



REEF  
CASINO TRUST

# Half Year Report & Financial Statements

ARSN 093 156 293



JUNE 2018

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## Unit distribution six months to 30 June 2018

9.71 cents per unit. Payment date 12 September 2018

## BAR36 Lounge & Stage



Guest Services

Cocktail at BAR36



# CHAIRMAN'S REVIEW

**Dear Unitholders,**

On behalf of the Board of Directors of Reef Corporate Services Limited, responsible entity of the Reef Casino Trust (the Trust), I present my review of the Reef Casino Trust for the six months ended 30 June 2018.

## Key points

### Distributable Profit up 32%

- **Net Profit, distributable profit**  
In the first half of 2018, The Trust reported a net profit of \$2.42 million (2017: \$1.83 million) with a distributable profit\* of \$4.84 million (2017: \$3.67 million). Unitholders' distributions classified as "finance costs" were \$2.42 million (2017: \$1.83 million).
- **Unit distribution**  
A unit distribution of 9.71 cents per unit for the six months from January to June (2017: 7.36 cents) has been declared. Earnings per unit were 9.71 cents (2017: 7.36 cents). Unit distribution was 100% of distributable earnings.
- **Earnings before interest, tax, depreciation and amortisation (EBITDA)**  
EBITDA was \$7.40 million (2017: \$6.36 million)
- **Trust income**  
Trust income consisting mainly of rental income from the Reef Hotel Casino was \$10.46 million (2017: \$9.21 million).
- **Operating costs**  
Operating costs at the Reef Casino Trust and the Reef Hotel Casino were well managed.

## Trust distributable profit

Trust distributable profit\* was \$4.84 million for the six months ended 30 June 2018, up 32% on 2017.

Total Trust revenue (comprising mainly of rental income from the Reef Hotel Casino) was \$10.46 million, up 14% on 2017. This was due to higher rental contributions from the Reef Hotel Casino with both the casino and hotel operations contributing higher rental incomes to the Trust.

Trust expenses were slightly higher in 2018. The main reasons include a higher responsible entity fees following an uplift in the value of the Reef Hotel Casino property, corporate development costs and higher electricity charges for the Reef Hotel Casino.

*\* Basis of preparation: Distributable profit is a non-IFRS measure that is determined in accordance with the Trust Constitution and used as the basis for determining distributions to unitholders. Distributable profit is determined as net profit for the half year, adding back distributions to unitholders which have been treated as finance costs in accordance with IFRS. The distributable profit has been audited by Grant Thornton Audit Pty Ltd. Refer to the auditor's report on page 19 of the Half Year Report for the half year ended 30 June 2018.*

	<b>2018</b> <b>\$'000</b>	<b>2017</b> <b>\$'000</b>	
<b>REVENUE AND OTHER INCOME</b>			
Rental revenue	10,357	9,113	↑ 13.7%
Other revenue and interest income	100	94	
Total revenue and other income	<b>10,457</b>	<b>9,207</b>	↑ 13.6%
<b>EXPENSES</b>			
Operating	3,181	3,024	
Depreciation and amortisation	2,440	2,517	
Total expenses	<b>5,621</b>	<b>5,541</b>	↑ 1.4%
<b>PROFIT BEFORE FINANCE COSTS<sup>1</sup></b>			
<b>ATTRIBUTABLE TO UNITHOLDERS</b> <b>(DISTRIBUTABLE PROFIT*)</b>	<b>4,836</b>	<b>3,666</b>	↑ 31.9%
Finance costs <sup>1</sup> attributable to unitholders	2,418	1,833	
<b>PROFIT FOR THE PERIOD</b>	<b>2,418</b>	<b>1,833</b>	↑ 31.9%
	<b>2018</b> <b>cents per</b> <b>unit</b>	<b>2017</b> <b>cents per</b> <b>unit</b>	
Earnings per unit	9.71	7.36	
Distribution per unit	9.71	7.36	

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

## Unit distribution

The Trust has declared a distribution of 9.71 cents per unit or a total of \$4.8 million for the six months from 1 January to 30 June 2018. The record date was 29 June 2018 and payment will be made on 12 September 2018.

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

## **Trust balance sheet**

The Trust balance sheet continues to be strong and healthy. The Trust's cash position remains positive and the Trust has adequate working capital. The Trust's interest only loan facility remains unchanged at \$13.5 million. This term loan extends to January 2022. As at 30 June 2018, the Trust has drawn down \$4.20 million of its loan facility.

