

HALF YEAR REPORT & FINANCIAL STATEMENTS

ARSN 093 156 293
JUNE 2019



REEF
CASINO TRUST

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Unit distribution six months to 30 June 2019
 3.04 cents per unit. Payment date 11 September 2019

Live Entertainment



Table Game



Cocktail at BAR36



Dear Unitholders,

On behalf of the Board of Directors of Reef Corporate Services Limited, responsible entity of the Reef Casino Trust (the Trust), I present my review of the Reef Casino Trust for the six months ended 30 June 2019.

Key points

- **Net Profit, distributable profit**

In the first half of 2019, The Trust reported a net profit of \$755,000 (2018: \$2.42 million) with a distributable profit* of \$1.51 million (2018: \$4.84 million). Unitholders' distributions classified as "finance costs" were \$755,000 (2018: \$2.42 million).

- **Unit distribution**

A unit distribution of 3.04 cents per unit for the six months from January to June (2018: 9.71 cents) has been declared. Earnings per unit were 3.03 cents (2018: 9.71 cents). Unit distribution was 100% of distributable earnings.

- **Earnings before interest, tax, depreciation and amortisation (EBITDA)**

EBITDA was \$4.22 million (2018: \$7.40 million).

- **Trust income**

Trust income, consisting mainly of rental income from the Reef Hotel Casino, was \$7.59 million (2018: \$10.46 million).

Trust distributable profit

Trust distributable profit* was \$1.51 million for the six months ended 30 June 2019 (2018: \$4.84 million).

Total Trust revenue (comprising mainly of rental income from the Reef Hotel Casino) was \$7.59 million (2018: \$10.46 million). The decrease was due to the challenging economic conditions in Cairns and the region.

Trust total expenses were 8.2% higher than 2018 due to higher insurance premiums and timing of maintenance costs.

** Basis of preparation: Distributable profit is a non-IFRS measure that is determined in accordance with the Trust Constitution and used as the basis for determining distributions to unitholders. Distributable profit is determined as net profit for the half year, adding back distributions to unitholders which have been treated as finance costs in accordance with IFRS. The distributable profit has been audited by Grant Thornton Audit Pty Ltd. Refer to the auditor's report on page 18 of the Half Year Report for the half year ended 30 June 2019.*

	2019	2018	
	\$'000	\$'000	
REVENUE AND OTHER INCOME			
Rental revenue	7,516	10,357	↓ 27.4%
Other revenue and interest income	75	100	
Total revenue and other income	7,591	10,457	↓ 27.4%
EXPENSES			
Operating	3,516	3,181	
Depreciation and amortisation	2,565	2,440	
Total expenses	6,081	5,621	↑ 8.2%
PROFIT BEFORE FINANCE COSTS¹ ATTRIBUTABLE TO UNITHOLDERS (DISTRIBUTABLE PROFIT*)			
	1,510	4,836	↓ 68.8%
Finance costs ¹ attributable to unitholders	755	2,418	
PROFIT FOR THE PERIOD			
	755	2,418	↓ 68.8%
	2019	2018	
	cents per unit	cents per unit	
Earnings per unit	3.03	9.71	
Distribution per unit	3.04	9.71	

¹ Under Australian Accounting Standards the first 50% of distributable profit is treated as “finance costs attributable to unitholders”, with the remaining 50% treated as profit.

Unit distribution

The Trust has declared a distribution of 3.04 cents per unit or a total of \$1.51 million for the six months from 1 January to 30 June 2019. The record date was 28 June 2019 and payment will be made on 11 September 2019.

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

Trust balance sheet

The Trust balance sheet continues to be strong and healthy. The Trust's cash position remains positive and the Trust has adequate working capital. The Trust's interest only business term loan facility with the Bank of Queensland remains unchanged at \$13.5 million, expiring on 31 January 2022. The amount drawn down at 30 June 2019 was \$4.7 million.

Capital investment

Capital expenditure in the first half year of 2019 consisted mainly of operational requirements of the Reef Hotel Casino including a new cooling tower.

