to increase by more than 6% (2020: 24%) from the forecast levels (with all other assumptions remaining constant) before the carrying value of the CGU would need to be impaired,
- The discount rate would be required to increase to approximately 32.7% (2020: 60%) (with all other assumptions remaining constant) before the carrying value of the CGU would need to be impaired.

14. Financial assets at fair value through other comprehensive income

Listed equities – at fair value	5,569	4,909

The fair values of listed investments are determined by reference to published price quotations in an active market.

15. Trade and other payables

	Consolidated 2021 $	Consolidated 2020 $
Current unsecured:		
Trade payables	314,764	305,229
Sundry payables and accrued expenses	3,761,786	2,653,345
Total payables (unsecured)	**4,076,550**	**2,958,574**

Trade and other payables are non-interest bearing and have maturity dates of less than 90 days. The fair value of the liabilities is determined in accordance with the accounting policies disclosed in Note 1.

16. Lease liabilities

	2021	2020
Current liabilities	-	18,133
Non-current liabilities	-	-
	-	**18,133**

17. Employee benefit provisions

	2021	2020
Current		
Annual Leave	1,042,188	857,851
Long Service Leave	658,264	555,354
	1,700,452	**1,413,205**
Non-current		
Long Service Leave	193,078	188,524
Total	**1,893,530**	**1,601,729**

18. Loans and borrowings

	2021	2020
Interest bearing loans from related party (unsecured)	**33,670,568**	**34,155,393**

The fair value of the loan has been divided into its debt and equity component as follows:

Presented in the statement of financial position as:

	2021	2020
Borrowings	33,670,568	34,155,393
Equity	5,772,375	6,275,347
	39,442,943	**40,430,740**

18. Loans and borrowings (continued)

Financing facilities:

At the Company's Annual General Meeting on 31 May 2016, shareholders passed a resolution to enter into the Amended Loan Conversion Deed between the Company and major shareholder Aquis Canberra Holdings Pty Ltd. The Deed (and related amended loan agreements entered into by the Company) consolidated all existing loans from multiple lenders into a single loan. As a result of entering into the deed, all loan facilities on foot at 31 May 2016 are now classified as non-current in the Company's Statement of Financial Position.

Key terms of the financing facility are as follows:

- Facility limit is for a capital value $36,450,000;
- The Loan Agreement matures on 25 August 2024 (Maturity Date);
- Interest is payable on the balance of the new loan at an interest rate of the lower of: BSY + 2% per annum; and the Reserve Bank of Australia's indicator lending rate for small business; variable; residential secured and term rates;
- Interest will accrue monthly and will be capitalised on the last day of each month;
- Capitalised interest is in addition to the capital value of the facility (i.e. the accrued interest does not form part of the balance of the facility limit);
- Repayment/conversion: the outstanding amount under the loan agreement may be repaid in any of the following ways:
  - at the sole election of Aquis Canberra Holdings under the Amended Loan Conversion Deed, by conversion into Shares at a conversion price of $0.20 per Share, provided that the Company is not required to issue Shares to the extent that conversion would result in either:
    - the issue of greater than 250,000,000 Shares; or
    - Aquis Canberra Holdings and its associates having voting power in the Company in excess of 89.59%; and
  - the Company prepays to Aquis Canberra Holdings all or any part of the amount outstanding on the new loan in cash at any time up to the date that is 5 Business Days before the Maturity Date.

The Loan represents a compound financial instrument comprising elements of debt (the contractual obligation to pay cash to the lender) and equity (the lender's option to convert the liability into fully paid ordinary shares). Accordingly, the initial carrying amount of the loan has been allocated to its debt and equity components by assigning to equity the residual amount after deducting the amount separately determined for the carrying value of the liability from the fair value of the instrument as a whole. The carrying amount of the liability has been determined by measuring the fair value of a similar liability that does not have an associated equity component.

The facility limit is $36,450,000 in principal; interest is capitalised in addition to the facility limit.

