

**REEF CASINO TRUST**  
ARSN 093 156 293

**APPENDIX 4E**

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

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

**Reporting period**

Financial year ended 31 December 2019

**Previous corresponding period**

Financial year ended 31 December 2018

**1. RESULTS FOR ANNOUNCEMENT TO THE MARKET**

Revenue from ordinary activities	Down 11.0%	to	\$19,060,000
Profit from ordinary activities after income tax attributable to members	Down 34.0%	to	\$3,335,000
Net profit for the period attributable to members	Down 34.0%	to	\$3,335,000

Distributable profit*	Down 33.9%	to	\$6,671,000
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*\*Basis of preparation: Distributable profit is a non-IFRS measure that is determined in accordance with the Trust Constitution and used as the basis for determining distributions to unitholders. Distributable profit is determined as net profit for the year, adding back distributions to unitholders which have been treated as finance costs in accordance with IFRS. The distributable profit has been audited by Grant Thornton Audit Pty Ltd. Refer to the auditor's report on page 39.*

**2. DISTRIBUTIONS**

For the 6 months ended 31 December 2019	10.60 cents per unit
Record date for determining entitlements to distribution	31 December 2019

**3. NET TANGIBLE ASSETS PER UNIT (NTA backing)**

	Current period	Previous corresponding period
Net tangible asset backing per unit (NTA backing) <sup>1</sup>	\$1.30	\$1.99

<sup>1</sup> Excludes Right-of-use assets. The previous corresponding period included the site lease which was previously classified as a finance lease under AASB 117 *Leases*. If calculated on the same basis as the previous period the amount disclosed would be \$1.99. The Trust recognised the carrying amount of the site lease as a right-of-use asset on 1 January 2019 upon adoption of AASB 16 *Leases*.

**4. EXPLANATIONS**

Additional 4E disclosures and other significant information can be found in the attached financial report for the year ended 31 December 2019.

**ANNUAL GENERAL MEETING**

The annual general meeting will be held on 22 May 2020 at the Reef Hotel Casino, 35-41 Wharf Street, Cairns Qld 4870.

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**REEF**  
CASINO TRUST  
ARSN 093 156 293

**Annual Report**

**December 2019**

## Chairman's review

Dear Unitholders,

On behalf of the Board of Directors of Reef Corporate Services Limited, Responsible Entity of the Reef Casino Trust (the Trust), I present my review of the Trust for the financial year ended 31 December 2019.

### Financial Highlights

#### Net profit, distributable profit

The Trust reported a net profit of \$3.34 million, with a distributable profit\* for the year of \$6.67 million (2018: \$10.10 million). Unitholders' distributions classified as "finance costs" were \$3.34 million.

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

Trust EBITDA was \$12.13 million (2018: \$15.26 million).

#### Unit distribution

A unit distribution of 10.60 cents per unit (2018: 10.57 cents per unit) for the six months from 1 July 2019 to 31 December 2019 has been declared. The distribution paid for the six months from 1 January 2019 to 30 June 2019 was 3.04 cents per unit. Therefore, the total distribution for the full year 2019 is 13.64 cents per unit (2018: 20.28 cents per unit). Total unit distribution for the year comprised 13.40 cents being 100% of distributable profit and 0.24 cents per unit paid from the undistributed income account.

#### Trust income

Trust income, consisting mainly of rental income from the Reef Hotel Casino, was \$19.06 million (2018: \$21.41 million). Trust income in the first half was 27.4% lower than the previous year, in the second half, Trust income was 4.6% higher than the previous year.

#### Trust Distributable Profit

Trust distributable profit\* for the year ended 31 December 2019 was \$6.67 million compared to \$10.10 million the previous year.

Rental income from the Reef Hotel Casino was 11.0% lower than 2018. This was due to the challenging economic conditions in Cairns and the region, particularly in the first half of the year.

Trust total expenses were 9.5% higher than 2018. Contributing factors included increases in insurance premiums, timing of building maintenance including fire prevention equipment and consulting costs.

*\* Basis of preparation: Distributable profit is a non-IFRS measure that is determined in accordance with the Trust Constitution and used as the basis for determining distributions to unitholders. Distributable profit is determined as net profit for the year, adding back distributions to unitholders which have been treated as finance costs in accordance with IFRS. The distributable profit has been audited by Grant Thornton Audit Pty Ltd. Refer to the auditor's report on page 39 for the year ended 31 December 2019.*

## Chairman's review (continued)

### Trust Distributable Profit (continued)

	2019 \$'000	2018 \$'000	
<b>REVENUE AND OTHER INCOME</b>			
Rental revenue	18,898	21,230	↓11.0%
Other revenue and interest income	162	187	
Total revenue and other income	19,060	21,417	↓11.0%
<b>EXPENSES</b>			
Operating	7,174	6,399	↑12.1%
Depreciation and amortisation	5,215	4,919	
Total expenses	12,389	11,318	↑9.5%
<b>PROFIT BEFORE FINANCE COSTS<sup>1</sup></b>			
<b>ATTRIBUTABLE TO UNITHOLDERS</b>	<b>6,671</b>	<b>10,099</b>	<b>↓33.9%</b>
Finance costs <sup>1</sup> attributable to unitholders	3,336	5,049	
<b>PROFIT FOR THE PERIOD</b>			
	<b>3,335</b>	<b>5,050</b>	<b>↓33.9%</b>
	<b>Cents per unit</b>	<b>Cents per unit</b>	
Earnings per unit	13.40	20.28	
Distribution per unit	13.64	20.28	

<sup>1</sup> "Finance costs" relate to 50% of distributable profit payable to unitholders.

### Unit Distribution

The Trust has declared a unit distribution of 10.60 cents per unit, for the six months from 1 July 2019 to 31 December 2019. The record date was 31 December 2019 and payment will be made on 11 March 2020.

A distribution of 3.04 cents per unit was paid for the six months from 1 January to 30 June 2019. For the 2019 financial year, the total distribution declared was 13.64 cents per unit.

Of the total 2019 distribution declared of 13.64 cents per unit, 13.40 cents per unit was paid from 2019 distributable profit (representing a 100% payout) and 0.24 cents was paid from the undistributed income account.

The undistributed income account balance is now 11.66 cents per unit, or \$5.81 million in total.

The Trust intends to continue its distribution policy to pay out "100% of distributable profit".

### Trust Statement of Financial Position

The Trust's Statement of Financial Position remains strong and healthy with the Trust's cash position remaining positive and the Trust continuing to have adequate working capital. The Trust's interest only business term loan facility with the Bank of Queensland remains unchanged at \$13.5 million, expiring on 31 January 2022. The amount drawn down at 31 December 2019 was \$0.50 million.

## Chairman's review (continued)

### Capital Investment

Capital expenditure in 2019 consisted of operational requirements of the Reef Hotel Casino including a new cooling tower, new gaming machines, new fire prevention equipment and other capital requirements for the proper operation and maintenance of the Reef Hotel Casino complex.

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

Allan Tan, the CEO of the operator of the Reef Hotel Casino (CAIC) which is jointly owned by Casinos Austria International and Accor, presents his review as follows:-

### Reef Hotel Casino's CEO's Report

#### Trading and operating conditions

- Softening in Cairns tourism  
Cairns tourism is a key factor that drives the Cairns economy. Softness in international tourism (including the Chinese market) and to a lesser extent domestic tourism was at a level not experienced for a number of years, made worse by an extraordinary wet season in the first half of the year. We were not immune with lower visitation to our complex.