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

Allan Tan, the CEO of the operator of the Reef Hotel Casino (CAIC) which is jointly controlled by Casinos Austria International Limited and Accor Casino Investments Pty Ltd, has provided his review as follows :-

Reef Hotel Casino CEO's Report

Trading and operating conditions in the first half year 2019

Economic and trading conditions were challenging in Cairns and the region:

- Softness in Cairns tourism – This was at a level not experienced for a number of years, made worse by an extraordinary wet season in the 1st half of the year. This has affected tourism into Cairns and visitation to our complex. International visitation to Tropical North Queensland declined by 3.1% in the year ended March 2019. Overall, international flights into Cairns remained static with no growth. The number of domestic passengers has seen a decline of 4.6% in the six months ended June 2019 as reported by Cairns Airport. Cairns and the region saw weak consumer spending and increased local competition which has had an impact on casino slots gaming and to a lesser extent on hotel accommodation. 311 new hotel rooms in the competitive set were added to the Cairns market.
- A subdued national economy – This was exacerbated by uncertainties and consumer anxieties leading up to the recent Federal election. One factor has been the escalating trade war between US and China. The Reserve Bank of Australia has reported that economic growth in Australia over the first half of this year has been lower than earlier expected, with household consumption weighed down by a protracted period of low-income growth and declining housing prices.
- Short term table gaming variability – This was because of a soft gaming and Chinese tourist market including a soft Chinese New Year season, at a level not experienced in recent years. This has impacted on casino revenues. Chinese visitation declined by 5.9% into Queensland in the year ended March 2019. The Chinese economy has also slowed down. This has particularly impacted premium play.

Complex performance

Rental paid to the Trust

- Total complex rentals to the Trust were 27.4% lower due to more challenging trading and economic conditions in 2019.

Casino

Overall casino revenues were 24.6% lower than last year.

- Electronic games
Revenues were 2.4% lower than 2018. We continued to implement measures and take action to increase our competitiveness in the local market in terms of marketing, promotions and entertainment.
- Table games
Revenues were 51.5% lower than 2018. Premium revenues were impacted by an Australian industry wide downturn affecting premium play and also by a lower win rate by the casino compared to last year.

Reef Hotel Casino CEO's Report (continues)

Hotel

Overall hotel revenues were 3.3% lower than last year.

- **Rooms**
Rooms revenues were 4.6% lower than last year which itself was a record high. Successful yield management, product packaging and leveraging off Accor's global and Australian network continue to be key to good performance management.
- **Food and beverage**
Food and beverage revenues were 1.6% lower than last year. Our food and beverage facilities continued to play a key role in supporting our casino operations.

Complex cost control

My management team is committed to achieve the best possible outcome given the current challenging conditions including initiatives to cut operating costs.

Key strategies

The following key strategies will underpin and drive our overall performance of the complex for the 2nd half of 2019 under still challenging economic conditions. These will be coupled with the proven success of our management strategy and philosophy under our "*One Complex, One Team, One Success*" mantra.

Casino operations

- **Electronic Gaming**
We will continue to advertise in Cairns and selected regions to target the visitor market. There will be a full promotion, entertainment and marketing program and continued investment in new gaming products.
- **Table Games**
The further development of premium gaming activity will be undertaken both domestically and internationally. The immediate and short term outlook for the China market is somewhat uncertain given recent geo-political and economic developments.

Hotel Operations

- **Rooms**
Our Pullman hotel will apply sharp yield management strategies to best manage an increased inventory in Cairns in 2019.
- **Food and beverage**
We will have a full entertainment program to strengthen BAR36's position as the best live entertainment venue in Cairns.

CHAIRMAN'S REVIEW CONTINUES

Trust Outlook

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

Queensland Government's proposed Global Tourism Hub (GTH)

The Queensland Government's GTH process continues. The Trust continues to engage with the Government.

As a brief recap, on 28 October 2017 the Queensland Government announced its proposed GTH policy for Cairns. The government's process continued during 2018 and looks like it will extend well into 2019 and possibly beyond.

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

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

A brief operational outlook for the Trust

The second half year is traditionally the "high tourist season" in Cairns. The Trust has experienced a better start to the 2nd half compared to the start of the 1st half. However, economic and trading conditions in Cairns and the region remain challenging.

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

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

The Reef Hotel Casino's management strategy is to tightly manage performance under challenging conditions based on three key strategic areas – electronic gaming, table games and hotel operations.

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



Richard Haire

Chairman
Reef Corporate Services Limited
Responsible Entity of Reef Casino Trust
23 August 2019

The directors of Reef Corporate Services Limited, ABN 66 057 599 621, the Responsible Entity of Reef Casino Trust, present their half year report together with the half year financial report of the Trust for the half year ended 30 June 2019 and the auditor's report thereon.

Responsible Entity

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

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

Review of operations

The review of operations is contained in the Chairman's Review on pages 1 to 5.

Distribution

The distribution of \$5.26 million (10.57 cents per unit) in respect of the six month period ended 31 December 2018 as reported in the 2018 annual report was paid on 13 March 2019.

The directors have declared a distribution of \$1.514 million (3.04 cents per unit) in respect of the six month period ended 30 June 2019 to be paid on 11 September 2019 (refer note 9). The distribution in respect of the six month period ended 30 June 2018 was 9.71 cents per unit.

