

**REEF CASINO TRUST**  
**ARSN 093 156 293**

**APPENDIX 4E**

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

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

**Reporting period**

Financial year ended 31 December 2016

**Previous corresponding period**

Financial year ended 31 December 2015

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

Revenue from ordinary activities	Down 11.0%	to	\$22,330,000
Profit from ordinary activities after income tax attributable to members	Down 20.4%	to	\$5,952,000
Net profit for the period attributable to members	Down 20.4%	to	\$5,952,000

Distributable profit*	Down 20.4%	to	\$11,904,000
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*\*Basis of preparation: Distributable profit is a non-IFRS measure that is determined in accordance with the Trust Constitution and used as the basis for determining distributions to unitholders. Distributable profit is determined as net profit for the year, adding back distributions to unitholders which have been treated as finance costs in accordance with IFRS. The distributable profit has been audited by Grant Thornton Audit Pty Ltd. Refer to the auditor's report on page 34 of the Financial Report for the year ended 31 December 2016.*

**2. DISTRIBUTIONS**

For the 6 months ended 31 December 2016	12.00 cents per unit
Record date for determining entitlements to distribution	30 December 2016

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

	Current period	Previous corresponding period
Net tangible asset backing per unit (NTA backing)	\$2.01	\$2.06

**4. EXPLANATIONS**

Additional 4E disclosures and other significant information can be found in the attached financial report for the year ended 31 December 2016.



**REEF**  
CASINO TRUST  
ARSN 093 156 293

**Financial Report**

**December 2016**

## Chairman's review

Dear Unitholders,

On behalf of the Board of Directors of Reef Corporate Services Limited, Responsible Entity of the Reef Casino Trust (the Trust), I present my review of the Trust for the year ended 31 December 2016.

### Financial Year Highlights

- The Trust reported a net profit of \$5.95 million, with a distributable profit\* for the year of \$11.9 million. Unitholders' distributions classified as "finance costs" were \$5.95 million.
- A unit distribution of 12.0 cents per unit for the six months from 1 July 2016 to 31 December 2016 has been declared. As the actual distribution for the six months from 1 January 2016 to 30 June 2016 was 11.91 cents per unit, the total distribution for the full year 2016 is 23.91 cents. Unit distribution was just very slightly more than 100% of distributable earnings (23.90 cents per unit).
- Trust income consisting mainly of rental income from the Reef Hotel Casino was \$22.3 million compared to \$25.1 million the previous year. Operating costs at the Trust and the Reef Hotel Casino were well managed.
- The majority of Project L1, a \$6.5 million refurbishment of level 1 of the Reef Hotel Casino was successfully completed in December 2016 :
  - A major upgrade and complete remake of Vertigo to create a new Bar36 – a bar and live entertainment venue
  - New casino guest services reception
  - New interactive high-tech casino lobby feature, an Australian first
  - New hotel lobby
  - Expanded Tamarind Restaurant
  - New enhancements to walkways and ceilings

The new Merchant Artisan Food & Coffee venue was completed and opened in February 2017

### Trust Distributable Profit

Trust distributable profit\* for the year ended 31 December 2016 was \$11.9 million compared to \$14.96 million the previous year.

Rental income from the Reef Hotel Casino was lower due to disruptions caused by Project L1, a reduction in entertainment as a result of the refurbishment and increased electronic gaming competition which impacted on the Reef Hotel Casino's main source of revenue.

Trust operating expenses were well managed and included consultancy fees for future strategic planning.

*\* 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 34 for the year ended 31 December 2016.*

## Chairman's review (continued)

### Trust Distributable Profit (continued)

	2016 \$'000	2015 \$'000	
<b>REVENUE AND OTHER INCOME</b>			
Rental revenue	22,130	24,897	-11.1%
Other revenue and income	200	205	
Total revenue and other income	<b>22,330</b>	<b>25,102</b>	<b>-11.0%</b>
<b>EXPENSES</b>			
Operating	5,869	5,614	4.5%
Depreciation and amortisation	4,557	4,528	
Total expenses	<b>10,426</b>	<b>10,142</b>	<b>2.8%</b>
<b>PROFIT BEFORE FINANCE COSTS<sup>1</sup></b>			
<b>ATTRIBUTABLE TO UNITHOLDERS</b>	<b>11,904</b>	<b>14,960</b>	<b>-20.4%</b>
Finance costs <sup>1</sup> attributable to unitholders	5,952	7,480	
<b>PROFIT FOR THE PERIOD</b>	<b>5,952</b>	<b>7,480</b>	<b>-20.4%</b>
	<b>cents per unit</b>	<b>cents per unit</b>	
Earnings per unit	23.90	30.04	
Distribution per unit	23.91	30.04	

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

### Unit Distribution

The Trust has declared a unit distribution of 12.0 cents per unit, for the six months from 1 July 2016 to 31 December 2016. The record date was 30 December 2016 and payment will be made on 15 March 2017.

