



REEF
CASINO TRUST
ARSN 093 156 293



ANNUAL REPORT
& FINANCIAL STATEMENTS

2017

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Annual General Meeting

18 May 2018 at 2pm
The Reef Hotel Casino
35-41 Wharf Street Cairns
Cairns Qld Australia

Unit Distribution

Half year ended 31 December 2017

15.5 cents per unit
Payment date - 14 March 2018
Total for 2017 - 22.86

Announcement Dates

Half year ending 30 June 2018

Estimated distribution mid June 2018
Results late August 2018

Half year ending 31 December 2018

Estimated distribution mid December 2018
Results late February 2019



Casino Entry

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 hereby present my review of the Trust for the financial year ended 31 December 2017.

Highlights

- **Net profit, distributable profit**
The Trust reported a net profit of \$5.64 million, with a distributable profit* for the year of \$11.3 million (2016 \$11.9 million). Unitholders' distributions classified as "finance costs" were \$5.64 million.
- **Earnings before interest, tax, depreciation and amortisation (EBITDA)**
EBITDA was steady at \$16.6 million (2016 \$16.6 million).
- **Unit distribution**
A unit distribution of 15.5 cents per unit (2016 12.0 cents per unit) for the six months from 1 July 2017 to 31 December 2017 has been declared. As the actual distribution for the six months from 1 January 2017 to 30 June 2017 was 7.36 cents per unit, the total distribution for the full year 2017 is 22.86 cents per unit (2016 23.91 cents per unit). Total unit distribution for the year was 0.2 cents per unit more than 100% of distributable earnings.
- **Trust income**
Trust income consisting mainly of rental income from the Reef Hotel Casino was \$22.4 million (2016 \$22.3 million). While Trust income in the first half was 17.4% lower than the previous year, in the second half, Trust rental income was 18.0% higher than the previous year.
- **Property valuation**
The Reef Hotel Casino complex located in Cairns was independently valued at \$150 million as at 31 December 2017, up from \$136 million as at 31 December 2014.

Trust Distributable Profit

Trust distributable profit* for the year ended 31 December 2017 was \$11.3 million compared to \$11.9 million the previous year.

Rental income from the Reef Hotel Casino was 0.3% higher than 2016. Overall, operating expenses were well managed. Trust total expenses were higher than in 2016 due to a higher responsible entity fee as a result of an increase in property value, a tariff increase in electricity, and higher depreciation and interest with Project L1 refurbishments finalised in early 2017.

** 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 40 for the year ended 31 December 2017.*

Trust Distributable Profit (continued)

	2017	2016	
	\$'000	\$'000	
REVENUE AND OTHER INCOME			
Rental revenue	22,201	22,130	0.32%
Other revenue and income	195	200	
Total revenue and other income	22,396	22,330	0.30%
EXPENSES			
Operating	6,080	5,869	3.60%
Depreciation and amortisation	5,033	4,557	
Total expenses	11,113	10,426	6.59%
PROFIT BEFORE FINANCE COSTS¹	11,283	11,904	-5.22%
ATTRIBUTABLE TO UNITHOLDERS			
Finance costs ¹ attributable to unitholders	5,642	5,952	
PROFIT FOR PERIOD	5,641	5,952	-5.22%
	Cents per unit	Cents per unit	
Earnings per unit	22.66	23.90	
Distribution per unit	22.86	23.91	

¹“Finance costs” relate to 50% of distributable profit payable to unitholders.

Unit distribution

The Trust has declared a unit distribution of 15.5 cents per unit, for the six months from 1 July 2017 to 31 December 2017. The record date was 29 December 2017 and payment will be made on 14 March 2018.

A distribution of 7.36 cents per unit was paid for the six months from 1 January to 30 June 2017. For the 2017 financial year, the total distribution declared was 22.86 cents per unit.

Therefore, the 2017 total unit distribution comprised just very slightly more than 100% of 2017 distributable earnings per unit by 0.2 cents per unit.

The undistributed income account balance is 11.9 cents per unit, or \$5.93 million following the payment of 0.2 cents per unit from this account

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

Independent Valuation of Trust Property

In accordance with the requirements of the Trust Constitution the Reef Hotel Casino complex was externally valued at 31 December 2017.

The independent valuer, JLL Hotels & Hospitality Group, valued the Reef Hotel Casino complex at \$150 million as at 31 December 2017, up from \$136 million as at 31 December 2014. As the Reef Hotel Casino complex is measured at depreciated cost (\$97.7 million as at 31 December 2017), this latest independent valuation is shown only as a note to the financial statements.

The Trust will continue to obtain an independent valuation of the Reef Hotel Casino complex at least once every 3 years in accordance with the requirements of the Trust Constitution.

Trust balance sheet

The Trust's balance sheet 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 2019. The amount drawn down at 31 December 2017 was \$3.2 million.

Capital investment

A refurbishment of level 1 of the Reef Hotel Casino complex was completed in the first quarter of 2017. Capital expenditure for the rest of 2017 consisted mainly of operational requirements including new gaming machines and capital commitments for the proper maintenance of the Reef Hotel Casino complex.

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

- The Chinese New Year holiday season in the first quarter of the year was soft for Cairns as a whole. There was an absence of direct flights from China into Cairns. However, direct flights have now resumed.
- The Reef Hotel Casino faced increased and aggressive local competition in electronic gaming from clubs and hotels.
- In the first half year 2017, premium gaming was subdued because of the arrests of marketing staff in China from another Australian casino operator which had a consequential impact on our own premium market. This impact lessened as the year progressed.
- The complex performed well as a whole in the second half year with the new facilities from the complex level 1 refurbishment contributing positively to strong casino and hotel performance.

Reef Hotel Casino CEO's Report (continued)

Key strategies

Our management strategy continued to underpin the underlying solid performance at the Reef Hotel Casino.

Operating as *One Complex, One Team, One Success*, we offer a seamless entertainment complex under one roof and one team backed up by a full marketing program that positions our complex as a *Must See Must Visit* entertainment venue in Cairns. As an *Employer of Choice*, this goes to our strength in the hospitality business with *The best gaming venue in Cairns* with an international class casino run to the highest standards and *The best hotel in Cairns* offering the best 5 star accommodation. Finally, *Superior cost control and risk management* best practice is applied throughout the complex.

During the year:-

- The early part of 2017 saw the successful completion of new facilities in our complex as part of Project L1 including BAR36, hotel lobby, casino lobby, casino guest services reception, new Merchant Artisan Food and Coffee and expanded seating in Tamarind Restaurant. A new tenant, Cairns Dinner Theatre added to our complex's entertainment offerings.
- Our complex promotions and marketing initiatives focussed on taking on aggressive local electronic gaming competition in the form of upgrading and expanding the entertainment program in the complex, improving the promotions for electronic gaming as well as extending the casino operating hours from 3 am to 5 am on Sunday to Thursday, effective from 1 June 2017, such that the casino is now opened daily from 9 am to 5 am.
- Our two-year new uniform project which commenced in mid-2015 was successfully completed in 2017.

Complex Performance

Rental paid to Trust

- Total complex rentals to the Trust were slightly above last year (0.3%) on the back of hotel and casino revenues growth.