## **Capital investment**

Capital expenditure in the first half year of 2018 consisted mainly of operational requirements of the Reef Hotel Casino including new gaming machines and capital commitments for the proper 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 controlled by Casinos Austria International Limited and Accor Casino Investments, has provided his review as follows :-

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

The Reef Hotel Casino reported another profitable first half of 2018, traditionally the low season in Cairns and Far North Queensland. Overall, rental contributions paid to the Reef Casino Trust were up by 13.7%.

#### **Trading and operating conditions in the first half year 2018**

- Our hotel casino complex saw an improved Chinese New Year high tourist season
- A strong performance in table games, particularly in premium play
- A strong performance by hotel room operations
- Our complex continued to take on the local competition in electronic gaming machine operations
- Our food and beverage operations continued to strongly support the overall performance of our complex

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

### Complex performance

#### Rental paid to the Trust

- 13.7% higher than 2017 with increased contributions from both casino and hotel operations in part reflecting increased casino visitations.
- AASB 15 Revenue from Contracts with Customers was applied for the first time by CAIC in this period. While there was no impact on retained earnings in CAIC on implementation at 1 January 2018, in this period certain revenues and expenses were reclassified from the way they were previously reported. The impact on the rental paid to RCT was not material.

**Casino** – Overall casino revenues 15.7% higher than last year (18.6% higher without the impact of AASB 15 Revenue from Contracts with Customers).

- *Table games*  
Total gross gaming revenues from main floor grind and premium play were 58.1% higher than last year. This was due to an improved Chinese New Year season and a strong performance by premium play.
- *Electronic games*  
Electronic gaming machine gross gaming revenues were steady, just 1.1% lower than last year. We continue to take on the strong local competition in this revenue segment.

**Hotel** – Overall hotel revenues 9.8% higher than last year (12.3% higher without the impact of AASB 15 Revenue from Contracts with Customers).

- *Rooms*  
Rooms revenues were 23.8% higher than last year due to stronger domestic tourism into Cairns and a stronger Chinese New Year tourist season in Cairns.
- *Food and beverage*  
Food and beverage revenues were 3.3% higher than last year due to good performance overall across our various outlets reflecting higher casino visitations.

#### Complex cost control

- Operating costs were well managed throughout the complex.

#### Improving overall performance

#### Key strategies

The following key strategies have so far underpinned and will drive our 2018 and future performance of the complex. These will be coupled with the proven success of our management strategy and philosophy under our “One Complex, One Team, One Success” mantra.

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

### **Casino operations**

- **Electronic Gaming** – The casino took on local competition with our recently renovated complex ground floor playing an important role by driving visitations into our entertainment complex. Increased advertising in Cairns and selected regions to target the visitor market, a full promotion, entertainment and marketing program and continued investment in new gaming products also contributed.
- **Table Games** – Our casino's marketing agreement with a Macau-based marketing agent was updated and bolstered with effect from 1 January 2018 in order to further development of premium gaming activity barring any unforeseen political and economic challenges in China.
- **Casino Refresh Project** – Work will commence in September this year to refresh the main casino gaming floor. This will include a new higher stakes table gaming area, a new look for Flinders Bar and Grill, new carpets throughout and a new entrance into the casino. The expected cost of this project is about \$1.75 million and is expected to be completed by Christmas this year.

### **Hotel Operations**

- **Rooms** – Our Pullman hotel have applied sharp yield management strategies to capitalise on a reduced inventory in Cairns in 2018, on high end tours and cruise ships homeporting in Cairns to drive REVPAR performance.
  - **Food and beverage** – We will have a full entertainment program to strengthen BAR36's position as the best live entertainment venue in Cairns.
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## **CHAIRMAN'S REVIEW CONTINUES**

### **Summary and conclusion**

#### **Ownership changes at Casinos Austria AG**

The Trust is not aware of further material changes since the Trust's last annual general meeting on 18 May 2018. Casinos Austria (CASAG) holds 42% of the units in the Trust via its wholly owned subsidiaries including Casinos Austria International Limited (CAIL). CAIL and Accor jointly own Reef Corporate Services Ltd, the responsible entity of the Trust and Casinos Austria International (Cairns) Pty Ltd, the operator of the Reef Hotel Casino.

We will of course update unitholders and the market as and when the Trust becomes aware of more information.

## CHAIRMAN'S REVIEW CONTINUES

### **CASAG's Project Otto**

The Trust made a statement to the ASX on 13 April 2018 that CASAG had announced that it will no longer pursue Project Otto which was a potential sale of CASAG's casino assets located outside of Austria.