A distribution of 11.91 cents per unit was paid for the six months from 1 January to 30 June 2016. For the 2016 financial year, the total distribution declared was 23.91 cents per unit.

Therefore, the 2016 total unit distribution comprised just very slightly more than 100% of 2016 distributable earnings per unit of 23.90 cents.

The undistributed income account balance is 12.11 cents per unit, or \$6.03 million.

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

From 1 January 2017, Reef Casino Trust will no longer qualify as a Managed Investment Trust for income tax purposes. The December 2016 distribution (to be paid in March 2017) will be the final distribution that is subject to managed investment trust withholding tax which will affect future distributions paid to non-resident beneficiaries. Reef Casino Trust may as a result be required to withhold tax at different rates on the future distributions paid to non-resident beneficiaries.

## Chairman's review (continued)

### 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 increased its interest only business term loan facility with the Bank of Queensland on 29 June 2016 by \$2 million from \$11.5 million to a total loan facility of \$13.5 million, expiring 31 January 2019. The main purpose of the increase is to provide an extra loan facility reserve in conjunction with the Project L1. The amount drawn down at 31 December 2016 was \$7.2 million.

### Capital Investment

The Board signed off on Project L1, the exciting refurbishment of level 1 of the Reef Hotel Casino complex, at the end of June 2016 with the vast majority of the work completed by the end of the year and under budget. The ultimately unsuccessful Aquis takeover bid for the Trust in 2014/15 caused the delay and deferment of our planned major refurbishment (Project L1) to 2016. We can look forward to our new facilities on the ground floor of our complex providing an even more competitive product to our local and international patrons and customers. More details are contained in the Reef Hotel Casino operator's report that follows.

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

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

### Reef Hotel Casino CEO's Report

#### Trading and operating conditions

- The Chinese New Year in the first quarter of the year was less buoyant compared to the previous year.
- The inevitable disruptions resulting from our Project L1 had a bigger impact than anticipated especially on electronic gaming.
- Increased and aggressive local competition in electronic gaming from clubs, pubs and hotels.
- Domestic tourism was strong which benefitted our hotel which produced a record financial performance

The lower Australian dollar was a positive contributing factor to Cairns' tourism industry.

#### 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.

## Chairman's review (continued)

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

#### Key strategies (continued)

During the year:-

- The Reef Hotel Casino celebrated its 20<sup>th</sup> anniversary with a special program of promotions and entertainment for our guests and patrons that featured throughout the complex.
- A 2-year new staff uniform project which kicked off in mid-2015 continued to progress well. This project is on budget and is nearing completion in the first quarter of 2017 with successful new uniform rolled out in almost all the departments in the complex.
- A new marketing agreement was entered into with a Macau based marketing agent and commenced on 1 July 2016 with the aim of driving our premium player market segment.
- Project L1 was a special focus with refurbishment work commencing in June 2016 and the majority of the work was completed by the end of the year with all work completed in February 2017.

#### Complex performance

##### Rental paid to Trust

- This was 11.1% below last year due to disruptions caused by our complex level 1 refurbishment (which resulted in casino access challenges and a substantial reduction in entertainment) and increased electronic games competition from clubs, pubs and hotels.

##### Casino

- Electronic games  
Machine turnover was 7.0% below last year and revenues were 8.4% below last year which was the best ever year for the casino. During the year we introduced new gaming machines, new games, built on a new tiered loyalty membership program and implemented a full and exciting program of marketing, promotions and entertainment which will set us well for the future.
- Table games  
Total revenues from main floor grind and premium markets held up well and were 1.6% better than last year. The new marketing agreement entered into with a Macau based marketing agent has increased activity for our premium player market segment in 2016.

##### Hotel

- Room accommodation  
Room accommodation revenues set a new record and were 13.8% better than last year with strong growth in the average room rate. Successful yield management, product packaging and leveraging off Accor's global and Australian network were the keys to a record performance.
- Food and beverage  
Overall revenues were 1% better than last year despite Vertigo Bar and Showroom being closed for just under 5 months while the new Bar36 was being constructed. Importantly, our food and beverage facilities played a key role in supporting our casino operations.