Casino

- *Electronic games*
Revenues were 0.6% less than 2016. During the year, management formed a special slots focus group and introduced new gaming machines, new games, built on our tiered loyalty membership program and continued to implement a full and exciting program of marketing, promotions and entertainment which is proving successful.
- *Table games*
Total revenues from main floor grind and premium markets were 5.3% better than last year. The marketing agreement entered into in 2016 with a Macau based marketing agent for our premium player market segment continued throughout 2017.

Hotel

- *Room accommodation*
Room accommodation revenues were 4.4% below 2016 which was a record year. Successful yield management, product packaging and leveraging off Accor's global and Australian network continue to be key to a good performance.
- *Food and beverage*
Overall revenues were 19.4% better than last year due to new facilities including BAR36, Merchant Artisan Food and Coffee and an expanded Tamarind restaurant. Importantly, our food and beverage facilities continued to play a key role in supporting our casino operations.

Reef Hotel Casino CEO's Report (continued)

Complex cost management and control

Operating costs were well managed and controlled throughout the complex.

Driving future performance

Three key strategic areas will hopefully drive future growth for the complex.

Electronic Gaming

- Apart from growth in direct food and beverage sales, our new BAR36, expanded Tamarind Restaurant and new Merchant Artisan Food & Coffee venue together with our new look casino lobby including a high-tech interactive feature and new casino guest services reception will continue to play a key role to drive further growth in electronic gaming by driving visitations into our entertainment complex. We plan to increase advertising in Cairns and selected regions to target the visitor market.
- With enhanced complex facilities and combined with a full promotion, entertainment and marketing program and continued investment in new gaming products, we expect to compete aggressively and successfully with our competition.
- We will aim to further build up our patronage from the Japanese tourist market which has recently shown signs of a growth in Cairns.

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 drive further development of premium gaming activity barring any unforeseen political and economic challenges in China.
- To support the above and to leverage off new direct flights from Guangzhou (China Southern Airlines) and Shenzhen (Hainan Airlines), China into Cairns, the Trust has approved a refresh of the main casino floor. The planned renovation will include a new high stakes table gaming area, a new look Flinders Bar and Grill located within the casino, an update of the casino bar, new carpeting throughout level 1 of the casino and a new entrance into the casino.

Hotel operations

Room accommodation

- Our Pullman hotel will apply sharp yield management strategies to capitalise on an expected reduced inventory in Cairns particularly in the first half year to drive REVPAR (revenue per available room) performance as well as take advantage of Commonwealth Games opportunities, high end tours and cruise ships homeporting in Cairns.

Food and Beverage

- Having seen increased revenues from our new BAR36 and expanded Tamarind Restaurant, we will have a full entertainment program to strengthen BAR36's position as the best live entertainment venue in Cairns. For Tamarind restaurant, we will continue to improve our menu and service to cement its position as the best signature restaurant in Cairns.

Chairman's Review (continued)

Trust Outlook

The operator of the Reef Hotel Casino is Casinos Austria International (Cairns) Pty Ltd (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.

The Trust has kept unitholders and the market informed regarding corporate developments at Casinos Austria AG (CASAG), which was until recently the ultimate parent company of CAIL.

CASAG ownership changes

CASAG holds 42% of the units in the Trust via its wholly owned subsidiaries including CAIL. On 16 January 2018, the Sazka Group, a Czech lottery company acquired a controlling interest in CASAG via shareholdings in CASAG and voting rights in CASAG such that Sazka is now the ultimate parent company of CAIL. We will update unitholders and the market as and when the Trust becomes aware of more information.

CASAG's Project Otto

Project Otto is part of CASAG's strategic review of its assets particularly its casino assets located outside of Austria of which CASAG's interests in the Trust is one of them. CASAG's strategic review may or may not lead to a disposal of some or all of its international casino assets. The Trust understands that Project Otto continues to progress. We will update unitholders and the market as and when the Trust has more information.

Queensland Government's proposed Global Tourism Hub (GTH)

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

It is the Trust's intention to continue to reinvest in its main asset, the Reef Hotel Casino in Cairns. Since 2000, the Trust has invested over \$55 million in capital expenditure to maintain and improve the Reef Hotel Casino Complex.

The Trust also continues to consider any appropriate future investment to expand in Cairns. In this regard, the Board and management have held discussions with the Queensland Government to explore the possibility of expanding the Reef Hotel Complex operations in Cairns even before the proposed GTH policy was announced.

As the incumbent casino owner in Cairns, The Trust is already pre-registered in the proposed GTH's first step which is the registration of interest.

The Trust holds a casino licence in Cairns that runs for another 50 years to 2068. While we are currently at a preliminary stage, we remain hopeful that the Trust would be able to take advantage of appropriate opportunities to invest and expand the casino and hotel operations of the Reef Hotel Casino in the future.

Trust Outlook (continued)

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 improving and a continued growth in tourism to the Great Barrier Reef and Cairns.

Business as usual

Despite the uncertainties regarding CASAG's Project Otto whether to sell or not sell its casino assets outside of Austria and the recently announced Queensland Government's proposed GTH policy, for now at least it is business as usual for the Trust.

2018 operational direction/outlook

The Trust Board endorses the CEO's strategic plan to drive future operational performance at the Reef Hotel Casino. Following the successful completion of the major refurbishment of the complex's level 1 non-casino licenced area, the Board has approved a refurbishment and the creation of new gaming facilities in the casino in 2018. The commencement of China Southern Airlines direct flights linking Guangzhou, China to Cairns and the commencement of direct flights from Shenzhen, China to Cairns are positive developments and should add to the Chinese tourism growth and have a positive impact on our operations.

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



Ben Macdonald

Chairman
Reef Corporate Services Limited
Responsible Entity of Reef Casino Trust
21 February 2018

DIRECTORS' REPORT

Mr Benjamin W Macdonald
Non-executive Chairman



Mr Keith DeLacy
Non-executive Director
Chairman of Compliance,
Audit & Risk Committee



Mr Richard Haire
Non-executive Director



Mr Michael Issenberg
Non-executive Director



Dr Alexander Labak
Non-executive Director
Appointed 26 Feb 2018



Mr Simon McGrath
Non-executive Director



Mr Allan Tan
Executive Director,
CEO Reef Hotel Casino



Mr Phillip Basha
Alternate for Mr Issenberg



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 2017 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 Benjamin W Macdonald (Chairman)
Mr Keith DeLacy
Mr Richard Haire
Mr Michael Issenberg
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

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

The review and results of operations is contained in the Chairman's Review commencing on page 1.

This includes information on the financial position and business strategies and prospects for future financial years.

Distributions

Distributions are paid on a half yearly basis.

The distribution of \$5.976 million (12.0 cents per unit) in respect of the six month period ended 31 December 2016 as reported in the 2016 annual report was paid on 15 March 2017.

The distribution of \$3.666 million (7.36 cents per unit) in respect of the six month period ended 30 June 2017 was paid on 13 September 2017 (note 12).

The directors have declared a distribution of \$7.718 million (15.5 cents per unit) in respect of the six month period ended 31 December 2017 to be paid on 14 March 2018 (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.