### **Trust, CASAG and Accor**

The relationships between the Trust and CASAG/Accor (as major unitholders and joint operator of the Reef Hotel Casino) continue to work well.

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

On 28 October 2017 the Queensland Government announced its proposed GTH policy for Cairns.

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.

The government has imposed strict confidentiality obligations as part of its GTH process.

### **A brief operational outlook for the Trust**

The second half year is traditionally the "high tourist season" in Cairns. The Trust has a solid start to the second half of this year.

The Trust expects its balance sheet to remain strong and expects to continue to generate positive cash flows mainly via rental payments from the Reef Hotel Casino to the Trust.

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. With the completion of the major refurbishment of the ground floor of the complex in 2017 and a refresh of the casino expected to be completed by Christmas 2018, we can look forward to our new facilities in our complex providing an even more competitive product to our local and international patrons and customers.

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.

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

A handwritten signature in black ink, appearing to read 'Macdonald', with a small mark below the end of the signature.

**Ben Macdonald**  
**Chairman**  
Reef Corporate Services Limited  
Responsible Entity of Reef Casino Trust  
24 August 2018

# DIRECTORS' REPORT

The directors of Reef Corporate Services Limited, ABN 66 057 599 621, the Responsible Entity of Reef Casino Trust, present their half year report together with the half year financial report of the Trust for the half year ended 30 June 2018 and the auditor's report thereon.

## Responsible Entity

The Directors of Reef Corporate Services Limited at any time during or since the end of the half year are:

Mr Benjamin W Macdonald (Chairman)  
Mr Keith DeLacy  
Mr Richard Haire  
Mr Michael Issenberg  
Dr Alexander Labak (appointed 26 February 2018)  
Mr Allan Tan (director and alternate for Mr Macdonald)  
Mr Simon McGrath  
Mr Philip Basha (alternate for Mr Issenberg)  
Dr Karl Stoss – resigned 6 February 2018  
Mr Alexander Tucek (alternate for Dr Stoss) until 6 February 2018

## Review of operations

The review of operations is contained in the Chairman's Review on pages 1 to 7.

## Distribution

The distribution of \$7.718 million (15.5 cents per unit) in respect of the six month period ended 31 December 2017 as reported in the 2017 annual report was paid on 14 March 2018.

The directors have declared a distribution of \$4.836 million (9.71 cents per unit) in respect of the six month period ended 30 June 2018 to be paid on 12 September 2018 (refer note 9). The distribution in respect of the six month period ended 30 June 2017 was 7.36 cents per unit.

## Auditor's independence declaration under section 307C of the Corporations Act 2001

The auditor's independence declaration is set out on page 22 and forms part of the directors' report for the half year ended 30 June 2018.

## 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 half year financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report has been signed in accordance with a resolution of the directors of Reef Corporate Services Limited.



Ben Macdonald  
Director



Keith DeLacy  
Director

Brisbane  
24 August 2018

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half year ended 30 June 2018

	Note	30 June 2018 \$'000	30 June 2017 \$'000
<b>REVENUE AND OTHER INCOME</b>			
Revenue and other income	4	10,457	9,207
<b>TOTAL REVENUE AND OTHER INCOME</b>		<b>10,457</b>	9,207
<b>EXPENSES</b>			
Depreciation and amortisation	6	2,440	2,517
Property outgoings		665	609
Rates and taxes		379	391
Responsible Entity fees		615	546
Repairs and maintenance		494	504
Insurance		327	297
Responsible Entity director fees		157	125
Other expenses		421	378
<b>TOTAL EXPENSES</b>		<b>5,498</b>	5,367
<b>RESULTS FROM OPERATING ACTIVITIES</b>		<b>4,959</b>	3,840
Finance costs attributable to unitholders		2,418	1,833
Interest expense on financial liabilities measured at amortised cost		123	174
<b>TOTAL FINANCE COSTS</b>		<b>2,541</b>	2,007
<b>PROFIT FOR THE PERIOD</b>		<b>2,418</b>	1,833
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>2,418</b>	1,833
Basic and diluted earnings per unit (cents)	10	9.71	7.36