## Chairman's review (continued)

### 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 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 combine to play a key role to drive further growth in electronic gaming by driving visitations into our entertainment complex.
- 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 will continue throughout 2017. We are satisfied with the activity generated in the first 6 months of the agreement in July-December 2016 and we hope to see further development of premium gaming activity barring any unforeseen political and economic challenges in China.

##### Hotel operations

- New room accommodation rate strategy  
A new rate strategy was implemented at the start of 2017 which is designed to increase our average room rate via targeted product packaging and leveraging off the best hotel rooms in Cairns.
- New facilities  
Already we are seeing increased revenues from our new Bar36 and expanded Tamarind Restaurant. We expect additional revenues with the opening of our new Merchant Artisan Food and Coffee venue in February 2017.

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## CHAIRMAN'S REVIEW CONTINUES

### Trust Outlook

The operator of the Reef Hotel Casino is Casinos Austria International (Cairns) Pty Ltd (CAIC), jointly owned by Casinos Austria International Limited and Accor. While there are on-going ownership changes at Casinos Austria AG, parent company of Casinos Austria International Limited, the relationship between the Trust as the owner of the Reef Hotel Casino complex and CAIC as the operator continues to work well.

## Chairman's review (continued)

### Trust Outlook (continued)

Casinos Austria AG ultimately holds 42% of the units in the Trust. While the ownership of Casinos Austria AG is undergoing changes, we believe these ownerships changes should not materially impact on the Trust. These ownership changes at Casinos Austria AG may possibly be settled or concluded by the end of this year.

It is the Trust's intention to continue to reinvest in its main asset, the Reef Hotel Casino in Cairns. The Trust also continues to consider any appropriate future investment to expand.

The Trust's sole investment is the Reef Hotel Casino and so it is exposed to the risks inherent in the ownership of a single asset located in Cairns. With a strong and healthy balance sheet and the major refurbishment completed, we can look forward to our new facilities on level 1 of our complex providing an even more competitive product to our local and international patrons and customers. However, 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.

An absence of charter and direct flights from China and other parts of Asia into Cairns has impacted the Chinese New Year trading season in January and February 2017. We would like to see a strengthening of such flights into Cairns to assist in Cairns' economic growth.

The Reef Hotel Casino's management strategy is to drive future growth based on 3 key strategic areas – electronic gaming, table games including premium play and hotel operations. This should provide a sound basis for a continuing solid Trust rental performance and therefore Trust distributable profit.



**Ben Macdonald**

Chairman

Reef Corporate Services Limited

Responsible Entity of Reef Casino Trust

24 February 2017



## Directors' report

The directors of Reef Corporate Services Limited, ABN 66 057 599 621, the Responsible Entity of Reef Casino Trust (the Trust) present their report together with the financial statements of the Trust for the year ended 31 December 2016 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 are:

Mr Benjamin W Macdonald (Chairman)  
Mr Keith DeLacy  
Mr Richard Haire  
Dr Karl Stoss  
Mr Michael Issenberg  
Mr Allan Tan (director and alternate for Mr Macdonald)  
Mr Simon McGrath  
Mr Alexander Tucek (alternate for Dr Stoss)  
Mr Philip Basha (alternate for Mr Issenberg)

### Principal activities

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

### Review and results of operations

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 \$8.486 million (17.04 cents per unit) in respect of the six month period ended 31 December 2015 as reported in the 2015 annual report was paid on 16 March 2016.

The distribution of \$5.931 million (11.91 cents per unit) in respect of the six month period ended 30 June 2016 was paid on 14 September 2016 (note 12).

The directors have declared a distribution of \$5.976 million (12 cents per unit) in respect of the six month period ended 31 December 2016 to be paid on 15 March 2017 (note 12).

### Significant changes in the state of affairs

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

### Environmental regulation

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

## Directors' report (continued)

### Events subsequent to balance date

On 24 February 2017, the board of directors of the Responsible Entity, Reef Corporate Services Limited, declared a 12 cent per unit distribution payable on 15 March 2017. This distribution totals \$5,976,124.

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 36,405,411 units at 31 December 2016 (2015: 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 \$109.513 million as at 31 December 2016 (2015: \$106.109 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:

	<b>Dec 2016</b>	<b>Dec 2015</b>
	<b>\$</b>	<b>\$</b>
Responsible Entity fees	<b>1,104,099</b>	1,107,059
Reimbursement of Trust expenses	<b>100,777</b>	114,512

## Directors' report (continued)

### Directors' interests

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

	Number of units held
Mr Benjamin W Macdonald	263,750
Mr Keith DeLacy	5,000
Mr Richard Haire	-
Dr Karl Stoss	-
Mr Michael Issenberg	221,000
Mr Allan Tan	76,950
Mr Simon McGrath	-
Mr Alexander Tucek	-
Mr Philip Basha	-

### Likely developments

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

### Indemnities and insurance premiums for officers or auditors

#### Indemnification

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

#### Insurance premiums

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

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

### 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).

## Directors' report (continued)

### Information on directors (continued)

#### **Ben Macdonald AM – Non-executive Chairman; director since 20 September 1995 (continued)**

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 the immediate past president of the Queensland Division of the Australian Institute of Company Directors (AICD).