18. Loans and borrowings (continued)

The fair value of the Loan has been divided into its debt and equity components as follows:

	Consolidated 2021 $	Consolidated 2020 $
Breakdown of the financing facilities:		
Principal (limit $36,450,000)	28,878,683	31,378,683
Interest capitalised	10,564,260	9,715,981
	39,442,943	**40,430,740**
Movement during the year:		
Balance at the beginning of the year	40,430,740	40,589,623
Drawdowns	-	-
Repayments	(2,500,000)	(2,000,000)
Equity component of convertible debt	(502,972)	(402,378)
Interest	2,015,175	2,243,495
Balance at the end of the year	**39,442,943**	**40,430,740**

19. Contributed equity

(a) Fully paid ordinary shares	4,167,952	4,167,952

The share capital of the Company consists only of fully paid ordinary shares, which do not have a par value. All shareholders participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Balance at the beginning and end of the reporting date	4,167,952	4,167,952

In accordance with the reverse acquisition procedure, the equity balance recognised in the consolidated financial statements in 2015 was the equity balance of the legal subsidiary Aquis Canberra Pty Ltd (ACPL) immediately before the business combination. The amount recognised as contributed equity in the consolidated financial statements in 2015 was determined by adding the cost of the acquisition to the contributed equity of the legal subsidiary ACPL.

	No.	No.
Balance at the beginning and end of the reporting date	185,141,050	185,141,050

(b) Reserves

	Consolidated 2021 $	Consolidated 2020 $
Opening balance	6,276,150	6,678,349
Equity component of convertible debt	(502,972)	(402,378)
Fair value of shares	660	179
Balance at 31 December	**5,773,838**	**6,276,150**

20. Accumulated losses

	Consolidated 2021 $	2020 $
Opening balance	(30,253,981)	(31,454,560)
Transfer to Reserve	502,312	402,378
Comprehensive profit for the period	231,456	798,201
Balance at 31 December	**(29,520,213)**	**(30,253,981)**

21. Cash flow information

Reconciliation of cash flow from operations with Loss after income tax:		
(Loss) / Profit from ordinary activities after income tax	230,796	798,201
Non-cash flows from ordinary activities:		
Depreciation and amortisation	1,831,395	1,792,242
Loss / (Profit) on disposal	663	(3,780)
Interest on loan	2,015,175	2,243,495
Casino licences	-	74,323
Dividends received	(313)	(101)
Increase / (Decrease) in Employee provisions – current	287,246	(107,224)
Increase in Employee provisions – non-current	4,554	15,759
Changes in operating assets and liabilities:		
Decrease / (Increase) in receivables	381,745	(494,601)
Decrease / (Increase) in inventory	7,811	(88,862)
(Increase) / Decrease in other assets	(214,073)	24,132
Decrease / (Increase) in deferred tax asset	(701,424)	-
Increase in creditors and accruals	1,117,977	83,955
Cash flows from operations	**4,961,552**	**4,337,539**

22. Financial instruments

a) General objectives, policies and processes

The consolidated entity's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable and loans from related parties. The consolidated entity's business exposes it to market risk (interest rates), credit risk and liquidity risk.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Company's risk management objectives are therefore designed to minimise the potential impacts of these risks on the results of the Company where such impacts may be material. The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

22. Financial instruments (continued)

(b) Credit risk

The Company has exposure to credit risk on the receivables in the balance sheet. However, the Company has no significant concentrations of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history, and as such collateral is not requested. Cash at bank is held with the ANZ Banking Group Limited.

The maximum exposure to credit risk at balance date as follows:	**Consolidated**	
	2021	**2020**
	$	**$**
Cash at bank	7,800,050	6,094,748
Trade and other receivables	155,020	541,765
	7,955,070	**6,636,513**

(c) Liquidity risk

The consolidated entity manages liquidity risk by monitoring forecast cash flows.

Maturity analysis - 2021

	Carrying amount	**< 6 months**	**6-12 months**	**1-3 years**	**> 3 years**
	$	**$**	**$**	**$**	**$**
Financial liabilities					
Trade creditors	314,764	314,764	-	-	-
Loans and borrowings	33,670,568	-	-	33,670,568	-
Other creditors and accruals	3,761,786	3,761,786	-	-	-
Total	**37,747,118**	**4,076,550**	**-**	**33,670,568**	**-**

Intercompany working capital loans have no fixed repayment date. Parties to the loans have agreed that repayments will not be called to the detriment of any other group company and at the date of this report no notices have been issued in relation to repayment of any working capital loans. Parties have agreed that there will be no repayments called within the next 13 months.