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

# STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Note	30 June 2018 \$'000	31 Dec 2017 \$'000
<b>ASSETS</b>			
Cash and cash equivalents		3,073	4,169
Receivables		2,302	1,900
<b>TOTAL CURRENT ASSETS</b>		<b>5,375</b>	6,069
Receivables		750	750
Property, plant and equipment	7	98,220	99,745
Intangible assets		118	128
<b>TOTAL NON-CURRENT ASSETS</b>		<b>99,088</b>	100,623
<b>TOTAL ASSETS</b>		<b>104,463</b>	106,692
<b>LIABILITIES</b>			
Payables		1,217	1,559
Accrued distribution	9	2,418	3,809
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,635</b>	5,368
Loans and borrowings	8	4,200	3,200
Deferred income		23	27
Issued units – liability portion	11	85,051	85,051
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>89,274</b>	88,278
<b>TOTAL LIABILITIES</b>		<b>92,909</b>	93,646
<b>EQUITY</b>			
Issued units – equity portion		85,051	85,051
Distribution account	9	2,418	3,909
Undistributed income		5,928	5,929
Accumulated losses		(81,843)	(81,843)
<b>TOTAL EQUITY</b>		<b>11,554</b>	13,046
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>104,463</b>	106,692
<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.

# STATEMENT OF CHANGES IN EQUITY

as at 30 June 2018

	Issued units \$'000	Distribution account \$'000	Undistributed income \$'000	Accumulated losses \$'000	Total \$'000
1 JANUARY 2017	85,051	2,990	6,030	(81,843)	12,228
Profit for the period	-	-	-	1,833	1,833
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	1,833	1,833
Transfer to distribution account	-	1,833	-	(1,833)	-
Transfer from undistributed income	-	-	-	-	-
Distributions paid	-	(2,990)	-	-	(2,990)
30 JUNE 2017	85,051	1,833	6,030	(81,843)	11,071
1 JANUARY 2018	<b>85,051</b>	<b>3,909</b>	<b>5,929</b>	<b>(81,843)</b>	<b>13,046</b>
Profit for the period	-	-	-	<b>2,418</b>	<b>2,418</b>
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	<b>2,418</b>	<b>2,418</b>
Transfer to distribution account	-	<b>2,418</b>	-	<b>(2,418)</b>	-
Transfer from undistributed income	-	<b>1</b>	<b>(1)</b>	-	-
Distributions paid	-	<b>(3,910)</b>	-	-	<b>(3,910)</b>
30 JUNE 2018	<b>85,051</b>	<b>2,418</b>	<b>5,928</b>	<b>(81,843)</b>	<b>11,554</b>

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

# STATEMENT OF CASH FLOWS

for the half year ended 30 June 2018

	<b>30 June 2018 \$'000</b>	<b>30 June 2017 \$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts in the course of operations	<b>11,455</b>	10,612
Cash payments in the course of operations	<b>(4,560)</b>	(3,864)
Interest received	<b>40</b>	43
Interest and other finance costs paid	<b>(121)</b>	(169)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>6,814</b>	6,622
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	<b>(1,192)</b>	(3,258)
Proceeds from disposal of property, plant and equipment	<b>1</b>	-
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(1,191)</b>	(3,258)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of loan	<b>(4,500)</b>	(5,000)
Drawdown of loan	<b>5,500</b>	5,500
Distributions paid (equity and liability portion)	<b>(7,719)</b>	(5,976)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(6,719)</b>	(5,476)
Net decrease in cash held	<b>(1,096)</b>	(2,112)
Cash and cash equivalents at 1 January	<b>4,169</b>	4,775
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>3,073</b>	2,663

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

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the half year ended 30 June 2018

## 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

These general purpose condensed interim financial statements of the Trust are for the six months ended 30 June 2018. They have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the financial statements of the Trust for the year ended 31 December 2017 and any public announcements made by the Trust during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments became effective on 1 January 2018 and have been applied for the first time in this set of financial statements. The nature and effect of changes arising from these standards are summarised in the section below and in Note 3.

The interim financial statements were approved by the directors of the Responsible Entity on 24 August 2018.

### (b) Use of estimates and judgements

The significant judgements made in applying the Trust's accounting policies and the key sources of estimation uncertainty were the same as those described in the financial statements as at and for the year ended 31 December 2017. No new significant judgments or sources of estimation uncertainty arose from the adoption of AASB 15 and AASB 9.

## 3. Significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Trust's last annual financial statements for the year ended 31 December 2017.

### (a) New standards adopted

The adoption of AASB 15 Revenue from Contracts with Customers has not had a significant impact on the timing or amount of revenue recognised. The Trust's rental income is derived from The Reef Hotel Casino operated by Casino Austria International (Cairns) Pty Ltd (CAIC). While CAIC made some changes to the classification between certain revenue and expenses on adoption of AASB 15 the impact on the quantification of rental income to the Trust was not material.