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

The auditor's independence declaration is set out on page 21 and forms part of the directors' report for the half year ended 30 June 2019.

Rounding off

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

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



Richard Haire
Director



Keith DeLacy
Director

Brisbane
23 August 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE 2019

	Note	30 June 2019 \$'000	30 June 2018 \$'000
REVENUE AND OTHER INCOME			
Revenue and other income	4	7,591	10,457
TOTAL REVENUE AND OTHER INCOME		7,591	10,457
EXPENSES			
Depreciation and amortisation	6	2,565	2,440
Property outgoings		639	665
Rates and taxes		388	379
Responsible Entity fees		620	615
Repairs and maintenance		739	494
Insurance		484	327
Responsible Entity director fees		157	157
Other expenses		344	421
TOTAL EXPENSES		5,936	5,498
RESULTS FROM OPERATING ACTIVITIES		1,655	4,959
Finance costs attributable to unitholders		755	2,418
Interest expense on financial liabilities measured at amortised cost		145	123
TOTAL FINANCE COSTS		900	2,541
PROFIT FOR THE PERIOD		755	2,418
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		755	2,418
Basic and diluted earnings per unit (cents)	10	3.03	9.71

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	30 June 2019 \$'000	31 Dec 2018 \$'000
ASSETS			
Cash and cash equivalents		1,500	3,169
Receivables		2,247	2,289
TOTAL CURRENT ASSETS		3,747	5,458
Receivables		750	750
Property, plant and equipment	7	97,242	98,608
Intangible assets		136	107
TOTAL NON-CURRENT ASSETS		98,128	99,465
TOTAL ASSETS		101,875	104,923
LIABILITIES			
Payables		1,358	1,254
Lease liabilities		69	-
Accrued distribution	9	755	2,632
TOTAL CURRENT LIABILITIES		2,182	3,886
Loans and borrowings	8	4,700	4,200
Deferred income		16	19
Lease liabilities		36	-
Issued units – liability portion	11	85,051	85,051
TOTAL NON-CURRENT LIABILITIES		89,803	89,270
TOTAL LIABILITIES		91,985	93,156
EQUITY			
Issued units – equity portion		85,051	85,051
Distribution account	9	758	2,632
Undistributed income		5,924	5,927
Accumulated losses		(81,843)	(81,843)
TOTAL EQUITY		9,890	11,767
TOTAL EQUITY AND LIABILITIES		101,875	104,923
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 HALF YEAR ENDED 30 JUNE 2019

	Issued units \$'000	Distribution account \$'000	Undistributed income \$'000	Accumulated losses \$'000	Total \$'000
1 JANUARY 2018	85,051	3,909	5,929	(81,843)	13,046
Profit for the period	-	-	-	2,418	2,418
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	2,418	2,418
Transfer to distribution account	-	2,418	-	(2,418)	-
Transfer from undistributed income	-	1	(1)	-	-
Distributions paid	-	(3,910)	-	-	(3,910)
30 JUNE 2018	85,051	2,418	5,928	(81,843)	11,554
1 JANUARY 2019	85,051	2,632	5,927	(81,843)	11,767
Profit for the period	-	-	-	755	755
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	755	755
Transfer to distribution account	-	755	-	(755)	-
Transfer from undistributed income	-	3	(3)	-	-
Distributions paid	-	(2,632)	-	-	(2,632)
30 JUNE 2019	85,051	758	5,924	(81,843)	9,890

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

STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2019

	30 June 2019 \$'000	30 June 2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	8,896	11,455
Cash payments in the course of operations	(4,743)	(4,560)
Interest received	38	40
Interest and other finance costs paid	(144)	(121)
NET CASH FROM OPERATING ACTIVITIES	4,047	6,814
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(925)	(1,192)
Proceeds from disposal of property, plant and equipment	7	1
NET CASH FROM INVESTING ACTIVITIES	(918)	(1,191)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loan	(3,000)	(4,500)
Drawdown of loan	3,500	5,500
Principal elements of lease payments	(34)	-
Distributions paid (equity and liability portion)	(5,264)	(7,719)
NET CASH FROM FINANCING ACTIVITIES	(4,798)	(6,719)
Net decrease in cash held	(1,669)	(1,096)
Cash and cash equivalents at 1 January	3,169	4,169
CASH AND CASH EQUIVALENTS AT 30 JUNE	1,500	3,073

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2019

1. The Trust

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

2. Basis of preparation

(a) Statement of compliance

These general purpose condensed interim financial statements of the Trust are for the six months ended 30 June 2019. They have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the financial statements of the Trust for the year ended 31 December 2018 and any public announcements made by the Trust during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

AASB 16 Leases became effective on 1 January 2019 and has been applied for the first time in this set of financial statements. The nature and effect of changes arising from this standard is summarised in Note 3(a).