Locally, Cairns and the region witnessed weak consumer spending. Increased local competition which has had an impact on hotel accommodation and on casino slots gaming in the first half of the year. 566 new hotel rooms in the competitive set were added to the Cairns market in 2019.

- A subdued national economy.
- Short term table gaming variability  
This was primarily due to a soft Chinese tourist market including a weak Chinese New Year season, at a level not experienced in recent years. This impacted on casino revenues in the first half of the year. The Chinese economy has also slowed down. This has particularly impacted premium play.

#### Key strategies

The following key strategies were implemented to deal with the challenging economic conditions during the year.

#### Complex cost control

- Complex wide initiatives were implemented to reduce operating costs without compromising the quality of the facility.

## Chairman's review (continued)

### Reef Hotel Casino's CEO's Report (continued)

#### Key strategies (continued)

##### Casino operations

- **Electronic Gaming**  
Besides the local market, we marketed strongly in Cairns and selected regions to target the visitor market. A full promotion, entertainment and marketing program was maintained, and continued investment was made in new gaming products.
- **Table Games**  
The further development of premium gaming activity continued to be undertaken both domestically and internationally.

##### Hotel operations

- **Rooms**  
Our Pullman hotel has applied sharp yield management strategies to best manage an increased hotel room inventory in Cairns in 2019.
- **Food and beverage**  
A full entertainment program was implemented including strengthening BAR36's position as the best live entertainment venue in Cairns.

#### Complex performance

##### Rental paid to Trust

- Total complex rentals to the Trust were 11.0% lower due to challenging trading and economic conditions in 2019.

##### Casino

- **Electronic games**  
Revenues were pleasingly 2.3% higher than 2018. We continued to implement measures and take action to increase our competitiveness in the local market and target the visitor market.
- **Table games**  
Revenues were 21.7% lower than 2018. There was less grind action mainly due to an overall softer China tourist market. Given the geo-political uncertainties affecting China and a soft Chinese New Year, premium play activity was quiet.

##### Hotel

- **Room accommodation**  
Revenues were 10.9% lower following a record year in 2018. Successful yield management, product packaging and leveraging off Accor's global and Australian network continue to be the key to maintaining performance in a challenging market with 566 new hotel rooms in the competitive set added to the Cairns market in 2019.
- **Food and beverage**  
Revenues were 5.0% lower than 2018 reflecting the Cairns economy as a whole. Our food and beverage facilities continued to play a key role in supporting our casino operations.

#### Looking ahead

##### Economic and trading conditions in Cairns

- By most accounts, Cairns (and Queensland and Australia) will face challenging conditions during the year in terms of tourism, consumer confidence and general economic conditions.

## Chairman's review (continued)

### Reef Hotel Casino's CEO's Report (continued)

#### Overall strategic management plan

- We will continue to market strongly our key products and services – electronic games, table games (including premium play), room accommodation, and food and beverage services by carefully allocating resources to the areas where there is the best chance of delivering the best results.
- At the same time, we will take the necessary steps to tightly control operational and capital costs throughout the complex.
- We will continue to carefully manage our risks within the complex including workplace health and safety, corporate, statutory and compliance matters.

#### Hotel

- Sharp yield management and leverage off our market reputation as the best hotel in Cairns
- Further enhance and refine entertainment, food and beverage operations to support the whole complex particularly our casino.

#### Casino

- Further increase our competitiveness in the local slots market
- Focussed targeting of tourists and visitors
- The immediate and short term outlook for the China market is uncertain given recent and on-going geo-political and economic developments.

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## CHAIRMAN'S REVIEW CONTINUES

### Trust Outlook

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

### Queensland Government's proposed Global Tourism Hub (GTH)

As a brief recap on 28 October 2017 the Queensland Government announced its proposed GTH policy for Cairns. The Government's process continued during 2018 and 2019 and looks to continue into 2020.

The Trust continues to consider any appropriate future investment to expand. To this end, your Board is undertaking and continuing internal discussions with the Queensland Government. In response to the Department of State Development's request, a submission regarding the Government's investigation into a potential State Development Area to support the Tropical North Global Tourism Hub was made.

There has not been much public commentary or information provided by the State Government. Contemporaneously, the Government imposed strict confidentiality obligations on participants as part of its GTH process. The ongoing uncertainty surrounding the GTH is not helpful for Cairns.

## Chairman's review (continued)

### Trust Outlook (continued)

#### Risk management

##### Reef Hotel Casino – Trust's principal asset

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

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

The casino industry is highly regulated. A significant change in casino legislation (e.g. significant tax increases, casinos banned in the State, new licences issued) could have a significant impact on economic sustainability. This risk is mitigated by monitoring government policy and engagement with the Queensland Government including in relation to a possible "global tourism hub" in Cairns.

The Reef Hotel Casino is located in Cairns and is exposed to possible climate change risks affecting the region including weather events, the health of the Great Barrier Reef and the tourism industry. Whilst this risk is in part mitigated by emergency planning and local engagement it will manifest itself for the coming year in a very significant increase in insurance premiums for our real assets.

The Trust made an ASX statement on 2 January 2020 regarding changes to the insurance coverage and premium for 2020. Challenging market conditions in the insurance industry have led to reductions in the insurance coverage available on commercially reasonable terms for certain risks and an increase in premium costs.

#### 2020 operational direction/outlook

##### Some relevant indicators

- Coronavirus – the COVID 19 impact is uncertain; already the travel ban for visitors from China into Cairns and Australia has impacted trading so far this year.
- Geo-political and economic factors – the global picture is still somewhat uncertain especially given the tensions between USA and China and also in the Middle East.
- Australian economy – the outlook here is marked by slower growth and cautious consumer spending.
- Cairns economy – apart from generally reflecting the broader Australian economy; specific economic and trading conditions in Cairns and the Cairns region is challenging, particularly with a soft 2020 outlook for international tourism.

The Trust Board endorses the CEO's strategic plan to drive future operational performance at the Reef Hotel Casino under what are expected to be challenging conditions in 2020.

The Trust intends to continue with a 100% of distributable profit distribution policy.



#### Richard Haire

Chairman  
Reef Corporate Services Limited  
Responsible Entity of Reef Casino Trust  
26 February 2020



## Directors' report

The directors of Reef Corporate Services Limited, ABN 66 057 599 621, the Responsible Entity of Reef Casino Trust (the Trust) present their report together with the financial statements of the Trust for the year ended 31 December 2019 and the auditor's report thereon.

### Directors

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

Mr Richard Haire  
Mr Benjamin W Macdonald  
Mr Keith DeLacy  
Mr Christoph Zurucker-Burda  
Mr Michael Issenberg  
Mr Allan Tan (director and alternate for Mr Macdonald)  
Mr Simon McGrath  
Mr Philip Basha (alternate for Mr Issenberg)

### Principal activities

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

### Review and results of operations

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

### Distributions

Distributions are paid on a half yearly basis.

The distribution of \$5.264 million (10.57 cents per unit) in respect of the six month period ended 31 December 2018 as reported in the 2018 annual report was paid on 13 March 2019.

The distribution of \$1.514 million (3.04 cents per unit) in respect of the six month period ended 30 June 2019 was paid on 11 September 2019 (note 12).

The directors have declared a distribution of \$5.279 million (10.60 cents per unit) in respect of the six month period ended 31 December 2019 to be paid on 11 March 2020 (note 12).