Mr DeLacy was born in Cairns and still lives 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 Chairman of Integrated Food and Energy Developments Ltd (I-FED) and Australian Agribusiness Partners.

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.

#### **Dr Karl Stoss – Non-executive director; director since 8 February 2012**

Dr Stoss is CEO of Casinos Austria AG, Österreichische Lotterien GmbH and President of Casinos Austria International.

Studying business administration and graduating from University of Innsbruck, he then worked in various roles within the insurance and banking sector. Dr Stoss was appointed Deputy Chairman and Deputy Director General of Österreichische Postsparkasse Savings Bank before becoming a director of the Managing Board of Raiffeisen Zentralbank Österreich AG from 2001, and then on to the Managing Board of Generali Holding Vienna AG becoming Chairman in early 2005 before he joined Casinos Austria Group in 2007.

## Directors' report (continued)

### Information on directors (continued)

#### **Dr Karl Stoss – Non-executive director; director since 8 February 2012 (continued)**

Dr Stoss has been President of the Austrian Olympic Committee since September 2009 and was re-elected in November 2012 and was elected into the International Olympic Committee (IOC) in August 2016.

#### **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.

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.

## Directors' report (continued)

### Information on directors (continued)

#### **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) and independent director of Genesis Care.

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 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.

#### **Alexander Tucek – Alternate for Dr Stoss; alternate director since 8 February 2012**

Mr Tucek joined Casinos Austria AG in 1971 and moved to Casinos Austria International in 1978, where he initially served as Casino Manager in a number of land based and shipboard casinos around the globe. Following an extensive international career, he returned to Head Office and was appointed Senior Vice President Human Resources in 2002.

In July 2005, he transferred to the USA as Managing Director of Casinos Austria Maritime and Regional Director for The Americas, where he was responsible for all Casinos Austria International Casinos in the region, including the flagship Great Blue Heron Charity Casino near Toronto, Ontario.

In 2011, his career path took him back to Vienna as Executive Vice President Operations of Casinos Austria International. Since December 2013 he has been Chief Executive Officer of Casinos Austria International. In this capacity, he manages the Casinos Austria Group's extensive international activities, including its existing operations and development projects. Mr Tucek has a degree in Business Administration and speaks German, English and Spanish.

#### **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 Australia. 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.

## Directors' report (continued)

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

The lead auditor's independence declaration is set out on page 37 and forms part of the directors' report for the year ended 31 December 2016.

### 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  
24 February 2017



**Keith DeLacy**  
**Director**

# REEF CASINO TRUST

## Statement of profit or loss and other comprehensive income For the year ended 31 December 2016

	Note	Dec 2016 \$'000	Dec 2015 \$'000
<b>REVENUE AND OTHER INCOME</b>			
Revenue	4	22,322	25,094
Other income		8	8
<b>TOTAL REVENUE AND OTHER INCOME</b>		<b>22,330</b>	<b>25,102</b>
<b>EXPENSES</b>			
Depreciation and amortisation	5	4,556	4,528
Property outgoings		1,180	1,217
Rates and taxes		800	804
Responsible Entity fees		1,104	1,107
Repairs and maintenance		978	774
Insurance		569	548
Responsible Entity director fees		273	273
Other expenses		769	735
<b>TOTAL EXPENSES</b>		<b>10,229</b>	<b>9,986</b>
<b>RESULTS FROM OPERATING ACTIVITIES</b>		<b>12,101</b>	<b>15,116</b>
Finance costs attributable to unitholders		5,952	7,480
Interest expense on financial liabilities measured at amortised cost		197	156
<b>TOTAL FINANCE COSTS</b>	6	<b>6,149</b>	<b>7,636</b>
<b>PROFIT FOR THE YEAR</b>		<b>5,952</b>	<b>7,480</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>5,952</b>	<b>7,480</b>
Basic and diluted earnings per unit (cents)	17	23.90	30.04