The interim financial statements were approved by the directors of the Responsible Entity on 23 August 2019.

(b) Use of estimates and judgements

The significant judgements made in applying the Trust's accounting policies and the key sources of estimation uncertainty were the same as those described in the financial statements as at and for the year ended 31 December 2018 except that with the application of AASB 16 there is no longer the need to apply judgment in lease classification for lessees.

3. Significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Trust's last annual financial statements for the year ended 31 December 2018.

(a) New standards adopted

AASB 16 Leases

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

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

3. Significant accounting policies (continued)

(a) New standards adopted (continued)

Impacts on transition

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

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

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

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

The trust presents right-of-use assets in property, plant and equipment in the same line items as it presents underlying assets of the same nature that it owns. The combined carrying amounts of right-of-use assets recognised for site lease and car park was \$35,446,000 at 1 January 2019 and \$35,061,000 at 30 June 2019. The carrying amount of the site lease was \$35,304,000 at 31 December 2018.

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

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

Nature of change in accounting policy

Before the adoption of AASB 16, leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the trust. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the

3. Significant accounting policies (continued)

Nature of change in accounting policy (continued)

remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

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

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

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

4. Revenue	30 June 2019	30 June 2018
	\$'000	\$'000
RENTAL		
Base rent	578	569
Contingent rent	6,938	9,788
	7,516	10,357
INTEREST RECEIVED AND RECEIVABLE FROM		
Other persons	5	8
Related parties	32	32
	37	40
OTHER REVENUE		
Sundry	38	60
	7,591	10,457

5. Segment information

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

RENTAL INCOME

Casino operations	6,232	8,769
Hotel and other non-casino operations	1,284	1,588
	7,516	10,357

6. Expenses	30 June 2019	30 June 2018
	\$'000	\$'000
Net profit for the period includes the following specific expenses:		
DEPRECIATION		
Building	722	719
Plant and equipment	1,423	1,339
	2,145	2,058
AMORTISATION		
Computer software	32	29
Site lease	353	353
Carpark lease	35	-
	420	382
	2,565	2,440

7. Property, plant and equipment	30 June 2019	31 Dec 2018
	\$'000	\$'000
Site lease – at cost	53,000	53,000
Less: Accumulated amortisation	(18,049)	(17,696)
	34,951	35,304
Building and integral plant – at cost or deemed cost	73,945	74,007
Less: Accumulated depreciation	(23,046)	(22,386)
	50,899	51,621
Plant and equipment – at cost	62,102	61,482
Less: Accumulated depreciation	(51,222)	(49,959)
	10,880	11,523
Carpark lease – right of use	145	-
Less: Accumulated amortisation	(35)	-
	110	-
Work in progress	402	160
Total property, plant and equipment – net carrying amount	97,242	98,608

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

	30 June 2019
	\$'000
Site lease	34,951
Carpark lease	110
Total right-of-use assets	35,061

7. Property, plant and equipment (continued)

Capital expenditure commitments	30 June 2019 \$'000	30 June 2018 \$'000
Contracted but not provided for and payable:	500	1,929

ACQUISITIONS

During the six months ended 30 June 2019, the Trust acquired property, plant and equipment with a cost of \$1,032,224 (six months ended 30 June 2018: \$932,619).

8. Loans and borrowings

	Facility Available		Facility Used		Facility Unused	
	30 June 2019 \$'000	31 Dec 2018 \$'000	30 June 2019 \$'000	31 Dec 2018 \$'000	30 June 2019 \$'000	31 Dec 2018 \$'000
NON-CURRENT LIABILITIES						
Bank loan – BOQ Limited (expires 31 January 2022)	13,500	13,500	4,700	4,200	8,800	9,300
	13,500	13,500	4,700	4,200	8,800	9,300

9. Distributions

30 June 2019
\$'000

31 Dec 2018
\$'000

Distributable income

The proposed distribution for the six months ended 30 June 2019 was declared on 23 August 2019, and accounted for as follows:

DISTRIBUTION ACCOUNT (refer to statement of changes in equity)

Balance relating to issued units – equity portion	758	2,632
ACCRUED DISTRIBUTION		
Balance relating to issued units – liability portion	755	2,632
TOTAL OF DISTRIBUTION ACCOUNTS	1,513	5,264