### Significant changes in the state of affairs

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

### Environmental regulation

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

**Directors' report (continued)****Events subsequent to balance date**

On 26 February 2020, the board of directors of the Responsible Entity, Reef Corporate Services Limited, declared a distribution of 10.60 cents per unit payable on 11 March 2020. This distribution totals \$5.279 million.

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

**Interests of the Responsible Entity**

Reef Corporate Services Limited holds no units either directly or indirectly in Reef Casino Trust. Associates of the Responsible Entity hold 36,408,411 units at 31 December 2019 (2018: 36,408,411 units).

**Units on issue**

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

**Assets**

The Trust had total assets of \$101.553 million as at 31 December 2019 (2018: \$104.923 million). The basis of valuation of the Trust's property, plant and equipment which comprises the majority of the value of the total assets is disclosed in note 8 to the financial statements.

**Responsible Entity's remuneration**

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

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

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

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

	<b>Dec 2019</b>	<b>Dec 2018</b>
	<b>\$</b>	<b>\$</b>
Responsible Entity fees	1,242,738	1,228,352
Reimbursement of Trust expenses	132,064	132,961

## Directors' report (continued)

### Directors' interests

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

	<b>Number of units held</b>
Mr Benjamin W Macdonald	263,750
Mr Keith DeLacy	5,000
Mr Richard Haire	-
Mr Michael Issenberg	221,000
Mr Christoph Zurucker-Burda	-
Mr Allan Tan	79,950
Mr Simon McGrath	-
Mr Philip Basha	-

### Likely developments

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

### Indemnities and insurance premiums for officers or auditors

#### Indemnification

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

#### Insurance premiums

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

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

### Other assurance services

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

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

- All other assurance services were subject to the corporate governance procedures adopted by the Trust and have been reviewed by the Compliance, Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor.

## Directors' report (continued)

### Other assurance services (continued)

- The other assurance services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Trust, acting as an advocate for the Trust or jointly sharing risks and rewards.

### Information on directors

#### **Richard Haire – Non-executive Chairman since 24 August 2018, Independent non-executive director since 1 October 2013**

Mr Haire is a member of the Compliance, Audit and Risk Committee.

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

Mr Haire is a director at the Bank of Queensland where he is also a member of the boards Risk, Technology and Remuneration Committees. He is a past Chairman of the Bank's Audit Committee. Richard is a director at BEC Feed Solutions Limited, and the Chairman of the Cotton Research and Development Corporation (CRDC) and Chairman of Endeavour Foundation.

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

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

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

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

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

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

#### **Keith DeLacy AM – Independent non-executive director; director since 1 December 1999**

Mr DeLacy is the Chairman of the Compliance, Audit and Risk Committee.

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

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

## Directors' report (continued)

### Information on directors (continued)

#### **Keith DeLacy AM – Independent non-executive director; director since 1 December 1999 (continued)**

Mr DeLacy is on the advisory Board of both Queensland Leaders and the Graduate School of Business at QUT.

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

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

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

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

Mr Zurucker-Burda joined Casinos Austria International as Executive Vice President Finance in 2011, was appointed Chief Financial Officer in December 2013 and Chief Executive Officer in July 2018.

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

#### **Michael Issenberg – Non-executive director; director since 21 January 2002**

Mr Issenberg is Chairman and Chief Executive Officer of AccorHotels Asia Pacific and has been with Accor for more than 20 years. He has responsibility and oversight for AccorHotels' full range of business interests in the Asia Pacific region and is also a member of the Global Executive Committee.

Prior to joining AccorHotels, Mr Issenberg spent five years as Chief Executive Officer, Mirvac Hotels. This was following a successful career at Westin Hotels and Resorts, Laventhol & Horwath and Horwath & Horwath Services Pty Limited in San Francisco and Sydney. He came to Accor with an impressive background in the hotel industry.

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

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

## Directors' report (continued)

### Information on directors (continued)

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

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

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

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

**Simon McGrath AM – Non-executive director; director since 23 August 2011**

Mr McGrath is a member of the Compliance, Audit and Risk Committee.

Mr McGrath is the Chief Operating Officer for Accor Pacific, responsible for over 385 hotels, 53,000 rooms and 21,000 employees in the region.

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

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

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

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

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

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

## Directors' report (continued)

### **Philip Basha – Alternate for Mr Issenberg; alternate director since 23 August 2011**

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

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

The lead auditor's independence declaration is set out on page 42 and forms part of the directors' report for the year ended 31 December 2019.

### **Rounding off**

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

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



**Richard Haire**  
Director  
Brisbane  
26 February 2020



**Keith DeLacy**  
Director

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# REEF CASINO TRUST

## Statement of profit or loss and other comprehensive income For the year ended 31 December 2019

	Note	Dec 2019 \$'000	Dec 2018 \$'000
<b>REVENUE AND OTHER INCOME</b>			
Revenue and other income	4	<b>19,060</b>	21,417
<b>TOTAL REVENUE AND OTHER INCOME</b>		<b>19,060</b>	21,417
<b>EXPENSES</b>			
Depreciation and amortisation	5	<b>5,215</b>	4,919
Property outgoings		<b>1,254</b>	1,296
Rates and taxes		<b>794</b>	750
Responsible Entity fees		<b>1,243</b>	1,228
Repairs and maintenance		<b>1,531</b>	1,051
Insurance		<b>962</b>	662
Responsible Entity director fees		<b>344</b>	344
Other expenses		<b>799</b>	823
<b>TOTAL EXPENSES</b>		<b>12,142</b>	11,073
<b>RESULTS FROM OPERATING ACTIVITIES</b>		<b>6,918</b>	10,344
Finance costs attributable to unitholders		<b>3,336</b>	5,049
Interest expense on financial liabilities measured at amortised cost		<b>247</b>	245
<b>TOTAL FINANCE COSTS</b>	6	<b>3,583</b>	5,294
<b>PROFIT FOR THE YEAR</b>		<b>3,335</b>	5,050
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>-</b>	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>3,335</b>	5,050
Basic and diluted earnings per unit (cents)	17	<b>13.40</b>	20.28

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



# REEF CASINO TRUST

## Statement of financial position As at 31 December 2019

	Note	Dec 2019 \$'000	Dec 2018 \$'000
<b>ASSETS</b>			
Cash and cash equivalents	14	2,957	3,169
Receivables	7	1,828	2,289
<b>TOTAL CURRENT ASSETS</b>		<b>4,785</b>	5,458
Receivables	7	750	750
Property, plant and equipment	8	95,864	98,608
Intangible assets		154	107
<b>TOTAL NON-CURRENT ASSETS</b>		<b>96,768</b>	99,465
<b>TOTAL ASSETS</b>		<b>101,553</b>	104,923
<b>LIABILITIES</b>			
Payables	9	4,207	3,886
Lease liabilities		71	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,278</b>	3,886
Loans and borrowings	10	500	4,200
Deferred income		13	19
Lease liabilities		-	-
Issued units – liability portion	11	85,051	85,051
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>85,564</b>	89,270
<b>TOTAL LIABILITIES</b>		<b>89,842</b>	93,156
<b>EQUITY</b>			
Issued units – equity portion	11	85,051	85,051
Distribution account	12	2,698	2,632
Undistributed income		5,805	5,927
Accumulated losses		(81,843)	(81,843)
<b>TOTAL EQUITY</b>		<b>11,711</b>	11,767
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>101,553</b>	104,923
<b>MEMORANDUM NOTE – ISSUED UNITS</b>			
Issued units – liability portion		85,051	85,051
Issued units – equity portion		85,051	85,051
		<b>170,102</b>	170,102