Events subsequent to balance date

On 21 February 2018, the board of directors of the Responsible Entity, Reef Corporate Services Limited, declared a 15.5 cent per unit distribution payable on 14 March 2018. This distribution totals \$7.7 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 2017 (2016: 36,405,411 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 \$106.692 million as at 31 December 2017 (2016: \$109.513 million). The basis of valuation of the Trust's 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:

	Dec 2017	Dec 2016
	\$	\$
Responsible Entity fees	1,154,375	1,104,099
Reimbursement of Trust expenses	100,204	100,777

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:

	Number of units held
Mr Benjamin W Macdonald	263,750
Mr Keith DeLacy	5,000
Mr Richard Haire	-
Mr Michael Issenberg	221,000
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

Indemnities and insurance premiums for officers or auditors (continued)

Indemnification (continued)

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.

Information on directors

Ben Macdonald AM – Non-executive Chairman; 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.

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

Information on directors (continued)

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

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.

Richard Haire – Independent non-executive director; director since 1 October 2013

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

Mr Haire has more than 29 years' experience in the international cotton and agribusiness industry. He was the Chief Executive Officer of Queensland Cotton Corporation Pty Ltd from 1989 to 2007. He was also the Managing Director and Regional Head, Australia and New Zealand of Olam International from 2007 to 2012.

Mr Haire is a director and Chairman of the Audit Committee at the Bank of Queensland, a director at BEC Feed Solutions Limited, and the Chairman of the Cotton Research and Development Corporation (CRDC).

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

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.

In addition to Reef Casino Trust, Mr Issenberg is also a director of The A-HTRUST (Ascendas Hospitality Trust) listed on the Singapore Stock Exchange.

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.

Information on directors (continued)

Michael Issenberg – Non-executive director; director since 21 January 2002 (continued)

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.

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 – Non-executive director; director since 23 August 2011

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

Mr McGrath is Chief Operating Officer for Accor Pacific, responsible for over 250 hotels, 33,000 rooms and 12,000 employees in the Pacific region.

Mr McGrath has an extensive and highly respected career in the hotel sector, having worked in management positions domestically and overseas. He has worked in senior executive positions in Australia's major city and tourist destinations, including Sydney, Gold Coast, Cairns, Hamilton Island and Ayers Rock Resort as well as internationally in Malaysia and Thailand.

In addition to his role as Chief Operating Officer for Accor Pacific, Mr McGrath holds the following directorship roles: director of AAPC Limited and director of Accor Vacation Club (AVC).

Mr McGrath also currently holds positions on the following Boards: Deputy Chairman of Tourism and Transport Forum (TTF), Deputy President Accommodation Association of Australia (AAA), board member of Blue Mountains International Hotel Management School Industry Advisory Board and independent director of Genesis Care.

Information on directors (continued)

Simon McGrath – Non-executive director; director since 23 August 2011 (continued)

Mr McGrath has played a major advocate role in advancing indigenous employment opportunities in the hospitality and tourism sector as well as championing innovative human resources development, marketing and customer relationship management.

Mr McGrath has been recognised for his contribution to the hospitality industry with numerous company and individual awards of excellence. He was awarded Australasian Hotelier of the Year in 2017 and 2009 in the HMA (Hotel Management Awards) and AccorHotels was named Best Accommodation Chain 2013 also at the HM (Hotel Management) Awards. In addition, he received a Gold Bernache - the highest accolade for AccorHotels globally - for performance in 2012.

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 Vice President Corporate Finance 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 43 and forms part of the directors' report for the year ended 31 December 2017.

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.



Ben Macdonald
Director
Brisbane
21 February 2018



Keith DeLacy
Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Note	Dec 2017 \$'000	Dec 2016 \$'000
REVENUE AND OTHER INCOME			
Revenue	4	22,388	22,322
Other income		8	8
TOTAL REVENUE AND OTHER INCOME		22,396	22,330
EXPENSES			
Depreciation and amortisation	5	5,033	4,556
Property outgoings		1,220	1,180
Rates and taxes		776	800
Responsible Entity fees		1,154	1,104
Repairs and maintenance		981	978
Insurance		599	569
Responsible Entity director fees		273	273
Other expenses		756	769
TOTAL EXPENSES		10,792	10,229
RESULTS FROM OPERATING ACTIVITIES		11,604	12,101
Finance costs attributable to unitholders		5,642	5,952
Interest expense on financial liabilities measured at amortised cost		321	197
TOTAL FINANCE COSTS	6	5,963	6,149
PROFIT FOR THE YEAR		5,641	5,952
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,641	5,952
Basic and diluted earnings per unit (cents)	17	22.66	23.90

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 31 December 2017

	Note	Dec 2017 \$'000	Dec 2016 \$'000
ASSETS			
Cash and cash equivalents	14	4,169	4,775
Receivables	7	1,900	2,309
TOTAL CURRENT ASSETS		6,069	7,084
Receivables	7	750	750
Property, plant and equipment	8	99,745	101,547
Intangible assets		128	132
TOTAL NON-CURRENT ASSETS		100,623	102,429
TOTAL ASSETS		106,692	109,513
LIABILITIES			
Payables	9	5,368	4,999
TOTAL CURRENT LIABILITIES		5,368	4,999
Loans and borrowings	10	3,200	7,200
Deferred income		27	35
Issued units – liability portion	11	85,051	85,051
TOTAL NON-CURRENT LIABILITIES		88,278	92,286
TOTAL LIABILITIES		93,646	97,285
EQUITY			
Issued units – equity portion	11	85,051	85,051
Distribution account	12	3,909	2,990
Undistributed income		5,929	6,030
Accumulated losses		(81,843)	(81,843)
TOTAL EQUITY		13,046	12,228
TOTAL EQUITY AND LIABILITIES		106,692	109,513
MEMORANDUM NOTE – ISSUED UNITS			
Issued units – liability portion		85,051	85,051
Issued units – equity portion		85,051	85,051
		170,102	170,102

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Issued units \$'000	Distribution account \$'000	Undistributed income \$'000	Accumulated losses \$'000	Total \$'000
1 JANUARY 2016	85,051	4,227	6,034	(81,843)	13,469
Profit for the year	-	-	-	5,952	5,952
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	5,952	5,952
Transfer to distribution account	-	5,952	-	(5,952)	-
Transfer from undistributed income account	-	4	(4)	-	-
Distributions paid	-	(7,193)	-	-	(7,193)
31 DECEMBER 2016	85,051	2,990	6,030	(81,843)	12,228
1 JANUARY 2017	85,051	2,990	6,030	(81,843)	12,228
Profit for the year	-	-	-	5,641	5,641
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	5,641	5,641
Transfer to distribution account	-	5,641	-	(5,641)	-
Transfer from undistributed income account	-	101	(101)	-	-
Distributions paid	-	(4,823)	-	-	(4,823)
31 December 2017	85,051	3,909	5,929	(81,843)	13,046

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

STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Note	Dec 2017 \$'000	Dec 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		24,997	24,333
Cash payments in the course of operations		(7,588)	(8,087)
Interest received		76	91
Interest and other finance costs paid		(325)	(190)
NET CASH FROM OPERATING ACTIVITIES	14	17,160	16,147
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(4,126)	(6,713)
Proceeds of disposal of property, plant and equipment		2	6
NET CASH FROM INVESTING ACTIVITIES		(4,124)	(6,707)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of loan		6,500	11,000
Repayment of loan		(10,500)	(5,500)
Distributions paid (equity portion and liability portion)		(9,642)	(14,417)
NET CASH FROM FINANCING ACTIVITIES	14	(13,642)	(8,917)
Net increase/(decrease) in cash held		(606)	523
Cash and cash equivalents at 1 January		4,775	4,252
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	4,169	4,775

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 2017

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).