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



# REEF CASINO TRUST

## Statement of financial position As at 31 December 2016

	Note	Dec 2016 \$'000	Dec 2015 \$'000
<b>ASSETS</b>			
Cash and cash equivalents	14	4,775	4,252
Receivables	7	2,309	2,190
TOTAL CURRENT ASSETS		7,084	6,442
Receivables	7	750	750
Property, plant and equipment	8	101,547	98,804
Intangible assets		132	113
TOTAL NON-CURRENT ASSETS		102,429	99,667
TOTAL ASSETS		109,513	106,109
<b>LIABILITIES</b>			
Payables	9	4,999	5,847
TOTAL CURRENT LIABILITIES		4,999	5,847
Loans and borrowings	10	7,200	1,700
Deferred income		35	42
Issued units – liability portion	11	85,051	85,051
TOTAL NON-CURRENT LIABILITIES		92,286	86,793
TOTAL LIABILITIES		97,285	92,640
<b>EQUITY</b>			
Issued units – equity portion	11	85,051	85,051
Distribution account	12	2,990	4,227
Undistributed income		6,030	6,034
Accumulated losses		(81,843)	(81,843)
TOTAL EQUITY		12,228	13,469
TOTAL EQUITY AND LIABILITIES		109,513	106,109
<b>MEMORANDUM NOTE – ISSUED UNITS</b>			
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.

# REEF CASINO TRUST

## Statement of changes in equity For the year ended 31 December 2016

	Issued units \$'000	Distribution account \$'000	Undistributed income \$'000	Accumulated losses \$'000	Total \$'000
1 JANUARY 2015	85,051	4,742	6,034	(81,843)	13,984
Profit for the year	-	-	-	7,480	7,480
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	7,480	7,480
Transfer to distribution account	-	7,480	-	(7,480)	-
Distributions paid	-	(7,995)	-	-	(7,995)
31 DECEMBER 2015	85,051	4,227	6,034	(81,843)	13,469
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

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

# REEF CASINO TRUST

## Statement of cash flows For the year ended 31 December 2016

	Note	Dec 2016 \$'000	Dec 2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		<b>24,333</b>	27,124
Cash payments in the course of operations		<b>(8,087)</b>	(8,112)
Interest received		<b>91</b>	101
Interest and other finance costs paid		<b>(190)</b>	(152)
NET CASH FROM OPERATING ACTIVITIES	14	<b>16,147</b>	18,961
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		<b>(6,713)</b>	(2,846)
Proceeds of disposal of property, plant and equipment		<b>6</b>	5
NET CASH FROM INVESTING ACTIVITIES		<b>(6,707)</b>	(2,841)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of loan		<b>11,000</b>	9,000
Repayment of loan		<b>(5,500)</b>	(10,200)
Distributions paid (equity portion and liability portion)		<b>(14,417)</b>	(15,065)
NET CASH FROM FINANCING ACTIVITIES		<b>(8,917)</b>	(16,265)
Net increase/(decrease) in cash held		<b>523</b>	(145)
Cash and cash equivalents at 1 January		<b>4,252</b>	4,397
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	<b>4,775</b>	4,252

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

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2016

### 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 24 February 2017.

#### (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.

## Notes to the financial statements For the year ended 31 December 2016

### 3. Significant accounting policies (continued)

#### (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 2016, 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 with early adoption permitted)

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 with early adoption permitted)

AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance. This standard is not expected to have any significant impact as the Trust's main revenue is from leases which are not in the scope of AASB 15.

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

	Dec 2016 \$'000	Dec 2015 \$'000
<b>4. Revenue</b>		
<b>Revenue</b>		
<i>Rental</i>		
Base rent	1,100	1,082
Contingent rent	21,030	23,815
	<b>22,130</b>	<b>24,897</b>
<i>Interest received and receivable from</i>		
Other persons	25	28
Related parties	66	68
	<b>91</b>	<b>96</b>
<i>Other revenue</i>		
Sundry	101	101
	<b>22,322</b>	<b>25,094</b>

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

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2016

	Dec 2016 \$'000	Dec 2015 \$'000
<b>5. Expenses</b>		
Net profit includes the following specific expenses:		
<i>Depreciation</i>		
Building	1,350	1,484
Plant and equipment	2,418	2,269
	<b>3,768</b>	<b>3,753</b>
<i>Amortisation</i>		
Computer software	82	68
Site lease	706	707
	<b>788</b>	<b>775</b>
	<b>4,556</b>	<b>4,528</b>
Net loss on disposal of plant and equipment	<b>13</b>	<b>7</b>

## 6. Finance income and expense

<i>Recognised in profit or loss</i>		
Interest income on bank deposits	25	28
Interest income on loans and receivables	66	68
FINANCE INCOME	<b>91</b>	<b>96</b>
Interest expense on financial liabilities measured at amortised cost	(197)	(156)
Finance costs attributable to unitholders	(5,952)	(7,480)
FINANCE EXPENSE	<b>(6,149)</b>	<b>(7,636)</b>
NET FINANCE INCOME AND EXPENSE	<b>(6,058)</b>	<b>(7,540)</b>

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

<b>CURRENT</b>		
Rent and interest receivable from lessee	2,249	2,138
Other debtors	60	52
	<b>2,309</b>	<b>2,190</b>
<b>NON-CURRENT</b>		
Loan to lessee, bearing an interest rate of 8.71% (2015: 8.88%)	<b>750</b>	<b>750</b>

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.