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

# REEF CASINO TRUST

## Statement of changes in equity For the year ended 31 December 2019

	Issued units \$'000	Distribution account \$'000	Undistributed income \$'000	Accumulated losses \$'000	Total \$'000
1 JANUARY 2018	85,051	3,909	5,929	(81,843)	13,046
Profit for the year	-	-	-	5,050	5,050
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	5,050	5,050
Transfer to distribution	-	5,050	-	(5,050)	-
Transfer from undistributed income account	-	2	(2)	-	-
Distributions paid	-	(6,329)	-	-	(6,329)
31 DECEMBER 2018	85,051	2,632	5,927	(81,843)	11,767
1 JANUARY 2019	<b>85,051</b>	<b>2,632</b>	<b>5,927</b>	<b>(81,843)</b>	<b>11,767</b>
Profit for the year	-	-	-	3,335	3,335
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	3,335	3,335
Transfer to distribution	-	3,335	-	(3,335)	-
Transfer from undistributed income account	-	122	(122)	-	-
Distributions paid	-	(3,391)	-	-	(3,391)
31 DECEMBER 2019	<b>85,051</b>	<b>2,698</b>	<b>5,805</b>	<b>(81,843)</b>	<b>11,711</b>

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

# REEF CASINO TRUST

## Statement of cash flows For the year ended 31 December 2019

	Note	Dec 2019 \$'000	Dec 2018 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts in the course of operations		<b>21,424</b>	23,084
Cash payments in the course of operations		<b>(8,712)</b>	(8,336)
Interest received		<b>72</b>	80
Interest and other finance costs paid		<b>(253)</b>	(242)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	14	<b>12,531</b>	14,586
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		<b>(2,204)</b>	(4,032)
Proceeds of disposal of property, plant and equipment		<b>8</b>	1
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(2,196)</b>	(4,031)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Drawdown of loan		<b>5,000</b>	8,500
Repayment of loan		<b>(8,700)</b>	(7,500)
Principal elements of lease payments		<b>(68)</b>	-
Distributions paid (equity portion and liability portion)		<b>(6,779)</b>	(12,555)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	14	<b>(10,547)</b>	(11,555)
Net increase/(decrease) in cash held		<b>(212)</b>	(1,000)
Cash and cash equivalents at 1 January		<b>3,169</b>	4,169
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	14	<b>2,957</b>	3,169

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

## Notes to the financial statements For the year ended 31 December 2019

### 1. The Trust

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

### 2. Basis of preparation

#### (a) Statement of compliance

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

This is the first set of annual financial statements in which AASB 16 *Leases*, which became effective on 1 January 2019, has been applied. The nature and effect of changes arising from this standard is summarised in Note 3(b).

The financial statements were approved by the board of directors of the Responsible Entity on 26 February 2020.

#### (b) Basis of measurement

The financial statements are prepared on the historical cost basis.

#### (c) Functional and presentation currency

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

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

#### (d) Use of estimates and judgements

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

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

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

## Notes to the financial statements For the year ended 31 December 2019

### 3. Significant accounting policies

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

#### (a) Income tax

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

#### (b) New standards adopted

##### AASB 16 Leases

The Trust adopted AASB 16 *Leases* from 1 January 2019 using the modified retrospective approach. Accordingly, the information presented for 2018 has not been restated and is presented, as previously reported, under AASB 117 *Leases*.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Therefore, AASB 16 did not have an impact for leases where the Trust is the lessor. The site lease (details of the site lease are disclosed in note 8(d)) was previously classified as a finance lease under AASB 117. The Trust recognised the carrying amount of the site lease immediately before transition of \$35,304,000 as the carrying amount of the right-of-use asset on 1 January 2019. There is no related lease liability. There is no impact on transition in respect of this lease.

##### Impacts on transition

On adoption of AASB 16, the Trust recognised lease liabilities in relation to land used as a car park which had previously been classified as an 'operating lease' under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.30%.

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018) to the lease liabilities recognised at 1 January 2019:

	<b>2019</b>
	<b>\$'000</b>
Operating lease commitments disclosed as at 31 December 2018	142
Discounted using the lessee's incremental borrowing rate at 1 January 2019	(6)
Lease liability recognised as at 1 January 2019	<u>136</u>
Of which are:	
Current lease liabilities	67
Non-current lease liabilities	69
	<u>136</u>

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2019

### (b) New standards adopted (continued)

The following is a reconciliation of the financial statement line items from AASB 117 to AASB 16 at 1 January 2019:

	Carrying amount at 31 December 2018 \$'000	Remeasurement \$'000	AASB 16 carrying amount at 1 January 2019 \$'000
Property, plant and equipment	98,608	142	98,750
Receivables	2,289	(6)	2,283
Lease liabilities	-	(136)	(136)
	<u>100,897</u>	<u>-</u>	<u>100,897</u>

### (c) Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and earlier application is permitted; however, the Trust has not early applied the following new or amended standards in preparing these financial statements.

	Dec 2019 \$'000	Dec 2018 \$'000
<b>4. Revenue and other income</b>		
RENTAL		
Base rent	<b>1,156</b>	1,139
Contingent rent	<b>17,742</b>	20,091
	<u><b>18,898</b></u>	<u>21,230</u>
INTEREST RECEIVED AND RECEIVABLE FROM		
Other persons	<b>7</b>	14
Related parties	<b>65</b>	65
	<u><b>72</b></u>	<u>79</u>
OTHER REVENUE		
Sundry	<b>90</b>	108
	<u><b>19,060</b></u>	<u>21,417</u>

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

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2019

	Dec 2019 \$'000	Dec 2018 \$'000
<b>5. Expenses</b>		
Net profit includes the following specific expenses:		
DEPRECIATION		
Building	1,457	1,453
Plant and equipment	2,914	2,699
	<u>4,371</u>	<u>4,152</u>
AMORTISATION		
Computer software	67	60
Site lease	707	707
Carpark lease	70	-
	<u>844</u>	<u>767</u>
	<u>5,215</u>	<u>4,919</u>
Net loss on disposal of plant and equipment	<u>9</u>	<u>46</u>

## 6. Finance income and expense

RECOGNISED IN PROFIT OR LOSS		
Interest income on bank deposits	7	14
Interest income on financial assets measured at amortised cost	65	65
FINANCE INCOME	<u>72</u>	<u>79</u>
Interest expense on financial liabilities measured at amortised cost	(247)	(245)
Finance costs attributable to unitholders	(3,336)	(5,049)
FINANCE EXPENSE	<u>(3,583)</u>	<u>(5,294)</u>
NET FINANCE INCOME AND EXPENSE	<u>(3,511)</u>	<u>(5,215)</u>

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

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

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

## 7. Receivables

### CURRENT

Rent and interest receivable from lessee	1,766	2,223
Prepayments and other debtors	62	66
	<u>1,828</u>	<u>2,289</u>

### NON-CURRENT

Financial assets - Loan to lessee	<u>750</u>	<u>750</u>
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Financial assets represents a loan to lessee which is measured initially at fair value and subsequently measured at amortised cost using the effective interest method. The loan is interest bearing at a rate of 8.33% (2018: 8.71%). Financial assets are also tested for impairment. For exposure to credit risk, see note 18.