Maturity analysis - 2020

	Carrying amount	**< 6 months**	**6-12 months**	**1-3 years**	**> 3 years**
	$	**$**	**$**	**$**	**$**
Financial liabilities					
Trade creditors	305,229	305,229	-	-	-
Loans and borrowings	34,155,393	-	-	-	34,155,393
Other creditors and accruals	2,653,345	2,653,345	-	-	-
Total	**37,113,967**	**2,958,574**	**-**	**-**	**34,155,393**

22. Financial instruments (continued)

(d) Market risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

(i) Interest rate risk

The Company's exposure to market interest rates relates to both the Company's long-term (interest bearing) loan obligation as set out in note 18 and the company's future cash flows from its cash holdings. The Company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the tables below:

		Fixed / floating interest rate maturing			
	Weighted average effective interest rate	Within 1 year	1 to 5 years	Non-interest bearing	Total
At 31 December 2021	**%**	**$**	**$**	**$**	**$**
Financial assets					
Cash & cash equivalents	**0.05%**	7,800,050	-	1,579,280	**9,379,330**
Trade & other receivable		-	-	155,020	**155,020**
Total financial assets		**7,800,050**	**-**	**1,734,300**	**9,534,350**
Financial liabilities					
Trade creditors		-	-	314,764	**314,764**
Loans and borrowings	**2.09%**	-	33,670,568	-	**33,670,568**
Total financial liabilities		**-**	**33,670,568**	**314,764**	**33,985,332**
At 31 December 2020	**%**	**$**	**$**	**$**	**$**
Financial assets					
Cash & cash equivalents	**0.05%**	6,094,748	-	1,164,747	**7,259,495**
Trade & other receivable		-	-	541,765	**541,765**
Total financial assets		**6,094,748**	**-**	**1,706,512**	**7,801,260**
Financial liabilities					
Trade creditors		-	-	305,229	**305,229**
Loans and borrowings	**2.76%**	-	34,155,393	-	**34,155,393**
Total financial liabilities		**-**	**34,155,393**	**305,229**	**34,460,622**

22. Financial instruments (continued)

ii) Net fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

iii) Sensitivity analysis

The group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest rate sensitivity analysis

At 31 December 2021, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated	
	2021	**2020**
	$	**$**
Change in profit:		
Increase in interest rate by 2%	(517,410)	(561,213)
Decrease in interest rate by 2%	673,411	683,108
Change in equity		
Increase in interest rate by 2%	(517,410)	(561,213)
Decrease in interest rate by 2%	673,411	683,108

(*ii) Other price risk*

The Company is not subject to other price risk.

23. Key management personnel disclosures

(a) Key management personnel

Directors

T Fung	Chairman (resigned 30 August 2021)
A Chow	Non-Executive Director (appointed 7 September 2016)
R Shields	Non-Executive Director (appointed 7 August 2016), Chairman (appointed 1 November 2021)
M Purtill	Non-Executive Director (appointed 30 August 2021)
A Gallaugher	Executive Director (appointed 28 June 2018)

Executives

A Gallaugher	Financial Controller appointed 24 March 2017 to 26 February 2020, CEO (Acting) appointed from 1 January 2019 and CEO appointed from 27 February 2020

23. Key management personnel disclosures (continued)

Transactions with key management personnel

Key management personnel remuneration includes the following:

	Consolidated 2021 $	2020 $
Short term employee benefits:	834,725	493,889
Post-employment benefits:	36,785	27,002
Other long-term benefits *	50,710	12,303
Total remuneration	**922,220**	**533,194**

* include retention component of performance bonus payable if still in employment on 31 January 2022

Further details are included in the Remuneration Report.

24. Related party transactions

(a) Controlling entities

The ultimate parent is TF Reef – Canberra Holdings Limited (incorporated in BVI). The ultimate Australian parent entity is Aquis Canberra Holdings (Aus) Pty Ltd.