## REEF CASINO TRUST

## Notes to the financial statements

### For the year ended 31 December 2016

## 8. Property, plant and equipment

	Site Lease \$'000	Building & Integral Plant \$'000	Plant & Equipment \$'000	Work in Progress \$'000	Total \$'000
<b>AT 1 JANUARY 2015</b>					
At cost or deemed cost	53,000	69,956	59,219	140	182,315
Accumulated depreciation/amortisation	(14,869)	(17,373)	(50,079)	-	(82,321)
Net carrying amount	38,131	52,583	9,140	140	99,994
<b>YEAR ENDED 31 DECEMBER 2015</b>					
Opening net carrying amount	38,131	52,583	9,140	140	99,994
Additions	-	117	1,725	1,439	3,281
Disposals	-	-	(11)	-	(11)
Transfers from WIP	-	856	557	(1,413)	-
Depreciation/amortisation charge	(707)	(1,484)	(2,269)	-	(4,460)
Closing net carrying amount	37,424	52,072	9,142	166	98,804
<b>AT 31 DECEMBER 2015</b>					
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
<b>YEAR ENDED 31 DECEMBER 2016</b>					
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
<b>AT 31 DECEMBER 2016</b>					
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
				<b>Dec 2016 \$'000</b>	<b>Dec 2015 \$'000</b>
<b>Capital expenditure commitments</b>					
Contracted but not provided for and payable:					
Not longer than one year					
				<b>1,266</b>	168

(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.

## Notes to the financial statements For the year ended 31 December 2016

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

#### (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 2014. The complex was valued at \$136 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 (2015: nil).

#### (i) 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.



# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2016

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

#### External valuation (continued)

##### (i) Valuation process (continued)

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 2016, the remaining term of the site lease was 52 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.

#### 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:

	<b>Dec 2016 \$'000</b>	<b>Dec 2015 \$'000</b>
Less than one year	<b>1,117</b>	1,100
Between one and five years	<b>4,469</b>	4,400
More than five years	<b>8,752</b>	9,717
	<b>14,338</b>	15,217

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.

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2016

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

#### Impairment testing (continued)

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

### 9. Payables

	Dec 2016 \$'000	Dec 2015 \$'000
CURRENT		
Trade creditors and accruals – unsecured	2,013	1,588
Accrued distributions (note 12)	2,986	4,259
	<b>4,999</b>	<b>5,847</b>

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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
NON-CURRENT						
Bank loan – BOQ Limited (expires 31 January 2019)	13,500	11,500	7,200	1,700	6,300	9,800
	<b>13,500</b>	<b>11,500</b>	<b>7,200</b>	<b>1,700</b>	<b>6,300</b>	<b>9,800</b>

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 2016 \$'000	Dec 2015 \$'000
49,801,036 (December 2015: 49,801,036) units		
Issued units – equity portion	85,051	85,051
Issued units – liability portion	85,051	85,051
	<b>170,102</b>	<b>170,102</b>

The number of issued units includes 740,000 (December 2015: 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.

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2016

### 11. Issued units (continued)

#### 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 2016 was declared on 24 February 2017, and accounted for as follows:

	<b>Dec 2016 \$'000</b>	<b>Dec 2015 \$'000</b>
DISTRIBUTION ACCOUNT (refer to statement of changes in equity)		
Balance relating to issued units – equity portion	<b>2,990</b>	<b>4,227</b>
ACCRUED DISTRIBUTION (payables – note 9)		
Balance relating to issued units – liability portion	<b>2,986</b>	<b>4,259</b>
TOTAL OF DISTRIBUTION ACCOUNTS	<b>5,976</b>	<b>8,486</b>

	<b>Dec 2016</b>		<b>Dec 2015</b>	
	<b>Total \$'000</b>	<b>Cents per Unit</b>	<b>Total \$'000</b>	<b>Cents per Unit</b>
<i>Distributions paid and payable</i>				
Half year ended 30 June paid September	<b>5,931</b>	<b>11.91</b>	6,474	13.00
Half year ended 31 December paid/payable March	<b>5,976</b>	<b>12.00</b>	8,486	17.04
	<b>11,907</b>	<b>23.91</b>	14,960	30.04

### 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:

	<b>Dec 2016 \$'000</b>	<b>Dec 2015 \$'000</b>
RENTAL INCOME		
Casino operations	<b>18,380</b>	21,909
Hotel and other non-casino operations	<b>3,750</b>	2,988
	<b>22,130</b>	24,897

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2016

### 13. Segment information (continued)

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.