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2019

### 8. Property, plant and equipment

#### (a) Reconciliation of carrying amount

	Site lease \$'000	Building & integral plant \$'000	Plant & equipment \$'000	Work in progress \$'000	Total \$'000
AT 1 JANUARY 2018					
At cost or deemed cost	53,000	74,007	60,009	6	187,022
Accumulated depreciation/amortisation	(16,989)	(21,009)	(49,279)	-	(87,277)
Net carrying amount	36,011	52,998	10,730	6	99,745
YEAR ENDED 31 DECEMBER 2018					
Opening net carrying amount	36,011	52,998	10,730	6	99,745
Additions	-	-	1,399	2,369	3,768
Disposals	-	(24)	(22)	-	(46)
Transfers from WIP	-	100	2,115	(2,215)	-
Depreciation/amortisation charge	(707)	(1,453)	(2,699)	-	(4,859)
Closing net carrying amount	35,304	51,621	11,523	160	98,608
AT 31 DECEMBER 2018					
At cost or deemed cost	53,000	74,007	61,482	160	188,649
Accumulated depreciation/amortisation	(17,696)	(22,386)	(49,959)	-	(90,041)
Net carrying amount	35,304	51,621	11,523	160	98,608

	Site lease \$'000	Building & integral plant \$'000	Plant & equipment \$'000	Carpark Lease right- of- use \$'000	Work in progress \$'000	Total \$'000
YEAR ENDED 31 DECEMBER 2019						
Opening net carrying amount	35,304	51,621	11,523	-	160	98,608
Recognition of right-of-use asset on initial application of AASB 16	-	-	-	142	-	142
Adjusted balance at 1 January 2019	35,304	51,621	11,523	142	160	98,750
Index adjustment	-	-	-	3	-	3
Additions	-	-	763	-	1,513	2,276
Disposals	-	-	(17)	-	-	(17)
Transfers from WIP	-	629	863	-	(1,492)	-
Depreciation/amortisation charge	(707)	(1,457)	(2,914)	(70)	-	(5,148)
Closing net carrying amount	34,597	50,793	10,218	75	181	95,864
AT 31 DECEMBER 2019						
At cost or deemed cost	53,000	74,573	62,791	145	181	190,690
Accumulated depreciation/amortisation	(18,403)	(23,780)	(52,573)	(70)	-	(94,826)
Net carrying amount	34,597	50,793	10,218	75	181	95,864

#### Operating leases as lessor

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

Subject to operating lease	34,597	50,793	10,218	-	181	95,789
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# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2019

### 8. Property, plant and equipment (continued)

#### (a) Reconciliation of carrying amount (continued)

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

	Dec 2019 \$'000	Dec 2018 \$'000
Site lease	34,597	-
Carpark lease	75	-
Total right-of-use assets	<u>34,672</u>	<u>-</u>
<b>Capital expenditure commitments</b>		
Contracted but not provided for and payable:		
Not longer than one year	<u>221</u>	<u>314</u>

#### (b) Accounting policy

##### (i) Recognition and measurement

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

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

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

##### (ii) Subsequent expenditure

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

##### (iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss (note 5). Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Trust will obtain ownership by the end of the lease term.

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

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

Depreciation methods, useful lives and residual values are reassessed at each annual reporting date and adjusted if appropriate. During 2019, the Trust reviewed the useful lives of certain fire safety equipment. As a result of this review, these assets have had their expected useful lives decreased. The effect of these changes on actual and expected depreciation expense, included in 'Depreciation and amortisation', was as follows:

	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	Later \$'000
(Decrease) increase in depreciation expense	106	(30)	(30)	(30)	(16)

## Notes to the financial statements For the year ended 31 December 2019

### 8. Property, plant and equipment (continued)

#### (c) External valuation

An independent valuation of the Trust's interest in the Reef Hotel Casino Complex was carried out by JLL Hotels & Hospitality Group as at 31 December 2017. The complex was valued at \$150 million. The valuation was determined in line with policy set out below. The current use is considered to be the highest and best use. The Trust's interest in the complex, which is considered to be a cash generating unit, comprises the building, site lease, casino licence and plant and equipment. The casino licence has an amortised cost of nil (2018: nil).

#### Valuation process

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

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

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

In undertaking the valuation assignment the valuer utilises discounted cash flow, equivalent yield capitalisation and earnings multiple valuation methods. The discounted cash flow method derives the net present value by applying a selected discount rate to the five year cash flow forecast. The equivalent yield capitalisation is based on the five year trading forecast firstly discounted for inflation to reflect financial performance in current dollars and after annual capital expenditure allowance. The earnings multiple approach is calculated by applying an earnings multiple to the first year's net income estimate.

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

#### (d) Impairment testing

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

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

## Notes to the financial statements For the year ended 31 December 2019

### 8. Property, plant and equipment (continued)

#### (d) Impairment testing (continued)

Impairment losses are recognised if the carrying amount of the asset or its CGU exceeds the recoverable amount. Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount on a pro rata basis.

#### Assessment of recoverable amounts

The recoverable amounts were determined based on value-in-use calculations using cash flow projections covering a five-year period, which are based on the approved budget for the first year with constant growth thereafter. Estimates beyond the five-year period are calculated using terminal growth rates that are applicable to the trading environment in which the Trust operates.

#### Key assumptions used in assessment

The valuations used to support the carrying amounts of property, plant and equipment assets are based on forward looking key assumptions that are, by nature, uncertain. The nature and basis of the key assumptions used to estimate future cash flows and the discount rates used in the projections, when determining the recoverable amount of the assets of the Trust, are set out below:

- i) Operating cash flows - projections are extracted from the most recent approved budget for the existing asset base. The cash flow projections for a five-year period have been determined based on past performance and expectations of future performance. Key assumptions in the cash flows include rental growth, operational costs and the costs of replacement capital works to maintain the facility. These assumptions are based on expectations of market demand and operational performance. Cash flow projections are based on risk-adjusted forecasts allowing for estimated changes in the business, the competitive trading environment and economic growth.
- ii) Discount rates - are based on the weighted average cost of capital ('WACC') for the Trust adjusted for an asset specific risk premium assigned to the Trust. The asset-specific risk premium is determined based on risk embedded within the cash flow projections and other factors specific to the industries in which the Trust operates.  
  
The calculation of WACC is market-driven and key inputs include target capital structure, equity beta, market risk premium, risk free rate of return and debt risk premium and tax rates. Pre-tax equivalents of the adopted discount rates are derived iteratively. The pre-tax rates used were 10.55%.
- iii) Terminal growth rates - cash flows beyond the projection period are extrapolated indefinitely using estimated long-term growth rates applicable to the trading environment in which the Trust operates. A terminal growth rate of 2.5% was applied to the terminal growth cashflows, which was consistent with the growth in revenue forecast over the first 5 years.

#### Results of assessment

Based on the value in use assessment at 31 December 2019, no impairment of property, plant and equipment was identified in the Trust.

#### Sensitivity to changes in key assumptions

While the Trust's assessment incorporates adjustments to address cash flow risk, the headroom remains sensitive to reasonably possible changes to key inputs. The following sensitivity changes to the Trust are deemed to be reasonably possible and would cause an impairment, assuming all other assumptions are held constant:

- A 4.2% reduction in forecasted revenue across all projection years, including the terminal year, would reduce the headroom to nil.
- An increase in the pre-tax discount rate to 11.42% would reduce headroom to nil; or
- A decrease of 63 basis points in the annual growth and terminal growth rates would reduce the headroom to nil.