### 3. Significant accounting policies (continued)

#### (a) New standards adopted (continued)

The Trust has adopted AASB 15 using the cumulative effect method. Accordingly, the information presented for 2017 has not been restated and is presented, as previously reported, under AASB 118 and related interpretations. There was no impact on retained earnings recognised at the date of initial application (1 January 2018).

AASB 9 Financial Instruments replaces AASB 139's Financial Instruments: Recognition and Measurement requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. The adoption of AASB 9 has not had a significant effect on the classification and measurement of financial assets or liabilities of the Trust. There was no impact on retained earnings recognised at the date of initial application (1 January 2018).

#### (b) Impact of standards issued but not yet effective

Update to information provided in the last annual financial statements:

#### AASB 16 Leases (effective 1 January 2019)

AASB 16 establishes principles for the recognition, measurement, presentation and disclosure of leases with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The Trust continues to refine its detailed assessment of the potential impact on its financial statements.

No significant change is expected in relation to the operating leases where the trust is lessor or in relation to the site lease as lessor accounting and finance lease accounting for lessees remains similar to the current standard.

It is not expected that Casino Austria International (Cairns) Pty Limited (CAIC)'s adoption of AASB 16 will have a significant consequential impact on trust rental income as the impact on CAIC's results, on which the Trust's contingent rental is calculated, is not expected to be material upon adoption of the new standard. A review of the lease agreements is in progress and amendments could be made to ensure the definitions in the leases reflect the change in the nature of the accounting treatment for the lease payments.

It is expected that the Trust will recognise a new asset and liability for its lease of land used as a car park. Preliminary calculations indicate a right of use asset of carrying value of approximately \$150K and an equal liability will be recognised on 1 January 2019 with changes also in the nature of expenses related to that lease. The actual impact will depend on a number of factors including the borrowing rate at 1 January 2019.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the half year ended 30 June 2018

	30 June 2018 \$'000	30 June 2017 \$'000
<b>4. Revenue</b>		
RENTAL		
Base rent	569	559
Contingent rent	9,788	8,554
	<b>10,357</b>	9,113
INTEREST RECEIVED AND RECEIVABLE FROM		
Other persons	8	5
Related parties	32	32
	<b>40</b>	37
OTHER REVENUE		
Sundry	60	57
	<b>10,457</b>	9,207

## 5. Segment information

The Trust has a single operating segment. Revenue from external customers is derived from the rental of the Reef Hotel Casino complex, which is made up of the following components:

### RENTAL INCOME

Casino operations	8,769	8,183
Hotel and other non-casino operations	1,588	930
	<b>10,357</b>	9,113

## 6. Expenses

Net profit for the period includes the following specific expenses:

DEPRECIATION		
Building	719	722
Plant and equipment	1,339	1,406
	<b>2,058</b>	2,128
AMORTISATION		
Computer software	29	36
Site lease	353	353
	<b>382</b>	389
	<b>2,440</b>	2,517

	<b>30 June 2018 \$'000</b>	<b>31 Dec 2017 \$'000</b>
<b>7. Property, plant and equipment</b>		
Site lease – at cost	<b>53,000</b>	53,000
Less: Accumulated amortisation	<b>(17,342)</b>	(16,989)
	<b>35,658</b>	36,011
Building and integral plant – at cost or deemed cost	<b>73,999</b>	74,007
Less: Accumulated depreciation	<b>(21,722)</b>	(21,009)
	<b>52,277</b>	52,998
Plant and equipment – at cost	<b>60,284</b>	60,009
Less: Accumulated depreciation	<b>(50,442)</b>	(49,279)
	<b>9,842</b>	10,730
Work in progress	<b>443</b>	6
Total property, plant and equipment – net carrying amount	<b>98,220</b>	99,745

**Capital expenditure commitments**

Contracted but not provided for and payable:	<b>1,929</b>	359
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**ACQUISITIONS**

During the six months ended 30 June 2018, the Trust acquired property, plant and equipment with a cost of \$932,619 (six months ended 30 June 2017: \$2,226,404).