(b) Key management personnel

Disclosures relating to KMP are included in Note 23 and the Remuneration report.

(c) Transaction with related parties

The Group received loans from related parties during the year. Details of the loans are set out at Note 18.

25. Contingent liabilities

Pursuant to the Deed between the ACT Gambling and Racing Commission, Casino Canberra Limited (CCL) and the Australian Capital Territory dated 23 December 2014, CCL granted the Commission and the Territory:

- First ranking mortgage over the casino land; and
- First ranking security interest over all other property.

CCL can replace the mortgage with a bank guarantee for $3 million should it raise debt finance in connection with improvements or redevelopment of the business.

26. Investment in controlled entities

Interests in controlled entities are set out below. All entities are incorporated and domiciled in Australia.

Name	Principal Activity	Incorporated	Ownership Interest 2021	2020
Aquis Canberra Pty Ltd	Gaming and entertainment	Australia	100%	100%
Casino Canberra Limited[1]	Gaming and entertainment	Australia	100%	100%

[1] Shares held by ACPL

27. Parent entity information

	2021 $	2020 $
Statement of financial position		
Current assets	24,197,084	27,218,805
Non-current assets	-	1,017
Total assets	24,197,084	27,219,822
Current liabilities	(197,206)	(179,146)
Non-current liabilities	(33,670,568)	(34,155,393)
Total liabilities	(33,867,774)	(34,334,539)
Net assets	**(9,670,690)**	**(7,114,717)**
Equity		
Issued capital	4,727,776	4,727,776
Reserves	5,900,088	6,403,060
Accumulated losses	(20,298,554)	(18,245,553)
Total equity	**(9,670,690)**	**(7,114,717)**
Statement of profit or loss and other comprehensive income		
Income	1	20,008
(Loss) for the year	**(2,555,972)**	**(2,639,753)**

Commitments for the parent entity are the same as those for the consolidated entity and are set out at Note 28.

The parent entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at year end.

28. Expenditure commitments

(a) Capital expenditure commitments

At 31 December 2021, the Company had no capital expenditure commitments (2020: nil).

(b) Commitment to Casino Licence Fee

Commitments for Casino Licence fees are payable as follows:

	2021 $	2020 $
Within one year	1,014,866	980,563
Later than one year but not later than 5 years	4,059,463	3,922,251
Later than 5 years	65,966,269	64,717,139
Commitments not recognised in the financial statements	**71,040,597**	**69,619,952**

As part of the ACT Government’s response to the Covid-19 pandemic, the 2020 licence fee has been waived.

29. Subsequent events

The ACT has suffered an outbreak of the Omicron variant of Covid-19 during the beginning of 2022. The casino remains open and as at the date of this report, trading results continue unaffected by the outbreak, with operational procedures having been implemented to manage all mandated Government restrictions. Staff absences due to illness and quarantine requirements affected payroll expenses in January at the peak of the outbreak, with significant overtime hours issued to cover the approximately 25% of staff on leave over a two-week peak for the business. Irrespective of this situation, the January monthly revenue result was approximately 10% above budget and casino EBITDA was 245% above budget for the month.

As at the date of this report, the ACT Government has lifted all restrictions and Casino Canberra has returned to its pre Covid-19 trading and capacity arrangements.

Other than as disclosed in this report, there has not arisen in the interval between the end of the reporting period 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 significantly affect the operations of the entity, the results of those operations or the state of affairs of the Company in future financial years.

30. Segment information

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The consolidated entity operates in a single operating segment: that of the gaming and entertainment industry in Australia.

31. Auditor information

The following fees were paid or payable for services provided by the Group's auditors:

	2021 $	2020 $
Remuneration of auditors		
Audit services	138,000	135,000
Other services	15,800	11,000

32. Company information

The registered office and principal place of business is as follows:

21 Binara Street
Canberra ACT 2601

33. Authorisation of financial statements

The consolidated financial statements for the year ended 31 December 2021 (including comparatives) were approved and authorised for issue by the Board of Directors on 24 February 2022.