The financial statements were approved by the board of directors of the Responsible Entity on 21 February 2018.

(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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 8 – property, plant and equipment (lease classification).

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.

(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) 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 2017, and earlier application is permitted; however, the Trust has not early applied the following new or amended standards in preparing these financial statements.

AASB 9 Financial Instruments (effective 1 January 2018)

AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and carries forward guidance on recognition and derecognition of financial instruments from AASB 139. The new standard has been reviewed and is not expected to have any impact on the Trust's current accounting policies.

AASB 15 Revenue from Contracts with Customers (effective 1 January 2018)

AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance. The Trust's rental income is derived from The Reef Hotel Casino operated by Casino Austria International (Cairns) Pty Ltd (CAIC). The directors of CAIC have identified that there are expected to be changes in the classification between certain revenue and expenses on adoption of AASB 15. However, the impact, if any, on the quantification of rental income to the Trust is not expected to be material.

AASB 16 Leases (effective 1 January 2019 with early adoption permitted on the proviso that AASB 15 is also adopted at the same time)

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. 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. The Trust continues to assess the potential impact of this standard.

The majority of the Trust's rental income is derived from The Reef Hotel Casino operated by Casino Austria International (Cairns) Pty Ltd (CAIC). The directors of CAIC are currently assessing the potential impact on its financial statements of the new Accounting Standards and in particular AASB 16. There are a number of options on transition so each is being assessed for its potential impact and practicality. The most significant expected impact is that CAIC will recognise new assets and liabilities for the casino, hotel and central facilities leases. The quantitative effect on CAIC is still being assessed and will depend on, the transition method chosen, the extent to which CAIC uses the practical expedients and recognition exemptions, and any additional leases that CAIC enters into. The impact, if any, on the quantification of rental income to the Trust is also still being assessed.

4. Revenue

	Dec 2017 \$'000	Dec 2016 \$'000
RENTAL		
Base rent	1,117	1,100
Contingent rent	21,084	21,030
	22,201	22,130
INTEREST RECEIVED AND RECEIVABLE FROM		
Other persons	11	25
Related parties	65	66
	76	91
OTHER REVENUE		
Sundry	111	101
	22,388	22,322

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.

5. Expenses

Net profit includes the following specific expenses:

DEPRECIATION		
Building	1,447	1,350
Plant and equipment	2,811	2,418
	4,258	3,768
AMORTISATION		
Computer software	68	82
Site lease	707	706
	775	788
	5,033	4,556
Net loss on disposal of plant and equipment	26	13

6. Finance income and expense

	Dec 2017 \$'000	Dec 2016 \$'000
RECOGNISED IN PROFIT OR LOSS		
Interest income on bank deposits	11	25
Interest income on loans and receivables	65	66
FINANCE INCOME	76	91
Interest expense on financial liabilities measured at amortised cost	(321)	(197)
Finance costs attributable to unitholders	(5,642)	(5,952)
FINANCE EXPENSE	(5,963)	(6,149)
NET FINANCE INCOME AND EXPENSE	(5,887)	(6,058)

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	1,839	2,249
Prepayments and other debtors	61	60
	1,900	2,309

NON-CURRENT

Loan to lessee, bearing an interest rate of 8.71% (2016: 8.71%)	750	750
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Loans and receivables are measured initially at fair value and subsequently measured at amortised cost using the effective interest method. Financial assets are also tested for impairment. For exposure to credit risk see note 18.

8. Property, plant and equipment

	Site Lease \$'000	Building & Integral Plant \$'000	Plant & Equipment \$'000	Work in Progress \$'000	Total \$'000
AT 1 JANUARY 2016					
At cost or deemed cost	53,000	70,469	60,114	166	183,749
Accumulated depreciation/amortisation	(15,576)	(18,397)	(50,972)	-	(84,945)
Net carrying amount	37,424	52,072	9,142	166	98,804
YEAR ENDED 31 DECEMBER 2016					
Opening net carrying amount	37,424	52,072	9,142	166	98,804
Additions	-	-	1,490	5,747	7,237
Disposals	-	-	(20)	-	(20)
Transfers from WIP	-	2,223	2,999	(5,222)	-
Depreciation/amortisation charge	(706)	(1,350)	(2,418)	-	(4,474)
Closing net carrying amount	36,718	52,945	11,193	691	101,547
AT 31 DECEMBER 2016					
At cost or deemed cost	53,000	72,510	59,553	691	185,754
Accumulated depreciation/amortisation	(16,282)	(19,565)	(48,360)	-	(84,207)
Net carrying amount	36,718	52,945	11,193	691	101,547
YEAR ENDED 31 DECEMBER 2017					
Opening net carrying amount	36,718	52,945	11,193	691	101,547
Additions	-	59	1,381	1,748	3,188
Disposals	-	(2)	(23)	-	(25)
Transfers from WIP	-	1,443	990	(2,433)	-
Depreciation/amortisation charge	(707)	(1,447)	(2,811)	-	(4,965)
Closing net carrying amount	36,011	52,998	10,730	6	99,745
AT 31 DECEMBER 2017					
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

8. Property, plant and equipment (continued)

	Dec 2017	Dec 2016
	\$'000	\$'000

Capital expenditure commitments

Contracted but not provided for and payable:

Not longer than one year	359	1,266
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(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.

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 (2016: nil).

8. Property, plant and equipment (continued)

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;
- (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.

Leased assets

Leases in terms of which the Trust assumes substantially all the risks and rewards of ownership are 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.

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. Even though the lease is not eligible for conversion to freehold tenure, the Trust determined that the site lease is a finance lease. At 31 December 2017, the remaining term of the site lease was 51 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.

8. Property, plant and equipment (continued)

Operating leases as lessor

The Trust leases out the Reef Hotel Casino under an operating lease. The future minimum lease payments under non-cancellable leases are as follows:

	Dec 2017 \$'000	Dec 2016 \$'000
Less than one year	1,139	1,117
Between one and five years	4,554	4,469
More than five years	7,780	8,752
	13,473	14,338

The casino, hotel and ancillary facilities lease agreements expire on 26 October 2029. Further extensions from year to year are 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.

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.

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.

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.

9. Payables

	Dec 2017 \$'000	Dec 2016 \$'000
CURRENT		
Trade creditors and accruals – unsecured	1,559	2,013
Accrued distributions (note 12)	3,809	2,986
	5,368	4,999

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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
NON-CURRENT						
Bank loan – BOQ Limited (expires 31 January 2019)	13,500	13,500	3,200	7,200	10,300	6,300
	13,500	13,500	3,200	7,200	10,300	6,300

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.