Taken together, some smaller adverse changes in these key inputs could cumulatively result in an impairment.

## Notes to the financial statements For the year ended 31 December 2019

### 8. Property, plant and equipment (continued)

#### (e) Leased assets

As described in note 3(b) the Trust has applied AASB 16 using the modified retrospective approach. Accordingly, the information presented for 2018 has not been restated and is presented, as previously reported, under AASB 117.

#### (i) Trust as lessee accounting policy before 1 January 2019

Before 1 January 2019 leases in terms of which the Trust assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Trust's statement of financial position.

#### (ii) Trust as lessee accounting policy from 1 January 2019

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

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

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

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

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

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

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2019

### 8. Property, plant and equipment (continued)

#### (e) Leased assets (continued)

##### (ii) Trust as lessee accounting policy from 1 January 2019 (continued)

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

##### (iii) Site lease

The Trust paid \$53 million to the Queensland Government by way of a lump sum prepayment of the rental payable for the term of the lease (75 years) for the site on which the Reef Hotel Casino complex is situated. At 31 December 2019, the remaining term of the site lease was 49 years. The conditions of the lease are set out in the Cairns Casino Agreement which forms part of the Cairns Casino Agreement Act 1993. Negotiations for a further lease can take place during the last 10 years. The lease cannot be assigned or sublet without consent of the Minister. The site is required to be used for commercial purposes only.

##### (iv) Operating leases as lessor

Lessor accounting under AASB 16 is substantially unchanged from AASB 117.

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

The future minimum lease payments shown do not include rentals which are contingent on revenue of the operator, and do not include recovery of outgoings.

The future minimum lease payments receivable under non-cancellable leases are as follows:

	<b>Dec 2019 \$'000</b>	<b>Dec 2018 \$'000</b>
Less than one year	<b>1,156</b>	1,139
Between one and two years	<b>1,156</b>	1,139
Between two and three years	<b>1,156</b>	1,139
Between three and four years	<b>1,156</b>	1,139
Between four and five years	<b>1,156</b>	1,139
More than five years	<b>34,142</b>	34,770
	<b>39,922</b>	40,465

#### (f) Lease liabilities

Future minimum lease payment at 31 December 2019 were as follows:

	<b>Future minimum lease payments 2019 \$'000</b>	<b>Interest 2019 \$'000</b>	<b>Present value of minimum lease payments 2019 \$'000</b>
Less than one year	<b>72</b>	<b>1</b>	<b>71</b>
Between one and two years	-	-	-
	<b>72</b>	<b>1</b>	<b>71</b>

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2019

### 8. Property, plant and equipment (continued)

#### (g) Non-cancellable operating leases as lessee

The Trust leases a carpark under an operating lease. From 1 January 2019 the Trust has recognised a right-of-use asset for this lease.

	Dec 2019 \$'000	Dec 2018 \$'000
Minimum lease payments under non-cancellable leases as follows:		
Less than one year	72	71
Between one and five years	-	71
	<u>72</u>	<u>142</u>

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

Interest on lease liabilities (included in finance cost)	5	-
Expenses relating to short-term leases (included in other expenses)	11	-
Expenses relating to variable lease payments not included in lease liabilities (included in other expenses)	3	-
	<u>19</u>	<u>-</u>

Total cash outflow for leases in 2019 was \$86,933.

### 9. Payables

Trade creditors and accruals – unsecured	1,627	1,254
Accrued distributions (note 12)	2,580	2,632
	<u>4,207</u>	<u>3,886</u>

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

### 10. Loans and borrowings

	Facility available		Facility used		Facility unused	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
NON-CURRENT						
Bank loan – BOQ Limited (expires 31 January 2022)	13,500	13,500	500	4,200	13,000	9,300
	<u>13,500</u>	<u>13,500</u>	<u>500</u>	<u>4,200</u>	<u>13,000</u>	<u>9,300</u>

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

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

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

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2019

### 11. Issued units

	Dec 2019 \$'000	Dec 2018 \$'000
49,801,036 (December 2018: 49,801,036) units		
Issued units – equity portion	85,051	85,051
Issued units – liability portion	85,051	85,051
	<b>170,102</b>	170,102

The number of issued units includes 740,000 (December 2018: 740,000) restricted founder units.

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

#### Compound financial instruments – issued units

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

### 12. Distributions

#### Distributable income

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

The proposed distribution for the six months ended 31 December 2019 was declared on 26 February 2020, and accounted for as follows:

	Dec 2019 \$'000	Dec 2018 \$'000
DISTRIBUTION ACCOUNT (refer to statement of changes in equity)		
Balance relating to issued units – equity portion	2,698	2,632
ACCRUED DISTRIBUTION (payables – note 9)		
Balance relating to issued units – liability portion	2,580	2,632
TOTAL OF DISTRIBUTION ACCOUNTS	<b>5,278</b>	5,264

	Dec 2019		Dec 2018	
	Total \$'000	Cents per Unit	Total \$'000	Cents per Unit
Distributions paid and payable				
Half year ended 30 June paid September	1,514	3.04	4,836	9.71
Half year ended 31 December paid/payable March	5,279	10.60	5,264	10.57
	<b>6,793</b>	<b>13.64</b>	10,100	20.28

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2019

### 13. Segment information

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

	Dec 2019 \$'000	Dec 2018 \$'000
RENTAL INCOME		
Casino operations	15,839	17,049
Hotel and other non-casino operations	3,059	4,181
	<u>18,898</u>	<u>21,230</u>

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

### 14. Cash and cash equivalents

Cash (held in interest bearing accounts, at call)	<u>2,957</u>	<u>3,169</u>
<b>Reconciliation of cash flows from operating activities</b>		
PROFIT FOR THE YEAR	3,335	5,050
ADJUSTMENTS FOR:		
Loss on disposal of property, plant and equipment	9	46
Finance costs attributable to unitholders	3,336	5,049
Depreciation and amortisation	5,215	4,919
NET CASH FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	<u>11,895</u>	<u>15,064</u>
Changes in operating assets and liabilities		
(Increase)/decrease in receivables and other assets	456	(389)
Increase/(decrease) in payables	187	(81)
Increase/(decrease) in deferred income	(7)	(8)
NET CASH FROM OPERATING ACTIVITIES	<u>12,531</u>	<u>14,586</u>

### Reconciliation of liabilities and associated equity balances arising from financing activities

	Liabilities			Equity	
	Loan	Lease	Accrued	Distribution	Total
	\$'000	Liability	distribution	account	\$'000
	\$'000		\$'000	\$'000	\$'000
AT 1 JANUARY 2018	3,200	-	3,809	3,909	10,918
Cashflows	1,000	-	(6,226)	(6,329)	(11,555)
Distribution paid/payable	-	-	5,049	5,051	10,100
AT 31 DECEMBER 2018	<u>4,200</u>	-	<u>2,632</u>	<u>2,631</u>	<u>9,463</u>
AT 1 JANUARY 2019	<b>4,200</b>	-	<b>2,632</b>	<b>2,631</b>	<b>9,463</b>
Recognised on adoption of AASB 16 (see note 3(b))	-	<b>136</b>	-	-	<b>136</b>
Index adjustment	-	<b>3</b>	-	-	<b>3</b>
Cashflows	<b>(3,700)</b>	<b>(68)</b>	<b>(3,388)</b>	<b>(3,391)</b>	<b>(10,547)</b>
Distribution paid/payable	-	-	<b>3,336</b>	<b>3,458</b>	<b>6,794</b>
AT 31 DECEMBER 2019	<u><b>500</b></u>	<u><b>71</b></u>	<u><b>2,580</b></u>	<u><b>2,698</b></u>	<u><b>5,849</b></u>



# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2019

### 15. Related party information

#### The Responsible Entity

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

#### Key management personnel

	Short-term salary & fees	Post-employment superannuation benefits	Total
	\$	\$	\$
<b>2019</b>			
<i>Non-executive directors</i>			
Richard Haire	156,000	14,820	170,820
Benjamin Macdonald	75,000	7,125	82,125
Keith DeLacy	83,000	7,885	90,885
Christoph Zurucker-Burda	-	-	-
Michael Issenberg	-	-	-
Simon McGrath	-	-	-
Philip Basha	-	-	-
<i>Executive director</i>			
Allan Tan (Chief Executive Officer - Operator)	85,800	-	85,800
<i>Executive</i>			
Alison Galligan (Company Secretary)	120,485	-	120,485
Total	<b>520,285</b>	<b>29,830</b>	<b>550,115</b>
<b>2018</b>			
<i>Non-executive directors</i>			
Richard Haire (Chairman from 24 August 2018)	107,613	10,223	117,836
Benjamin Macdonald (Chairman until 24 August 2018)	123,589	11,741	135,330
Keith DeLacy	83,000	7,885	90,885
Alexander Labak (26 February 2018 to 13 November 2018)	-	-	-
Christoph Zurucker-Burda (appointed 14 November 2018)	-	-	-
Michael Issenberg	-	-	-
Simon McGrath	-	-	-
Philip Basha	-	-	-
Karl Stoss resigned 6 February 2018	-	-	-
Mr Alexander Tucek until 6 February 2018	-	-	-
<i>Executive director</i>			
Allan Tan (Chief Executive Officer - Operator)	90,696	-	90,696
<i>Executive</i>			
Alison Galligan (Company Secretary)	104,837	-	104,837
Total	<b>509,735</b>	<b>29,849</b>	<b>539,584</b>

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

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

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

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2019

### 15. Related party information (continued)

#### Key management personnel (continued)

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

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

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

#### Unit holdings of directors of the Responsible Entity

Name	Balance at start	Changes	Balance at end
	of the year	during the	of the year
	Number	year	Number
		Number	
Richard Haire	-	-	-
Benjamin Macdonald	263,750	-	263,750
Keith DeLacy	5,000	-	5,000
Christoph Zurucker-Burda	-	-	-
Michael Issenberg	221,000	-	221,000
Allan Tan	79,950	-	79,950
Simon McGrath	-	-	-
Philip Basha	-	-	-

#### Responsible Entity's remuneration

	Transactions value		Balance outstanding	
	Dec	Dec	Dec	Dec
	2019	2018	2019	2018
	\$	\$	\$	\$
Fees paid or payable by the Trust to Reef Corporate Services Limited during the year				
Responsible Entity fee	1,242,738	1,228,352	623,085	613,404
Reimbursement of Trust expenses	132,064	132,961	-	-

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

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

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

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2019

### 15. Related party information (continued)

#### Other related parties

- Casinos Austria International Limited and Accor Casino Investments (Australia) Pty Limited jointly control the lessee.
- Reef Casino Investments Pty Ltd (jointly owned by Casinos Austria International Limited and Accor Casino Investments (Australia) Pty Ltd) directly owns 50.2% (2018: 50.2%) of Reef Casino Trust.
- Casinos Austria International Holding GmbH (the parent company of Casinos Austria International Limited) is incorporated in Austria and directly owns 11.37% (2018: 11.37%) of Reef Casino Trust.
- Casinos Austria International Limited directly owns 5.53% (2018: 5.53%) of Reef Casino Trust and Accor Casino Investments (Australia) Pty Ltd directly owns 4.86% (2018: 4.86%) of Reef Casino Trust.

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

	Transaction value		Balance outstanding	
	Dec 2019 \$	Dec 2018 \$	Dec 2019 \$	Dec 2018 \$
Aggregate amounts brought to account in relation to transactions with other related parties:				
Rental income received from lessee	<b>18,898,405</b>	21,228,858	<b>1,760,394</b>	22,217,226
Interest on loan to lessee	<b>64,456</b>	65,325	<b>5,306</b>	5,548
Operating expenses paid by the Trust to the lessee and entities related to the Responsible Entity	<b>2,982,999</b>	2,711,324	<b>190,898</b>	180,172
Management fee to lessee	<b>146,626</b>	160,018	<b>36,368</b>	12,026
Distribution paid or payable	<b>4,840,746</b>	8,187,193	<b>1,856,786</b>	1,893,689
Aggregate amounts receivable/payable with related parties at balance date:				
Current receivables			<b>1,765,700</b>	2,222,774
Non-current receivables			<b>750,000</b>	750,000
Current payables			<b>850,351</b>	800,514
Accrued distribution			<b>1,886,302</b>	1,923,791

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

#### Controlling entity

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

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2019

### 16. Remuneration of auditors

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

	Dec 2019 \$	Dec 2018 \$
GRANT THORNTON AUDIT PTY LTD		
Audit of statutory financial reports	70,800	67,623
Other assurance services	25,317	24,850
	<u>96,117</u>	<u>92,473</u>

### 17. Earnings per unit

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

	Dec 2019 Cents	Dec 2018 Cents
Basic and diluted earnings per unit (cents)	<u>13.40</u>	20.28
WEIGHTED AVERAGE NUMBER OF UNITS (EQUITY PORTION) FOR THE YEAR (NOTE 11)	24,900,518	24,900,518
Profit for the year	\$'000 3,335	\$'000 5,050

### 18. Financial instruments – fair values and risk management

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

#### Risk management framework

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

#### Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure. The Trust's most significant customer, Casinos Austria International (Cairns) Pty Ltd (lessee of the Reef Hotel Casino), accounts for \$2,515,700 of the receivables carrying amount at 31 December 2019 (2018: \$2,972,774). Details of the lease agreement are contained in note 8.

#### Liquidity risk

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

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

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2019

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

#### Liquidity risk (continued)

	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1yr \$'000	1 to 2 years \$'000	2 to 5 years \$'000
<b>31 DECEMBER 2019</b>					
NON-DERIVATIVE FINANCIAL LIABILITIES					
Trade creditors and accruals	1,627	1,627	1,627	-	-
Accrued distribution	2,580	2,580	2,580	-	-
Bank borrowings	500	565	21	21	523
Lease liabilities	71	72	72	-	-
Issued units – liability portion*	85,051	-	-	-	-
<b>31 DECEMBER 2018</b>					
NON-DERIVATIVE FINANCIAL LIABILITIES					
Trade creditors and accruals	1,254	1,254	1,254	-	-
Accrued distribution	2,632	2,632	2,632	-	-
Bank borrowings	4,200	4,938	181	181	4,576
Issued units – liability portion*	85,051	-	-	-	-

\* Future cash flows from the liability portion of issued units are dependent on the future income of the Trust (refer to note 11). Finance costs attributable to unitholders for the year ended 31 December 2019 totalled \$3,336,000 (2018: \$5,049,000).