	Dec 2016 \$'000	Dec 2015 \$'000
<b>14. Cash and cash equivalents</b>		
Cash (held in interest bearing accounts, at call)	<b>4,775</b>	4,252
<b>Reconciliation of cash flows from operating activities</b>		
PROFIT FOR THE YEAR	<b>5,952</b>	7,480
ADJUSTMENTS FOR:		
Loss on disposal of property, plant and equipment	<b>13</b>	7
Finance costs attributable to unitholders	<b>5,952</b>	7,480
Depreciation and amortisation	<b>4,556</b>	4,528
NET CASH FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	<b>16,473</b>	19,495
Changes in operating assets and liabilities		
(Increase)/decrease in receivables and other assets	<b>(119)</b>	(332)
Increase/(decrease) in payables	<b>(199)</b>	(194)
Increase/(decrease) in deferred income	<b>(8)</b>	(8)
NET CASH FROM OPERATING ACTIVITIES	<b>16,147</b>	18,961

### 15. Related party information

#### The Responsible Entity

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

#### Key management personnel

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

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2016

### 15. Related party information (continued)

#### Key management personnel (continued)

	Short-term Salary & Fees \$	Post-employment Superannuation Benefits \$	Total \$
<b>2015</b>			
<b>Non-executive directors</b>			
Benjamin Macdonald (Chairman)	115,000	10,925	125,925
Keith DeLacy	68,000	6,460	74,460
Karl Stoss	-	-	-
Michael Issenberg	-	-	-
Kim Mooney (deceased 3 May 2015)	-	-	-
Simon McGrath	-	-	-
Richard Haire	66,000	6,270	72,270
Alexander Tucek	-	-	-
Philip Basha	-	-	-
<b>Executive director</b>			
Allan Tan (Chief Executive Officer - Operator)	82,067	-	82,067
<b>Executive</b>			
Alison Galligan (Company Secretary)	96,768	-	96,768
<b>Total</b>	<b>427,835</b>	<b>23,655</b>	<b>451,490</b>

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.

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2016

### 15. Related party information (continued)

#### 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	-	76,950
Simon McGrath	-	-	-
Richard Haire	-	-	-
Alexander Tucek	-	-	-
Philip Basha	-	-	-

#### Responsible Entity's remuneration

	Transactions value		Balance outstanding	
	Dec 2016 \$	Dec 2015 \$	Dec 2016 \$	Dec 2015 \$
Fees paid or payable by the Trust to Reef Corporate Services Limited during the year				
Responsible Entity fee	<b>1,104,099</b>	1,107,059	<b>545,013</b>	554,037
Reimbursement of trust expenses	<b>100,777</b>	114,512	-	-

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% (2015: 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% (2015: 11.37%) of Reef Casino Trust.
- Casinos Austria International Limited directly owns 5.53% (2015: 5.53%) of Reef Casino Trust and Accor Casino Investments (Australia) Pty Ltd directly owns 4.86% (2015: 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.

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2016

### 15. Related party information (continued)

#### Other related parties (continued)

	Transaction value		Balance outstanding	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
	\$	\$	\$	\$
Aggregate amounts brought to account in relation to transactions with other related parties:				
Rental income received from lessee	22,129,735	24,896,487	2,243,102	2,132,386
Interest on loan to lessee	66,478	67,833	5,533	5,656
Operating expenses paid by the Trust to the lessee and entities related to the Responsible Entity	2,349,463	2,198,375	159,883	140,800
Management fee to lessee	132,619	142,649	32,844	32,533
Distribution paid or payable	9,459,203	11,136,943	2,148,968	3,065,072

Aggregate amounts receivable/payable with related parties at balance date:

Current receivables	2,248,635	2,138,042
Non-current receivables	750,000	750,000
Current payables	737,739	727,370
Accrued distribution	2,182,949	3,113,539

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 2016	Dec 2015
	\$	\$
<i>Grant Thornton Audit Pty Ltd</i>		
Audit of statutory financial reports	65,840	64,471
Other assurance services	22,600	22,780
	<b>88,440</b>	<b>87,251</b>

### 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 2016	Dec 2015
	Cents	Cents
Basic and diluted earnings per unit (cents)	<b>23.90</b>	30.04
<i>Weighted average number of units (equity portion) for the year (note 11)</i>	<b>24,900,518</b>	24,900,518
	<b>\$'000</b>	<b>\$'000</b>
Profit for the year	<b>5,952</b>	7,480

# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2016

### 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 \$2,998,635 of the receivables carrying amount at 31 December 2016 (2015: \$2,888,042). 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.