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. the financial statements and notes are in accordance with the *Corporations Act 2001* and:

   a. comply with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

   b. give a true and fair view of the financial position as at 31 December 2021 and of the performance for the year ended on that date of the company and consolidated group;

2. the Chief Executive Officer and Financial Controller have each declared that:

   a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

   b. the financial statements and notes for the financial year comply with the Accounting Standards; and

   c. the financial statements and notes for the financial year give a true and fair view;

3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

4. Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards

Signed in accordance with a resolution of the Directors.

Allison Gallaugher
Director
Canberra
24 February 2022

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Aquis Entertainment Limited for the year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

RSM AUSTRALIA PARTNERS

C J HUME
Partner

Sydney, NSW
Dated: 24 February 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members of Aquis Entertainment Limited

Opinion

We have audited the financial report of Aquis Entertainment Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the year then ended; and

(ii) 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 Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Matters (Continued)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Recognition of Revenue – Refer to Note 3 in the financial statements</td></tr>
<tr><td>Revenue for the year ended 31 December 2021 was $25.1 million.

Revenue is considered to be a Key Audit Matter because, while it is not judgmental, it involves the transfer of significant volumes of cash in circumstances where there is no immediate paper trail.

There is potential for management override to achieve revenue targets via manual journal entries posted to revenue. Revenue could be inaccurately stated as a result. Our procedures were designed to corroborate our assessment that revenue should be closely aligned to cash banked and identify manual adjustments that are made to revenue for further testing.</td><td>Our audit procedures in relation to the recognition of revenue included:
Assessing whether the Group's revenue recognition policies were in compliance with Australian Accounting Standards.
Evaluating the operating effectiveness, of management's controls related to revenue recognition.
Using data extracted from the accounting system, we tested the appropriateness of journal entries impacting revenue.
We verified the recognition and measurement of revenue by tracing a sample of transactions throughout the year from the table performance reports to the monthly summary reports and then back to the cash desk, to verify the accuracy of reported revenue.</td></tr>
<tr><td colspan="2">Impairment of Intangible Assets – Refer to Note 13 in the financial statements</td></tr>
<tr><td>At 31 December 2021 the Group has intangible assets with a carrying value of $1.79 million. This is the Casino licence and its associated costs.

We focused on this area due to the size of the intangible balance, and because the directors' assessment of the 'fair value less cost to sell' of the cash generating unit ("CGU"), Casino Canberra (Casino) involves judgements about the future underlying cash flows of the business and the discount rates applied to them.

For the year ended 31 December 2021 management have performed an impairment assessment over the intangible balance by:
calculating the fair value less cost to sell for the Casino using a discounted cash flow model. This model used cash flows (revenues, expenses and capital expenditure) for the Casino for 5 years, with a terminal growth rate applied to the 5th year. These cash flows were then discounted to net present value using the Group's weighted average cost of capital (WACC); and</td><td>Our audit procedures in relation to management's impairment assessment included:
Updating our understanding of management's annual impairment testing process.
Assessing management's determination that the intangible asset should be allocated to a single CGU, the Casino, based on the nature of the Group's business and the manner in which results are monitored and reported.
We assessed the forecasts underlying the impairment review and agreed to budgets approved by the Board, reviewing these against actual performance and historic accuracy of forecasting. We also performed sensitivity analysis on earnings multiples and growth rates applied to cash flows to determine the extent of headroom for the Casino.
We agreed other key assumptions such as discount rates and revenue growth to supporting evidence and corroborated these to industry averages/trends.</td></tr>
</table>

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed this matter
Impairment of Intangible Assets – Refer to Note 13 in the financial statements (continued)	
• comparing the resulting fair value less cost to sell of the Casino to the respective book value. Management also performed a sensitivity analysis over the calculations, by varying the assumptions used (growth rates, terminal growth rate and WACC) to assess the impact on the valuations.	• We compared the cash flow projections to historic performance and observable trends.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 ability of the Group 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 Group or to cease operations, or has 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: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf.

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 12 of the directors' report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of Aquis Entertainment Limited, for the year ended 31 December 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM AUSTRALIA PARTNERS

C J HUME
Partner

Sydney, NSW
Dated: 24 February 2022