**8. Loans and borrowings**

	<b>Facility Available</b>		<b>Facility Used</b>		<b>Facility Unused</b>	
	<b>30 June 2018 \$'000</b>	<b>31 Dec 2017 \$'000</b>	<b>30 June 2018 \$'000</b>	<b>31 Dec 2017 \$'000</b>	<b>30 June 2018 \$'000</b>	<b>31 Dec 2017 \$'000</b>
<b>NON-CURRENT LIABILITIES</b>						
Bank loan – BOQ Limited (expires 31 January 2022*)	<b>13,500</b>	13,500	<b>4,200</b>	3,200	<b>9,300</b>	10,300
	<b>13,500</b>	13,500	<b>4,200</b>	3,200	<b>9,300</b>	10,300

\* On 25 May 2018 the Trust's existing bank loan agreement was updated to extend its term for a further three years, changing its expiry date from 31 January 2019 to 31 January 2022.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the half year ended 30 June 2018

### 9. Distributions

	30 June 2018 \$'000	31 Dec 2017 \$'000
<b>Distributable income</b>		
The proposed distribution for the six months ended 30 June 2018 was declared on 24 August 2018, and accounted for as follows:		
DISTRIBUTION ACCOUNT (refer to statement of changes in equity)		
Balance relating to issued units – equity portion	2,418	3,909
ACCRUED DISTRIBUTION		
Balance relating to issued units – liability portion	2,418	3,809
<b>TOTAL OF DISTRIBUTION ACCOUNTS</b>	<b>4,836</b>	<b>7,718</b>

	2018		2017	
	Total \$'000	Cents per unit	Total \$'000	Cents per unit
DISTRIBUTIONS PAID AND PAYABLE				
Half year ended 31 December paid March	7,719	15.50	5,976	12.00
Half year ended 30 June paid/payable September	4,836	9.71	3,666	7.36
	12,555	25.21	9,642	19.36

### 10. Earnings per unit

	30 June 2018	31 June 2017
Basic and diluted earnings per unit (cents)	9.71	7.36
Weighted average number of units at the end of the half year	<b>24,900,518</b>	24,900,518

### 11. Financial instruments

The fair value of the Trust's financial assets and financial liabilities approximate their carrying values as at the balance sheet date with the exception of:

	30 June 2018		31 December 2017	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
LIABILITIES CARRIED AT AMORTISED COST				
Issued units – liability portion*	<b>85,051</b>	<b>73,457</b>	85,051	81,425

\* Fair value of issued units – liability portion is based on the quoted market price per unit at the reporting date.

# DIRECTORS' DECLARATION

In the opinion of the directors of Reef Corporate Services Limited, the Responsible Entity of Reef Casino Trust (the Trust):

- a. the financial statements and notes set out on pages 9 to 17, are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Trust's financial position as at 30 June 2018 and of its performance for the half year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.
- 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.

Signed in accordance with a resolution of the directors of Reef Corporate Services Limited pursuant to Section 303(5)(a) of the *Corporations Act 2001*:



**Ben Macdonald**  
Director



**Keith DeLacy**  
Director

Brisbane  
24 August 2018

# 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 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half 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 30 June 2018 and of its performance for the half year ended on that date; and
- (b) Complying with Australian Accounting Standards *AASB 134 Interim Financial Reporting* 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. The key audit matter below was 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 this matter.

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# INDEPENDENT AUDITOR'S REPORT

To the unitholders of Reef Casino Trust

Key audit matter	How our audit addressed the key audit matter
<p><b>Determination and recognition of revenue – Note 4. Revenue</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.</p> <p>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 rent 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 by reviewing the Lessee's auditor's workpapers.</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 half year report for the half year ended 30 June 2018, 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 half year ended 30 June 2018 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 Australian Auditing Standards.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



AD Cornes  
Partner – Audit & Assurance  
Cairns, 24 August 2018

# 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 half year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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



GGrant Thornton Audit Pty Ltd  
Chartered Accountants



AD Cornes  
Partner – Audit & Assurance  
Cairns, 24 August 2018

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# TRUST DIRECTORY

## Registered office of the Responsible Entity

Reef Corporate Services Limited  
Level 1, Mercure Hotel  
85-87 North Quay  
BRISBANE QLD 4000  
Telephone: (07) 3211 3000  
Facsimile: (07) 3211 4777  
[www.reefcasino.com.au/trust](http://www.reefcasino.com.au/trust)  
Owned 50% Casinos Austria Group &  
50% Accor Group

**Casinos Austria** is a leading player in the global casino gaming industry. With a unique portfolio of casino development and management services, Casinos Austria have successfully realised more casino and gaming projects in more jurisdictions than any other operator worldwide.