11. Issued units

	Dec 2017 \$'000	Dec 2016 \$'000
49,801,036 (December 2016: 49,801,036) units		
Issued units – equity portion	85,051	85,051
Issued units – liability portion	85,051	85,051
	170,102	170,102

The number of issued units includes 740,000 (December 2016: 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 2017 was declared on 21 February 2018, and accounted for as follows:

	Dec 2017 \$'000	Dec 2016 \$'000
DISTRIBUTION ACCOUNT (refer to statement of changes in equity)		
Balance relating to issued units – equity portion	3,909	2,990
ACCRUED DISTRIBUTION (payables – note 9)		
Balance relating to issued units – liability portion	3,809	2,986
TOTAL OF DISTRIBUTION ACCOUNTS	7,718	5,976

	Dec 2017		Dec 2016	
	Total \$'000	Cents per Unit	Total \$'000	Cents per Unit
DISTRIBUTIONS PAID AND PAYABLE				
Half year ended 30 June paid September	3,666	7.36	5,931	11.91
Half year ended 31 December paid/payable March	7,718	15.50	5,976	12.00
	11,384	22.86	11,907	23.91

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 2017 \$'000	Dec 2016 \$'000
RENTAL INCOME		
Casino operations	18,882	18,380
Hotel and other non-casino operations	3,319	3,750
	22,201	22,130

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

	Dec 2017 \$'000	Dec 2016 \$'000
Cash (held in interest bearing accounts, at call)	4,169	4,775
Reconciliation of cash flows from operating activities		
PROFIT FOR THE YEAR	5,641	5,952
ADJUSTMENTS FOR:		
Loss on disposal of property, plant and equipment	26	13
Finance costs attributable to unitholders	5,642	5,952
Depreciation and amortisation	5,033	4,556
NET CASH FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	16,342	16,473
Changes in operating assets and liabilities		
(Increase)/decrease in receivables and other assets	409	(119)
Increase/(decrease) in payables	417	(199)
Increase/(decrease) in deferred income	(8)	(8)
NET CASH FROM OPERATING ACTIVITIES	17,160	16,147

Reconciliation of liabilities and associated equity balances arising from financing activities

	Liabilities		Equity	Total
	Loan	Accrued distribution	Distribution account	
	\$'000	\$'000	\$'000	\$'000
AT 1 JANUARY 2017	7,200	2,986	2,990	13,176
Cashflows	(4,000)	(4,819)	(4,823)	(13,642)
Distribution paid/payable	-	5,642	5,742	11,384
AT 31 DECEMBER 2017	3,200	3,809	3,909	10,918

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.

15. Related party information (continued)

Key management personnel	Short-term Salary & Fees \$	Post-employment Superannuation Benefits \$	Total \$
2017			
Non-executive directors			
Benjamin Macdonald (Chairman)	115,000	10,925	125,925
Keith DeLacy	68,000	6,460	74,460
Karl Stoss	-	-	-
Michael Issenberg	-	-	-
Simon McGrath	-	-	-
Richard Haire	66,000	6,270	72,270
Alexander Tucek	-	-	-
Philip Basha	-	-	-
Executive director			
Allan Tan (Chief Executive Officer - Operator)	78,357	-	78,357
Executive			
Alison Galligan (Company Secretary)	99,163	-	99,163
Total	426,520	23,655	450,175
2016			
Non-executive directors			
Benjamin Macdonald (Chairman)	115,000	10,925	125,925
Keith DeLacy	68,000	6,460	74,460
Karl Stoss	-	-	-
Michael Issenberg	-	-	-
Simon McGrath	-	-	-
Richard Haire	66,000	6,270	72,270
Alexander Tucek	-	-	-
Philip Basha	-	-	-
Executive director			
Allan Tan (Chief Executive Officer - Operator)	100,330	-	100,330
Executive			
Alison Galligan (Company Secretary)	98,788	-	98,788
Total	448,118	23,655	471,773

15. Related party information (continued)

Key management personnel (continued)

Only directors who are not full time executives of Casinos Austria International Limited group or Accor Asia Pacific group receive remuneration from 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.

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 from 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 of the year Number	Changes during the year Number	Balance at end of the year Number
Benjamin Macdonald	263,750	-	263,750
Keith DeLacy	5,000	-	5,000
Karl Stoss	-	-	-
Michael Issenberg	221,000	-	221,000
Allan Tan	76,950	3,000	79,950
Simon McGrath	-	-	-
Richard Haire	-	-	-
Alexander Tucek	-	-	-
Philip Basha	-	-	-

15. Related party information (continued)

Responsible Entity's remuneration

	Transactions value		Balance outstanding	
	Dec 2017	Dec 2016	Dec 2017	Dec 2016
	\$	\$	\$	\$
Fees paid or payable by the Trust to Reef Corporate Services Limited during the year				
Responsible Entity fee	1,154,375	1,104,099	608,316	545,013
Reimbursement of trust expenses	100,204	100,777	-	-

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.

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% (2016: 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% (2016: 11.37%) of Reef Casino Trust.
- Casinos Austria International Limited directly owns 5.53% (2016: 5.53%) of Reef Casino Trust and Accor Casino Investments (Australia) Pty Ltd directly owns 4.86% (2016: 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.

15. Related party information (continued)

Other related parties (continued)

	Transaction value		Balance outstanding	
	Dec 2017	Dec 2016	Dec 2017	Dec 2016
	\$	\$	\$	\$
Aggregate amounts brought to account in relation to transactions with other related parties:				
Rental income received from lessee	22,201,370	22,129,735	1,833,332	2,243,102
Interest on loan to lessee	65,325	66,478	5,548	5,533
Operating expenses paid by the Trust to the lessee and entities related to the Responsible Entity	2,400,778	2,349,463	163,383	159,883
Management fee to lessee	125,843	132,619	32,152	32,844
Distribution paid or payable	7,530,841	9,459,203	2,741,434	2,148,968
Aggregate amounts receivable/payable with related parties at balance date:				
Current receivables			1,838,880	2,248,635
Non-current receivables			750,000	750,000
Current payables			803,851	737,739
Accrued distribution			2,785,013	2,182,949

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.

16. Remuneration of auditors

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

	Dec 2017	Dec 2016
	\$	\$
GRANT THORNTON AUDIT PTY LTD		
Audit of statutory financial reports	70,646	65,840
Other assurance services	23,000	22,600
	93,646	88,440

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 2017 Cents	Dec 2016 Cents
Basic and diluted earnings per unit (cents)	22.66	23.90
Weighted average number of units (equity portion) for the year (note 11)	24,900,518	24,900,518
	\$'000	\$'000
Profit for the year	5,641	5,952

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 \$2,588,880 of the receivables carrying amount at 31 December 2017 (2016: \$2,998,635). 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.

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

	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000
31 DECEMBER 2017					
NON-DERIVATIVE FINANCIAL LIABILITIES					
Trade creditors and accruals	1,559	1,559	1,559	-	-
Accrued distribution	3,809	3,809	3,809	-	-
Bank borrowings	3,200	3,344	133	3,211	-
Issued units – liability portion*	85,051	-	-	-	-
31 DECEMBER 2016					
NON-DERIVATIVE FINANCIAL LIABILITIES					
Trade creditors and accruals	2,013	2,013	2,013	-	-
Accrued distribution	2,986	2,986	2,986	-	-
Bank borrowings	7,200	8,088	288	288	7,512
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 2017 totalled \$5,642,000 (2016: \$5,952,000).

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.

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

Interest rate risk

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

	Dec 2017 \$'000	Dec 2016 \$'000
VARIABLE RATE INSTRUMENTS		
Financial assets	4,919	5,525
Financial liabilities	(3,200)	(7,200)
	1,719	(1,675)

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 \$49,000 (2016: \$55,000), finance costs by \$32,000 (2016: \$72,000) and profit for the year by \$17,000 (2016: \$17,000).