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

#### Market risk

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

#### Interest rate risk

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

	Dec 2019 \$'000	Dec 2018 \$'000
VARIABLE RATE INSTRUMENTS		
Financial assets	3,707	3,919
Financial liabilities	(500)	(4,200)
	<b>3,207</b>	<b>(281)</b>

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would increase or decrease the Trust's finance income by \$37,000 (2018: \$39,000), finance costs by \$ 5,000 (2018: \$42,000) and profit for the year by \$32,000 (2018: \$3,000).

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2019

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

#### Fair values

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

	31 December 2019		31 December 2018	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>ASSETS CARRIED AT AMORTISED COST</b>				
Cash and cash equivalents	2,957	2,957	3,169	3,169
Receivables	2,578	2,578	3,039	3,039
	<b>5,535</b>	<b>5,535</b>	6,208	6,208
<b>LIABILITIES CARRIED AT AMORTISED COST</b>				
Payables	4,207	4,207	3,886	3,886
Loans and borrowings	500	500	4,200	4,200
Issued units – liability portion	85,051	65,986	85,051	75,947
	<b>89,758</b>	<b>70,693</b>	93,137	84,033

#### Interest rates used for determining fair value

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

	2019	2018
Receivables	8.33%	8.71%
Loans and borrowings	4.27%	4.30%

#### Fair value hierarchy

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

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

#### (i) Current receivables and current payables

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

#### (ii) Non-current receivables and loans and borrowings

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

#### (iii) Issued units – liability portion

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

## Notes to the financial statements For the year ended 31 December 2019

### 19. Capital management

The Trust policy is to maintain the current level of issued units (2019: \$170,102,000; 2018: \$170,102,000). Capital requirements are assessed based on budgeted cash flows and capital expenditure commitments and are monitored on an ongoing basis. Should new funding be required for enhancement or for investment in new opportunities the Trust will consider an appropriate balance of new equity and/or debt funding. Surplus funds are used to repay debt.

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

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## Directors' declaration

- 1 In the opinion of the directors of Reef Corporate Services Limited, the Responsible Entity of Reef Casino Trust:
  - (a) the financial statements and notes that are set out in pages 14 to 37, are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Trust's financial position as at 31 December 2019 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 31 December 2019.
- 3 The directors draw attention to note 2(a) to the financial statements which includes a statement of compliance with International Financial Reporting Standards.

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



**Richard Haire**  
Director



**Keith DeLacy**  
Director

Brisbane  
26 February 2020



# Independent Auditor's Report

To the unitholders of Reef Casino Trust

Report on the audit of the financial report

## Opinion

We have audited the financial report of Reef Casino Trust (the Trust), which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a giving a true and fair view of the Trust's financial position as at 31 December 2019 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

## Basis for opinion

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

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

## Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p><b>Determination and recognition of revenue – Note 4. Revenue and other income</b></p> <p>The Trust leases its facilities to a related party, Casinos Austria International (Cairns) Pty Ltd (the Lessee). Accordingly the Trust's rental revenue is determined in accordance with the lease agreements between the Trust and the Lessee. Rental revenue comprises two components: a base rent and a contingent rent. The base rent component is indexed yearly and recognised on a straight line basis over the lease term. The contingent rent component is based on the financial performance and results of the Lessee and is recognised when contractually due. The contingent rent component comprises the majority of total rental revenue.</p> <p>This is a key audit matter given that it is material to the Trust's results and is recognised based on the financial performance and results of the Lessee.</p>	<p>Our audit procedures to address the risk of material misstatement relating to the determination and recognition of rental revenue included, amongst others:</p> <ul style="list-style-type: none"> <li>Assessing the design and implementation of management's controls over the determination and recognition of rental revenue;</li> <li>Analysing management's calculation of rental revenue in accordance with the lease agreements and with the audited financial statements of the Lessee; and</li> <li>Assessing the appropriateness and sufficiency of the work performed on the Lessee's financial statements for the relevant period by the Lessee's auditor.</li> </ul>
<p><b>Impairment of property, plant and equipment – Note 8</b></p> <p>AASB 136 Impairment of Assets requires that an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any indication exists, the entity shall estimate the recoverable amount of the asset.</p> <p>Forecasting future cash flows and applying an appropriate discount rate involves a high degree of estimation and judgement by management. In accordance with AASB 136 Impairment of Assets the Trust have determined that the deterioration in the results is an indicator of impairment and have performed an impairment assessment on the whole Trust as a single cash generating unit (CGU) within the scope of the standard. No impairment has been recorded in the financial statements.</p> <p>This is a key audit matter given that property, plant and equipment is material to the Trust's Statement of Financial Position and the judgement exercised by the management of the Trust in determining the recoverable amount of the assets through a value-in-use model.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>Obtaining an understanding of management's processes and controls related to the assessment of impairment, including the calculation of the recoverable amount for the CGU;</li> <li>Assessing and challenging management's value-in-use calculations against the requirements of AASB 136, by: <ul style="list-style-type: none"> <li>- testing the mathematical accuracy of the calculations;</li> <li>- reviewing management's calculation of the discount rate and evaluating the reasonableness of the rate;</li> <li>- evaluating management's ability to perform accurate estimates by reference to their previous experience and to assess the Trust's past history of forecasting;</li> <li>- challenging the forecasted cash inflows and outflows to be derived by the CGU; and</li> <li>- performing sensitivity analysis on the significant inputs and assumptions made by management in preparing its calculation including discount rate, growth rate and revenue; and</li> </ul> </li> <li>Assessing the adequacy of related disclosures in the financial statements.</li> </ul>

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

The directors of Reef Corporate Services Limited, the Responsible Entity of the Trust, are responsible for the other information. The other information comprises the information included in the Trust's annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

#### **Responsibilities of the Directors for the financial report**

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

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

#### **Auditor's responsibilities for the audit of the financial report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

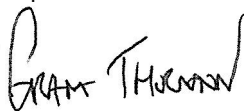
#### **Report on the audit of non-IFRS information**

##### **Opinion on non-IFRS information**

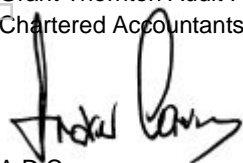
In our opinion, the non-IFRS financial information disclosed as distributable profit included in the chairman's review on pages 1 and 2 for the year ended 31 December 2019 is prepared, in all material respects, in accordance with the basis of preparation set out on page 1.

##### **Responsibilities**

The directors of the Responsible Entity of the Trust are responsible for the preparation and presentation of the non-IFRS financial information in accordance with the basis of preparation set out on page 1 and for having regard to the guidelines set out in ASIC Regulatory Guide 230: Disclosing Non-IFRS Financial Information. Our responsibility is to express an opinion on the non-IFRS financial information, based on our audit conducted in accordance with auditing standards.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



A D Cornes  
Partner – Audit & Assurance

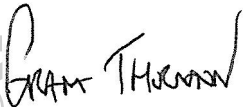
Cairns, 26 February 2020

## Auditor's Independence Declaration

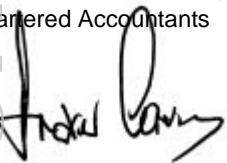
### To the Directors of the Responsible Entity of Reef Casino Trust

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Reef Casino Trust for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd  
Chartered Accountants



A D Cornes  
Partner – Audit & Assurance

Cairns, 26 February 2020