**Accor**, the world's leading hotel operator and market leader in Europe, is present in 100 countries with more than 4,300 hotels and nearly 620,000 rooms. With more than 250,000 employees in Accor brand hotels worldwide, the Group offers to its clients and partners nearly 50 years of know-how and expertise.

## Directors of the Responsible Entity

Mr Richard Haire  
(Chairman since August 24 2018)  
Mr Benjamin W Macdonald  
(Chairman until August 24 2018)  
Mr Keith DeLacy  
Dr Alex Labak  
Mr Michael Issenberg  
Mr Allan Tan  
Mr Simon McGrath

## Alternate directors

Mr Allan Tan (alternate for Mr Macdonald)  
Mr Philip Basha (alternate for Mr Issenberg)

## Secretary of the Responsible Entity

Ms Alison Galligan

## Compliance, Audit & Risk Committee of the Responsible Entity

Mr Keith DeLacy (Chairman)  
Mr Richard Haire  
Mr Simon McGrath

## Unitholder enquiries

Please contact the unit registry if you have any questions about your unitholding or distributions.

## Solicitors to the Responsible Entity

Herbert Smith Freehills  
Level 31  
480 Queen Street  
BRISBANE QLD 4000

## Unit Registry

Computershare Investor Services Pty Ltd  
Level 1  
200 Mary Street  
BRISBANE QLD 4000  
GPO Box 2975  
MELBOURNE VIC 3001  
Telephone: 1300 552 270  
[www.investorcentre.com/contact](http://www.investorcentre.com/contact)

## Bankers

Bank of Queensland Limited  
100 Skyring Terrace  
NEWSTEAD QLD 4006

## Auditors of the Trust

Grant Thornton Audit Pty Ltd  
Level 13  
Cairns Corporate Tower  
15 Lake Street  
CAIRNS QLD 4870

## Securities exchange listing

Official list of the Australian Securities  
Exchange Limited

## Sub-lessee of The Reef Hotel Casino Complex

Casinos Austria International (Cairns) Pty Ltd  
Level 1  
Mercure Hotel  
85-87 North Quay  
BRISBANE QLD 4000  
Telephone: (07) 3211 3000  
Facsimile: (07) 3211 4777  
Owned 50% Casinos Austria Group & 50%  
Accor Group

## The Reef Hotel Casino

35-41 Wharf Street  
CAIRNS QLD 4870  
Telephone: (07) 4030 8888  
Facsimile: (07) 4030 8777  
[www.reefcasino.com.au](http://www.reefcasino.com.au)

MUST SEE

# MUST VISIT

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QUEENSLAND'S BIGGEST AND PREMIER LEISURE  
& ENTERTAINMENT COMPLEX NORTH OF BRISBANE

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**CASINOS AUSTRIA INTERNATIONAL**

### **The Reef Hotel Casino**

Try your luck at the tables and experience the thrills and excitement of international gaming or adjourn to one of our many bars for a well earned refreshment.

Offers 477 gaming machines, 38 gambling tables, plus Club Privé, TAB and Keno.

Open 7 Days 9am – 5am



### **Pullman Reef Hotel Casino**

The Pullman Reef Hotel Casino features 128 luxury guest rooms and suites each offering charm, elegance and tranquility. Their decor accentuates the feel and lifestyle of Tropical North Queensland. Pullman facilities include swimming pool and spa, health club, and tour desk.

### Electronic Gaming



### Hotel Lobby



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# MUST VISIT

## QUEENSLAND'S BIGGEST AND PREMIER LEISURE & ENTERTAINMENT COMPLEX NORTH OF BRISBANE



Multi award winning and with a newly extended area offering intimate booth style seating. Tamarind, the signature restaurant of the complex, continues to delight diners with an amazing array of delicious contemporary dining using fresh local ingredients.



Multi award winning full scale Chinese restaurant offering traditional Chinese cuisine, yum cha and seafood. Open daily for lunch and dinner.



Choose from a great range of main fare, steaks from the grill, lighter meals, snacks, beverages and supper dishes. Open during Casino operating hours.



Cairns Dinner Theatre  
Enjoy an evening of Fun, Frivolity and Dining, with Cabaret, Farce, Burlesque and Stand Up Comedy Shows.



Café China Noodle Bar offers a tempting array of traditional Chinese delicacies in the historic surroundings of Customs House. Open daily.



Located on Level 2 of the complex, the Casino Sport Arena has a HUGE LED screen showing major sporting events and movies, complemented by multiple high definition screens and luxury cinema style seating. The latest TAB and Keno facilities, gaming machines and table gaming makes this a unique entertainment venue.