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 2017		31 December 2016	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
ASSETS CARRIED AT AMORTISED COST				
Cash and cash equivalents	4,169	4,169	4,775	4,775
Receivables	2,650	2,650	3,059	3,059
	6,819	6,819	7,834	7,834
LIABILITIES CARRIED AT AMORTISED COST				
Payables	5,368	5,368	4,999	4,999
Loans and borrowings	3,200	3,200	7,200	7,200
Issued units – liability portion	85,051	81,425	85,051	99,104
	93,619	89,993	97,250	111,303

Interest rates used for determining fair value

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

	2017	2016
Receivables	8.71%	8.71%
Loans and borrowings	4.15%	4.00%

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

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.

19. Capital management

The Trust policy is to maintain the current level of issued units (2017: \$170,102,000; 2016: \$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.

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 16 to 38, 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 2017 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 2017.
- 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:



Ben Macdonald
Director



Keith DeLacy
Director

Brisbane
21 February 2018

INDEPENDENT AUDITOR'S REPORT

To the unitholders of Reef Casino Trust

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Report on 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 2017, 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 Reef Casino 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 2017 and of its financial performance for the year then ended; 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 year. 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.

INDEPENDENT AUDITOR'S REPORT

To the unitholders of Reef Casino Trust

Key audit matter	How our audit addressed the key audit matter
<p>Determination and recognition of revenue – Note 4. Revenue</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"> • Assessing the design and implementation of management’s controls over the determination and recognition of rental revenue; • Analysing management’s calculation of rental revenue in accordance with the lease agreements and with the audited financial statements of the Lessee; and • Assessing the appropriateness and sufficiency of the work performed on the Lessee’s financial statements for the relevant period by the Lessee’s auditor.

Other information

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 2017, but does not include the financial report and the auditor’s report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the 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. 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 2017 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



AD Cornes
Partner – Audit & Assurance

Cairns, 21 February 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 year ended 31 December 2017, 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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



AD Cornes
Partner – Audit & Assurance

Cairns, 21 February 2018

CORPORATE GOVERNANCE STATEMENT

For the year ended 31 December 2017
As at 21 February 2018

The following statement is by reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition. The Trust is an externally managed entity and therefore recommendations 1.1 to 1.7, 2.1, 2.2, 2.4, 2.5, 2.6 and 8.1 to 8.3 are not applicable. Notwithstanding this the Corporate Governance Statement describes relevant practices adopted by the board of the responsible entity to support the principles of corporate governance developed by the ASX Corporate Governance Council.

The following corporate governance practices were in place throughout the financial year and at the date of this report, unless otherwise stated. In this statement, "the board" means the board of directors of the Responsible Entity of the Trust. The Corporate Governance Statement was approved by the board on 21 February 2018.

This corporate governance statement and other related information is available on the Trust's website <http://www.reefcasino.com.au/corporate-governance/>.

Role of the Responsible Entity and board

Reef Corporate Services Limited is jointly owned by Casinos Austria International Limited (CAIL) and Accor Casino Investments (Australia) Pty Ltd (Accor) who are substantial shareholders in the Trust.

The Responsible Entity's role is provided for in the Trust Constitution. Its role covers the provision of all corporate services in connection with the Trust, including investor relations, government and operator liaison, secretarial and administrative services, maintenance of financial and taxation records and statutory compliance plus overall corporate governance of the Trust, including the protection of unitholders' interests.

The responsibilities of the board and management are set out in the board charter which is available on <http://www.reefcasino.com.au/corporate-governance/>.

The responsibilities reserved for the board are:

- Final approval of the strategic plans of the lessee
- Final approval of the annual budgets including capital expenditure of the Trust and lessee
- Approving and monitoring the progress of major refurbishment programs, acquisitions or divestments
- Approving the issue of securities and establishment of debt facilities
- Approving the appointment of the CEO of the lessee, the company secretary and the external auditor (taking guidance from the Compliance, Audit and Risk Committee)
- Monitoring the performance of the CEO and management team of the lessee
- Distribution policy and approval of any distribution payment
- Approving (taking guidance from the Compliance, Audit and Risk Committee) all half yearly and annual financial reports including the directors' report and corporate governance statement and any related announcements to the ASX or communications with unitholders
- Instigation of corporate governance policies including code of conduct, continuous disclosure, trading in units
- Approving and monitoring compliance with the Trust's internal control system and risk management systems
- Monitoring (taking guidance from the Compliance, Audit and Risk Committee) the Trust's obligations and compliance with relevant regulatory requirements
- Considering the competencies of directors, board succession plans and board evaluations
- Reviewing the remuneration framework for directors
- Reviewing the diversity policy, monitoring performance against diversity objectives and reviewing and reporting on the proportion of men and women employed.

Role of the Responsible Entity and board (continued)

Day to day management of the Trust and matters not specifically referred to have been delegated to the CEO of the lessee but are subject to oversight by the board. The separation of responsibilities between the board and management is clearly understood and respected.

The board of the Responsible Entity

The board currently comprises six non-executive directors (including the Chairman) and one executive director. The names and skills, experience and relevant expertise of the directors in office at the date of this statement, and the length of office of each director, are set out in the directors' report on pages 12 to 15.

The constitution of the Responsible Entity reflects its joint ownership by CAIL and Accor and requires directors to be appointed as follows:

- two directors may be appointed by the unitholders - Mr DeLacy and Mr Haire, both re-appointed by unitholders in 2015 who are considered independent following review of their annual independence declarations against the criteria for independence set out in the board charter. In considering the independence of Mr DeLacy the board noted his 18 year tenure however considered that he continues to demonstrate independent judgment. The board values his deep understanding of the Trust, its investments and the environment in which it operates.
- three directors may be appointed by CAIL - currently CAIL has appointed two directors Mr Macdonald and Mr Tan, who are not considered independent; and
- three directors may be appointed by Accor - currently Accor has appointed two directors: Mr Issenberg and Mr McGrath, who are not considered independent.

The Reef Casino Joint Venture Shareholders Agreement provides that the number of votes able to be cast by directors representing each of CAIL and Accor is not affected by the number of directors present at the meeting.

In assessing the independence of a director, materiality is assessed on a case-by-case basis and having regard to each director's individual circumstances. No director is a professional adviser, supplier or customer of the Trust or Responsible Entity.

The Responsible Entity's constitution provides that each of the directors shall have regard to the following interests (in descending order of priority):

- the interests of the unitholders of the Trust as a whole;
- the interests of the person who has a right to appoint and remove the director except to the extent those interests conflict with the interests of unitholders as a whole; and
- the interests of the members of the Responsible Entity except to the extent those interests conflict with either or both of the interests of the unitholders of the Trust as a whole or the appointer.

Each director is able to seek independent professional advice at the Trust's expense, with prior approval of the Chairman.

Directors appointed by the unitholders remain in office for a term of 3 years (unless removed earlier) and are then subject to re-election. The directors appointed by the unitholders may be nominated by unitholders holding not less than 5% of the total number of units on issue other than restricted units or by the board of directors. Before a candidate is nominated by the board consideration is given to the range of skills, experience, expertise and diversity that will best complement the board's effectiveness. All other directors remain in office until removed

The board of the Responsible Entity (continued)

by their appointers. All director appointments must be approved by the Minister responsible for the administration of the Casino Control Act 1982 (Queensland). Supplementary background checks are performed as needed.