	2019		2018	
	Total \$'000	Cents per unit	Total \$'000	Cents per unit
DISTRIBUTIONS PAID AND PAYABLE				
Half year ended 31 December paid March	5,264	10.57	7,719	15.50
Half year ended 30 June paid/payable September	1,514	3.04	4,836	9.71
	6,778	13.61	12,555	25.21

10. Earnings per unit

	30 June 2019	30 June 2018
Basic and diluted earnings per unit (cents)	3.03	9.71
Weighted average number of units at the end of the half year	24,900,518	24,900,518

11. Financial instruments

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

	30 June 2019		31 December 2018	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
LIABILITIES CARRIED AT AMORTISED COST				
Issued units – liability portion*	85,051	59,761	85,051	75,947

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

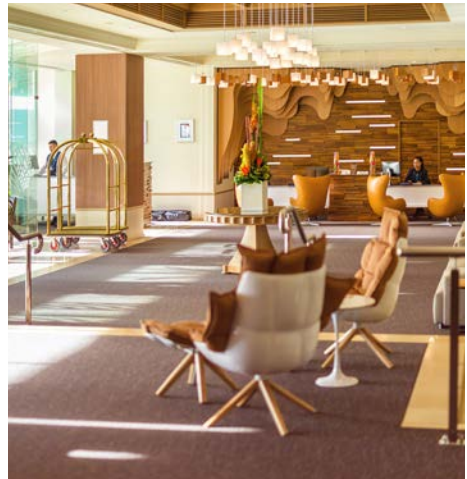
Urchins Function Room



Casino Entrance



Hotel Lobby



DIRECTORS' DECLARATION

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

(a) the financial statements and notes set out on pages 7 to 16, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Trust's financial position as at 30 June 2019 and of its performance for the half year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

(b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



Richard Haire
Director



Keith DeLacy
Director

Brisbane
23 August 2019

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF REEF CASINO TRUST

Report on the audit of the financial report

Opinion

We have audited the financial report of Reef Casino Trust (the Trust), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of 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 30 June 2019 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standards *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Determination and recognition of revenue – Note 4. Revenue</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; • Agreeing the inputs to management's calculation of rental revenue are 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.
<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 rental revenue.</p> <p>This is a key audit matter given that it is material to the Trust's results and is recognised based on the financial performance and results of the Lessee.</p>	

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

The directors of Reef Corporate Services Limited, the Responsible Entity of the Trust, are responsible for the other information. The other information comprises the information included in the Trust's half year report for the half year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

Report on the audit of non-IFRS information

Opinion on non-IFRS information

In our opinion, the non-IFRS financial information disclosed as distributable profit included in the chairman's review on pages 1 and 2 for the half year ended 30 June 2019 is prepared, in all material respects, in accordance with the basis of preparation set out on page 1.

Responsibilities

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



A D Cornes
Partner – Audit & Assurance

Cairns, 23 August 2019

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF THE RESPONSIBLE ENTITY OF REEF CASINO TRUST

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Reef Casino Trust for the half year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



A D Cornes
Partner – Audit & Assurance

Cairns, 23 August 2019

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 have successfully realised more casino and gaming projects in more jurisdictions than any other operator worldwide.

Accor, the world's leading hotel operator and market leader in Europe, is present in 100 countries with more than 4,800 hotels and nearly 704,000 rooms. With more than 280,000 employees in Accor brand hotels worldwide, the Group offers to its clients and partners nearly 50 years of know-how and expertise.

Directors of the Responsible Entity Mr Richard Haire (Chairman)
Mr Benjamin W Macdonald
Mr Keith DeLacy
Mr Christoph Zurucker-Burda
Mr Michael Issenberg
Mr Allan Tan
Mr Simon McGrath

Alternate directors Mr Allan Tan (alternate for Mr Macdonald)
Mr Phillip Basha (alternate for Mr Issenberg)

Secretary of the Responsible Entity Ms Alison Galligan

Compliance, Audit & Risk Committee of the Responsible Entity Mr Keith DeLacy (Chairman)
Mr Richard Haire
Mr Simon McGrath

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

Bankers

Bank of Queensland Limited
100 Skyring Terrace
NEWSTEAD QLD 4006

Auditors of the Trust

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

Securities exchange listing

Official list of the Australian Securities Exchange Limited

**Sub-lessee of The Reef Hotel
Casino Complex**

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

The Reef Hotel Casino

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

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

Open 7 Days 9am – 5am



Pullman Reef Hotel Casino

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

Electronic Gaming



Hotel Koala Experience



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.



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.



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



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.



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



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.



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



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.



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



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



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



CASINOS AUSTRIA INTERNATIONAL



REEF HOTEL CASINO