Enjoy the exciting new attraction, Cairns ZOOM. With crossings and ziplines, internal and external rooftop walkways, experience the thrill of a birds-eye view of the Dome and animals, and spectacular views of the city and seascapes. You can glide over a 4 metre crocodile or freefall from the 13 metre high tower. Height and weight restriction apply.



The new hub of the complex, BAR36 offers a great venue to meet with friends. Transitioning from cool lounge music to a showroom equipped with the latest in AV production, enjoy the best in live music with a synchronised sound and light experience.



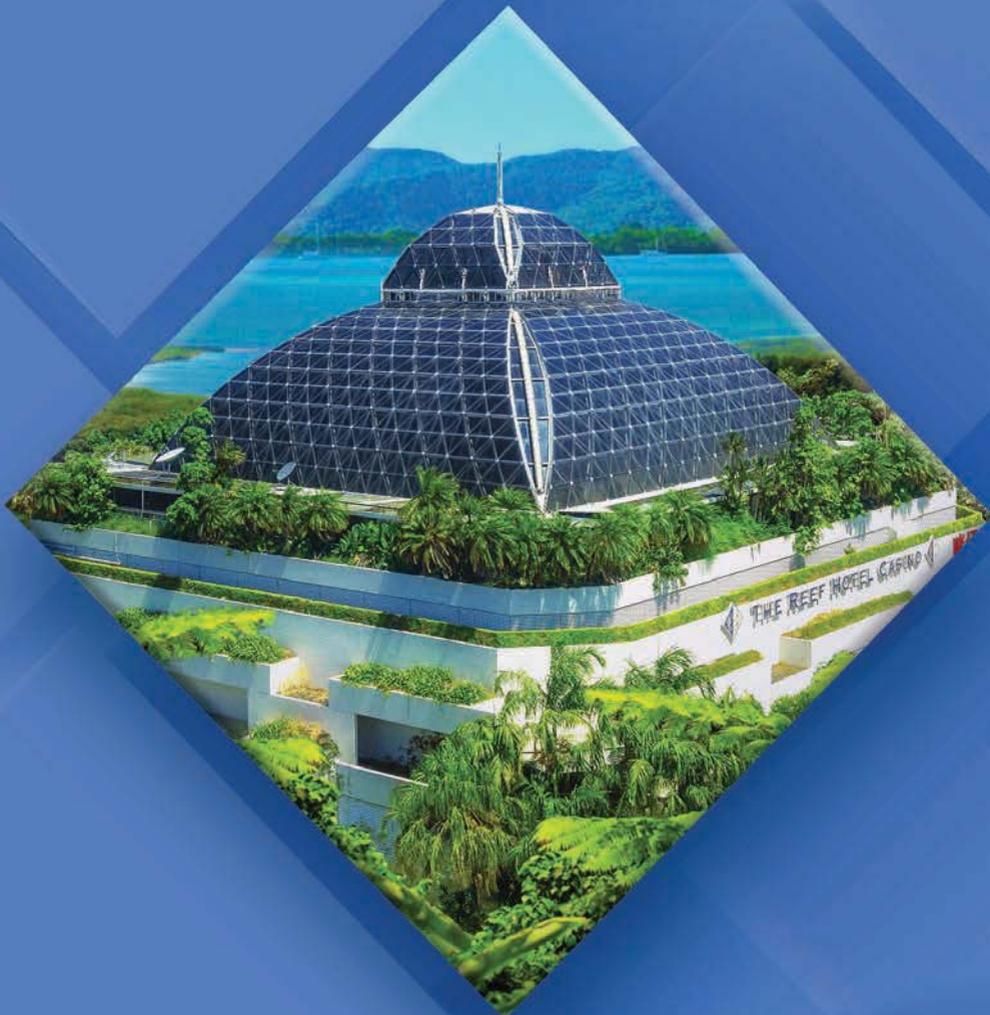
Café chic at its best, enjoy great boutique coffee and teas, breakfast, light lunches, house made salads, desserts and baked goods. Enjoy a cool beer or wine and people watch from the deck or experience the cool comfort of the interior which integrates through to the hotel lobby.



More than 330 undercover car parking spaces are provided for those attending events and for our Casino and Hotel patrons.



A total of ten unique venues ranging from ballroom to boardroom to poolside are available to cater for 8 to more than 800 guests for every type of function.



**CASINOS AUSTRIA INTERNATIONAL**



**pullman**  
HOTELS AND RESORTS

REEF HOTEL CASINO