Background checks are undertaken before the board appoints a person or puts forward a candidate for election. Relevant material information regarding a candidate's nomination for election for directors appointed by unitholders is set out in the notice of annual general meeting. In 2017 no background checks were required as no directors were appointed or put forward for appointment or election.

Each new director appointed undergoes an induction with the Chairman and CEO of the lessee, with management available for discussions as required. Directors maintain their skills and knowledge through regular management updates on accounting, tax and corporate governance matters relevant to the Trust and meetings held at the Reef Hotel Casino complex.

Notwithstanding that recommendation 1.3 does not apply to the responsible entity the current directors have each signed a letter setting out the terms of their appointment.

Board skills matrix

The board believes that it has an appropriate mix of skills and experience and is complemented by the Compliance, Audit and Risk Committee. Notwithstanding that recommendation 2.2 does not apply to the responsible entity the board has adopted the following board skills matrix: casino industry experience, hotel industry experience, corporate governance, financial, accounting and risk management, experience on the board of other listed entities, previous CEO experience, government and regulatory experience, local knowledge (Queensland) and commercial acumen. All these skills are represented on the current board.

Chairman

The Chairman of the board of directors of Reef Corporate Services Limited is appointed by agreement of the directors. Any of the directors may be appointed Chairman. The Chairman, Mr Macdonald is appointed as a director by CAIL and therefore is not independent. The board believes that he has the appropriate skills and experience and fulfils the responsibilities of the Chairman.

The Trust has no Chief Executive Officer, although similar roles are carried out by the Chief Executive Officer of the lessee, Mr Allan Tan. These functions have always remained separate from the functions performed by the Chairman as are set out in the board charter.

Company Secretary accountability

The Company Secretary is accountable directly to the board, through the chairman, on all matters to do with the proper functioning of the board as set out in the board charter.

Diversity

Whilst as an externally managed entity the Trust is not required to have a diversity policy and neither the Trust nor the Responsible Entity have any direct employees the responsible entity has a diversity policy available at <http://www.reefcasino.com.au/corporate-governance/> which includes requirements for the board to establish measurable objectives for achieving gender diversity of the board of the responsible entity and to complete an annual assessment.

The ongoing objective is when considering candidates for nomination to board positions efforts will be made to identify and consider candidates who have a diverse range of attributes, including but not limited to gender. There are currently no women on the board.

The board of the Responsible Entity (continued)

Board and Executive performance

The board continuously reviews its performance. On an annual basis the Chairman leads a formal discussion during a board meeting on the performance of the board, the Compliance, Audit and Risk Committee and individual directors. This was conducted on 6 December 2017.

The board continuously reviews the performance of executive management. For the CEO of the lessee, an annual review is done by the Chairman against agreed performance targets. For the Company Secretary an annual review is done by the CEO of the lessee against agreed performance targets. The reviews for the year ended 31 December 2016 were conducted as described. The reviews for the year ended 31 December 2017 will be completed following the finalisation of the annual results for the Trust.

Ethical and responsible decision making

Code of conduct

The board has adopted a code of conduct which applies to all employees and directors of the Responsible Entity, the Trust and the lessee available at <http://www.reefcasino.com.au/corporate-governance/>. The code of conduct includes the practices necessary to maintain confidence in the integrity of the Responsible Entity, the Trust and the lessee and covers conflicts of interest, insider trading, confidentiality, privacy, treatment of others, political contributions and gambling at The Reef Hotel Casino. It also sets out the practices necessary to ensure compliance with legislation relevant to an employee's responsibilities. Employees are encouraged to report any actual or potential breaches of the code to management or the board without fear of retribution in accordance with the lessee's whistleblower policy.

Safeguard integrity in financial reporting

Compliance, Audit and Risk Committee

The members of the Compliance, Audit and Risk Committee during the financial year were:

Name	Status	Meetings Attended
Keith DeLacy (Chair)	Independent, non-executive director	4
Richard Haire	Independent, non-executive director	4
Simon McGrath	Non-executive director	4

The Committee met 4 times during the year.

Details of directors' qualifications are set out in the directors' report on pages 12 to 15.

The Committee charter is available from <http://www.reefcasino.com.au/corporate-governance/>. The responsibilities of the Compliance, Audit and Risk Committee include:

- Exercising a high level of due diligence in relation to the accuracy and completeness of
 - the Trust's half-year and annual financial reports and any reports lodged with the ASX, and
 - the Responsible Entity's annual financial report and Australian Financial Services Licence (AFSL) audit requirements
- Reviewing the performance, independence and timing of rotation of the Trust's external auditor

Safeguard integrity in financial reporting (continued)

- Recommending to the board the selection or replacement of the Trust’s external auditor
Monitoring the audit plan, auditor’s findings and provision of non-audit services for the Trust
- Performing the functions of a compliance committee identified in the Corporations Act and Compliance Plan
- Reviewing the Trust’s risk management framework at least annually to satisfy itself that the risk management framework continues to be sound
- Reviewing the risk management plan and policy and keeping the board informed of material business risks
- Reviewing reports from management on the effectiveness of the management of material business risks
- Reviewing the external audit reports and any findings in respect of any breaches or weaknesses in internal controls relating to the compliance plan, Trust bank account, AFSL and any other external audit reports relating to risk management and consider the adequacy of management’s planned corrective action
- Considering the need for internal audit

The external auditors, Company Secretary / Executive Manager Finance, the CEO of the lessee and other relevant experts attend committee meetings at the invitation of the committee. The committee meets at least twice per year. It is authorised to take such independent professional advice as it considers necessary. Before the board approved the Trust’s financial statements for each half and full-year financial period it received the declarations from the CEO of the lessee & Company Secretary / Executive

Manager Finance that, in their opinion, the financial records of the Trust have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Trust and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The engagement partner of the external auditor, Grant Thornton, attends the AGM and is available to answer questions from unitholders relevant to the audit.

Make timely and balanced disclosure

The board has established a continuous disclosure policy to ensure the Trust complies with legal obligations and ASX Listing Rules and to ensure accountability at a senior level for that compliance. The CEO of the lessee has primary responsibility for making sure that the Responsible Entity complies with its disclosure obligations for the Trust. The Company Secretary has primary responsibility for communications with the ASX.

A copy of the policy is available from <http://www.reefcasino.com.au/corporate-governance/>.

Respect the rights of unitholders

Website

The website of the Trust is located at <https://www.reefcasino.com.au/reef-casino-trust/>. The website enables unitholders to obtain a range of information, and includes links to the unit registry and ASX as well as a copy of this Corporate Governance Statement.

Investor relations

The Trust’s investor relations program involves:

- Engagement with unitholders at the AGM
- Responding to unitholder enquiries made from time to time

Respect the rights of unitholders (continued)

- Occasional meetings with investors, generally conducted by the CEO of the lessee

The unitholder communications policy available from <http://www.reefcasino.com.au/corporate-governance/> aims to ensure that the unitholders are informed of all major developments affecting the Trust's state of affairs and to encourage participation at general meetings.

Annual general meeting

An Annual General Meeting (AGM) is convened each year, usually in May. The board encourages full participation of unitholders to ensure a high level of accountability.

