



**REEF**  
CASINO TRUST

**TRUST CHAIRMAN'S AND REEF HOTEL CASINO CEO'S  
ADDRESS TO THE ANNUAL GENERAL MEETING  
26 MAY 2017**

**Chairman's address**

Once again, I would like to welcome all unit holders and observers to the Reef Casino Trust's 2017 annual general meeting. Shortly, our CEO, Allan Tan will also provide his address. I hope you will find our addresses informative and that you will take away with you a good understanding regarding your investment in the Trust.

**Distributable profit**

We reported in February this year that the Trust produced a distributable profit in 2016 of \$11.9 million compared to \$14.96 million in the previous year which was a record result. This was due to a lower Trust rental income received from the Reef Hotel Casino.

Distributable profit is determined as net profit for the year, which was \$5.95 million, plus distributions to unitholders which have been treated as finance costs in accordance with International Financial Reporting Standards (IFRS), which was also \$5.95 million.

Total Trust revenue for 2016 comprised mainly of rental income from the Reef Hotel Casino and totalled \$22.3 million, compared to a record of \$25.1 million in 2015. The reasons for this were disruptions caused by Project L1, a consequent reduction in entertainment as a result of the refurbishment works, and increased electronic gaming competition. The Trust's expenses continued to be well controlled.

As Chairman, I record my thanks to my fellow board members of the Trust and the management and staff of the Reef Hotel Casino for their efforts during 2016.

**Unit distribution of 23.91 cents per unit**

The total unit distribution in 2016 was 23.91 cents per unit. This total unit distribution comprises just slightly more than 100% of 2016 distributable profit of 23.90 cents. The undistributed income account balance is 12.11 cents per unit, or \$6.03 million.



### A strong and healthy balance sheet

The Trust's balance sheet remains strong and healthy with positive cash flows and the Trust continues to have adequate working capital. The interest only loan facility with the Bank of Queensland was increased by \$2 million to \$13.5 million and expires 31 January 2019. The main purpose of the increase was 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

Project L1, a \$6.5 million refurbishment of level 1 of The Reef Hotel Casino, has been successfully completed and we can look forward to our new facilities on the ground floor of our complex providing an even more competitive product to our local, domestic and international patrons and customers.

I will now ask Allan Tan, the CEO of the Reef Hotel Casino to deliver his address.

### CEO's address

Thank you Chairman. Good afternoon unitholders, ladies and gentlemen.

### Brief overview of Reef Hotel Casino in 2016

The 2016 annual report sets out in detail our 2016 trading performance. Let me briefly provide an overview this afternoon.

One of the key highlights for The Reef Hotel Casino in 2016 was the commencement of Project L1 which was successfully completed earlier this year on budget and in accordance with our schedule.

Project L1 consists of

- a brand new Bar36 – set to be Cairns best live music venue,
- a brand new casino lobby with new guest services reception and an iconic interactive display set to be Cairns most photographed display
- a brand new hotel lobby,
- a brand new Merchant Artisan Food and Café and
- an expanded Tamarind restaurant.

Despite the disruptions arising from the construction works, our Pullman hotel posted a record result with strong results for both rooms (up 13.8%) and food and beverage (up 1%).



Table games revenues were up 1.6% on last year with positive contributions from “grind” and “premium” play.

However, the disruptions coupled with strong local slots competition impacted on our slots revenue which were 8.4% lower than the previous year which had set a record.

#### Operational strategies and capital investment

Three strategic areas will drive future performance of the complex. These will be coupled with the proven success of our management strategy and philosophy under our “One Complex, One Team, One Success” mantra.

#### New complex facilities

Our new facilities on level 1 of our complex will play a key role to drive further growth in electronic gaming by attracting visitors into our entertainment complex. Combined with a full promotion, entertainment and marketing program and continued investment in new gaming products, we are positioned to compete aggressively with our local competition and to specifically target the in-bound tourist market, both international and domestic.

#### Premium gaming marketing agreement

Our casino’s marketing agreement with a Macau-based marketing agent will continue throughout 2017. We hope to see further development of premium gaming activity barring any unforeseen political and economic challenges in North Asia. We should note that we continue to operate in the low to mid-range premium market which means relatively lower risk and variability in earnings.

#### Room rate strategy

A new hotel room rate strategy was implemented at the start of 2017, designed to increase our average room rate via targeted product packaging and leveraging off the best hotel rooms in Cairns.

#### Update for the first 4 months

Already we are seeing increased patronage and revenues from our new BAR36 and expanded Tamarind Restaurant. Our new facilities on level 1 of the complex have been well received by our patrons and our challenge will be to leverage complex patronage into casino patronage.



A complete absence of charter and direct flights from China and other parts of Asia into Cairns has resulted in an ordinary Chinese New Year trading season in January and February 2017 for Cairns as a whole. So far this year, Cairns' economy has been quiet and softer than the previous year. Local slots competition from clubs and hotels/pubs remain strong.

The first half year is the low season for Cairns. For the first 4 months, rentals paid to the Trust is 17% down on last year.

However, my team remain and I remain hopeful that with our key strategies in place, we will be able to successfully leverage off our complex's new facilities and not only to consolidate our business but to set us up positively for the future.

Ladies and gentlemen, this concludes my address and I now hand back to the Chairman.

### **Chairman's address continues**

Thank you, Allan.

Ladies and gentlemen, let me continue.

### **Summary and conclusion**

The CEO has shared with you his key strategies to continue to develop the business at the Reef Hotel Casino. The Board endorses the overall strategic direction that he is taking.

Let me briefly update you on ownership changes at Casinos Austria AG (CASAG), the parent company of Casinos Austria International Limited. CASAG ultimately holds 42% of the units in the Trust.

These ownership changes are on-going and expected to only finally settle in the first quarter of next year. We believe these ownership changes at CASAG should not materially impact on the Trust. CASAG has recently announced that Dr Stoss will not seek a further contract with that company following a very successful 10 year tenure from 2007 to 2017. Dr Stoss' replacement as CASAG CEO will be Dr Alexander Labak who will take over from 1 July 2017. Dr Stoss will remain as a Director of Reef Corporate Services Limited appointed by Casinos Austria.

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



Following the Trust's investment in Project L1, in 2017, the Trust will continue to invest in the Reef Hotel Casino complex particularly in new slots products and maintaining the hotel-casino complex to a high standard.

The Trust also continues to consider any appropriate future investment to expand. To this end, your Board is undertaking and continuing internal discussions and with the Queensland Government. This is in light of the State government's on-going and yet to be settled policy position regarding further integrated resorts developments (IRD) in the state.

The CEO has provided an update for the 4 months of this year. As the Trusts main revenue is rent from the Reef Hotel Casino, the Trust's first 4 months reflects that. As announced in an update to the ASX earlier today, our current estimate of the distributable profit for the first half year from 1 January 2017 to 30 June 2017 is approximately \$3.5 million. We will further update unitholders about the Trust's likely first half year results and any use of the undistributed income account which has a balance of 12.11 cents per unit or \$6.03 million as at 31 December 2016 in late June, about 4 weeks from now, when we release our unit distribution announcement.

Since 2000, the Trust has consistently delivered profits, declared unit distributions and carefully managed the business and corporate risks. Your Board remains committed to continue with this.

In conclusion, I would like to thank my fellow directors, especially the two independent directors, the partners of the operator, Casinos Austria International and Accor, the management team and the staff of the Trust and the Reef Hotel Casino, and last but not least you, our unitholders for your support during this past financial year.

Ladies and gentlemen, that concludes my address to the meeting.

Thank you.