	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1yr \$'000	1 to 2 years \$'000	2 to 5 years \$'000
<b>31 DECEMBER 2016</b>					
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	-	-	-	-
<b>31 DECEMBER 2015</b>					
NON-DERIVATIVE FINANCIAL LIABILITIES					
Trade creditors and accruals	1,588	1,588	1,588	-	-
Accrued distribution	4,259	4,259	4,259	-	-
Bank borrowings	1,700	1,918	71	71	1,776
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 2016 totalled \$5,952,000 (2015: \$7,480,000).

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



# REEF CASINO TRUST

## Notes to the financial statements For the year ended 31 December 2016

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

#### Market risk

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

#### Interest rate risk

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

	Dec 2016 \$'000	Dec 2015 \$'000
<i>Variable rate instruments</i>		
Financial assets	5,525	5,002
Financial liabilities	(7,200)	(1,700)
	<b>(1,675)</b>	<b>3,302</b>

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

A change of 100 basis points in interest rates would increase or decrease the Trust's finance income by \$55,000 (2015: \$50,000), finance costs by \$72,000 (2015: \$17,000) and profit for the year by \$17,000 (2015: \$33,000).

#### 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 2016		31 December 2015	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<i>Assets carried at amortised cost</i>				
Cash and cash equivalents	4,775	4,775	4,252	4,252
Receivables	3,059	3,059	2,940	2,940
	<b>7,834</b>	<b>7,834</b>	<b>7,192</b>	<b>7,192</b>
<i>Liabilities carried at amortised cost</i>				
Payables	4,999	4,999	5,847	5,847
Loans and borrowings	7,200	7,200	1,700	1,700
Issued units – liability portion	85,051	99,104	85,051	90,887
	<b>97,250</b>	<b>111,303</b>	<b>92,598</b>	<b>98,434</b>

#### Interest rates used for determining fair value

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

	2016	2015
Receivables	8.71%	8.88%
Loans and borrowings	4.00%	4.15%

## Notes to the financial statements For the year ended 31 December 2016

### 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 (2016: \$170,102,000; 2015: \$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.

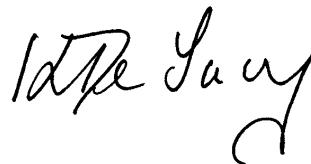
## Directors' declaration

- 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 14 to 32, 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 2016 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 2016.
- 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  
24 February 2017

## **Independent auditor's report To the unitholders of Reef Casino Trust**

### **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 2016, 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 2016 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.

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Key audit matter	How our audit addressed the key audit matter
<b>Determination and recognition of revenue – Note 4. Revenue</b>	
<p>The Trust leases its facilities to a related party, Casinos Austria International (Cairns) Pty Ltd (the “Lessee”). Accordingly the Trust’s rental revenue is determined in accordance with the lease agreements between the Trust and the Lessee.</p> <p>Rental revenue comprises two components: a base rent and a contingent rent. The base rent component is indexed yearly and recognised on a straight line basis over the lease term. The contingent rent component is based on the financial performance and results of the Lessee and is recognised when contractually due. The contingent rent component comprises the majority of total rent revenue.</p> <p>This is a key audit matter given that it is material to the Trust’s results and is recognised based on the financial performance and results of the Lessee.</p>	<p>Our audit procedures to address the risk of material misstatement relating to the determination and recognition of rental revenue included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Assessing the design and implementation of management’s controls over the determination and recognition of rental revenue;</li> <li>▪ Analysing management’s calculation of rental revenue in accordance with the lease agreements and with the audited financial statements of the Lessee; and</li> <li>▪ Assessing the appropriateness and sufficiency of the work performed on the Lessee’s financial statements for the relevant period by the Lessee’s auditor.</li> </ul>

### 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 2016, 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/Home.aspx>. 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 2016 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



Graham Coonan  
Partner – Audit & Assurance

Cairns, 24 February 2017

### **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 2016, 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



Graham Coonan  
Partner - Audit & Assurance

Cairns, 24 February 2017

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