Transcripts of the Chairman's address are released to the ASX before the commencement of the AGM. The 2017 notice of AGM informed unitholders of the opportunity to ask questions of either the board or the Trust's Auditor.

Electronic communication

Unitholders may elect to receive the Trust's communications electronically. The Trust's unit registry provides unitholders with the option to update their details electronically.

Recognise and manage risk

Risk management framework

The Compliance, Audit and Risk Committee and the board reviewed the risk management framework in December 2017 and were satisfied that the framework continues to be sound. The risk management framework is based on AS/NZS/ISO 31000:2009 Risk Management – Principles and guidelines. The risk management plan covers:

- The Reef Hotel Casino complex
- Compliance risks, including the Australian Financial Services Licence (AFSL)

- Operational & other risks for the responsible entity and Trust

- Financial reporting risks

The board requires management to maintain risk registers and be responsible for ongoing identification, assessment, monitoring and management of risk and reporting to the board via the Compliance, Audit and Risk Committee on the effective management of the Responsible Entity's and Trust's material business risks by interim and final (coinciding with sign off of the annual financial statements) reports on the effectiveness of the Responsible Entity's management of the material business risks. These reports include summaries of management's monitoring of internal controls and detail any external or Casinos Austria group / Accor Asia Pacific group internal audit report findings.

As a registered managed investment scheme the Trust has a Compliance Plan which has been lodged with ASIC. The Compliance Plan sets out measures to ensure compliance with the Trust Constitution, the Corporations Act, the AFSL and other material legislation and contracts. The compliance officer provides written reports to the Compliance, Audit and Risk Committee regarding compliance with the plan. The external auditor, Grant Thornton, conducts an annual audit of compliance with the Compliance Plan.

Economic, environmental and social sustainability risks

The board considered sustainability risks as part of the review of the risk management framework and considered that RCT has no material exposure to environmental or social sustainability risks. RCT's sole investment is the Reef Hotel Casino. The casino industry is highly regulated. A significant change in casino legislation (eg significant tax increases, casinos banned in the State) could have a significant negative 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.

Recognise and manage risk (continued)

Internal audit

Given the small number of transactions the Responsible Entity & Trust does not have an internal audit function, however the Trust's accounts are subject to half yearly external audit. The Casinos Austria & Accor Group have internal audit functions which may review aspects of the lessee's business as part of their annual program.

Remunerate fairly and responsibly

Details of the directors' remuneration are set out in note 15 to the financial statements. The Trust pays directors fees only to non-executive directors who are not full time executives of Casinos

Austria International group or Accor Asia Pacific group. Other non-executive directors receive no remuneration from the Trust. The Trust has no direct employees. Executives involved in the management of the Trust are employed by CAIL. The Trust reimburses a portion of the payroll related costs based on time spent on Trust management. There are no equity based remuneration schemes in operation. No retirement benefits are payable to directors.

Details of the fees payable by the Trust to the Responsible Entity are contained in note 15 to the financial statements and in the Directors' Report on page 11.



The Reef Hotel Casino

SECURITIES EXCHANGE INFORMATION

Substantial unitholders (at 28 February 2018, as disclosed in substantial holder notices)

Name of substantial holder	Relevant interest Total units
SAZKA Group (includes Casinos Austria Group)	33,416,908*
Accor Group	28,221,803*
Gary Mauric	3,500,000

* Includes the total units owned by Reef Casino Investments Pty Ltd, which is jointly controlled by Casinos Austria Group and Accor Group.

Distribution of unitholders (as at 28 February 2018)

Range	Holders	Listed Units	Restricted Founder Units	% Issued Capital
1 - 1,000	1,749	538,684	-	1.08
1,001 - 5,000	579	1,442,872	-	2.90
5,001 - 10,000	153	1,204,766	-	2.42
10,001 - 100,000	162	3,714,123	-	7.46
100,001 - and over	21	42,160,591	740,000	86.14
	2,664	49,061,036	740,000	100.00

The number of unitholders holding less than a marketable parcel of units (165 units) at 28 February 2018 was 736.

Restricted Founders Units (as at 28 February 2018)

Unitholder	Number of Units	% of Total Units
Casinos Austria International Limited	370,000	0.74%
Accor Casino Investments (Australia) Pty Ltd	370,000	0.74%

Twenty Largest Unitholders of Listed Units (as at 28 February 2018)

Name	Number of Units	% of Total Units
1. Reef Casinos Investments Pty Ltd	25,000,000	50.20
2. AET SFS PTY LTD <Casinos Austria International Holding GMBH>	5,661,193	11.37
3. Casinos Austria International Limited	2,385,715	4.79
4. Accor Casino Investments (Australia) Pty Limited	2,051,803	4.12
5. Mr Gary Mauric	1,882,000	3.78
6. Mr Gary Mauric	1,785,000	3.58
7. J P Morgan Nominees Australia Limited	843,828	1.69
8. Mr Frank McFadden	316,684	0.64
9. Miss Pak Dan Chow	271,000	0.54
10. Mrs Elspeth Macdonald	250,000	0.50
11. Mr Michael Issenberg	220,000	0.44
12. Julian Hercus & Associates Pty Ltd <Super Fund a/c>	185,643	0.37
13. Mr Graham Bromilow Ambrose <Ambrose Super Benefits a/c>	178,710	0.36
14. Goh Super Pty Ltd <The Goh Super Fund a/c>	164,000	0.33
15. Mr William Coates Gair + Mrs June Verna Gair	160,100	0.32
16. Monex Boom Securities (HK) Ltd <Clients Account>	153,108	0.31
17. Mrs Rita Agata Mauric	150,000	0.30
18. Angueline Investements Pty Limited <Angueline a/c>	149,410	0.30
19. Contemplator Pty Ltd <ARG Pension Fund a/c>	128,397	0.26
20. Pannu Pty Ltd <Pannu Super Fund a/c>	114,000	0.23
	42,050,591	84.43

Voting rights

The voting rights, as set out in Clause 29.9 of the Trust Constitution, are:

On a show of hands every unitholder who is present in person or by proxy and who was recorded on the register at the books closing date for that meeting as a holder of a unit carrying the right to vote at that meeting shall have one vote and;

On a poll every such unitholder shall have:

- (a) one vote for each fully paid unit of which he is the registered holder; and
- (b) a fraction of a vote equivalent to the proportion of the total selling price paid-up for each partly paid unit for which he is the registered holder.

On-Market Buy-Back

There is no current on-market buy-back.

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
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 has 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 620,000 rooms. With more than 250,000 employees in Accor brand hotels worldwide, the Group offers to its clients and partners nearly 48 years of know-how and expertise.

Directors of the Responsible Entity

Mr Benjamin W Macdonald (Chairman)
Mr Keith DeLacy
Mr Richard Haire
Mr Michael Issenberg
Dr Alexander Labak (appointed 26 Feb 2018)
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 and Risk Committee of the Responsible Entity

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

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

Trust Directory (continued)

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

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

Unitholder enquiries

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

MUST SEE

MUST VISIT

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

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.



Table Gaming



Hotel Lobby

MUST SEE

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.

MUST SEE

MUST VISIT

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



Merchant Café



Tamarind Restaurant



LED Pillar & Interactive Floor



BAR36



CASINOS AUSTRIA INTERNATIONAL



pullman
HOTELS AND RESORTS

REEF HOTEL CASINO