



**TRUST CHAIRMAN'S AND REEF HOTEL CASINO CEO's
ADDRESS TO THE ANNUAL GENERAL MEETING
24 MAY 2019**

Chairman's address

Good afternoon ladies and gentlemen, shareholders and guests and welcome to the Reef Casino Trust's 2019 annual general meeting here in the beautiful Reef Hotel Casino.

At our Directors meeting on August 24, 2018 our long standing Chairman Mr Ben Macdonald stepped down from that role and I was elected by my fellow directors to assume that role. Mr Ben Macdonald remains on the Board as a non-executive director appointed by Casinos Austria International Limited. Ben's appointment as Chairperson in 2000 saw him chair the Trust through some challenging times. His chairmanship through these years has significantly contributed to the stability of the Board and successes of the Trust. On behalf of the Board, I thank Ben for his contributions and services as chairperson and look forward to his on-going contributions as a non-executive director.

A little later, our CEO, Allan Tan will also provide his address. I hope you will find both our addresses informative and that you 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 2018 of \$10.1 million compared to \$11.3 million in the previous year. Rental income from the Reef Hotel Casino was 4.4% lower than 2017. The total expenses of the Trust were also higher due to a full year of higher responsible entity fees following an uplift in the value of the Reef Hotel Casino property, corporate development costs and insurance premium.

Distributable profit of \$10.1 million is determined as net profit for the year, which was \$5.05 million, plus distributions to unitholders which have been treated as finance costs in accordance with International Financial Reporting Standards (IFRS), which was also \$5.05 million.

Total Trust revenue for 2018 comprised mainly of rental income from the Reef Hotel Casino and totalled \$21.4 million, compared to \$22.4 million in 2017. The Trust's operating 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 2018.

Unit distribution of 20.28 cents per unit

The total unit distribution in 2018 was 20.28 cents per unit. This total unit distribution comprised 100% of 2018 distributable profit. The undistributed income account balance is 11.9 cents per unit, or \$5.93 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 sufficient working capital. The interest only loan facility with the Bank of Queensland remains unchanged at \$13.5 million. This loan facility expires on 31 January 2022. The amount drawn down at 31 December 2018 was \$4.2 million.

Capital Investment

The Casino Refresh project was successfully completed in December 2018 which included a new high stakes table gaming area, a new slots gaming area, a new casino entrance, new carpet throughout the main floor and a refreshed Flinders Bar and Grill.

Capital expenditure in 2018 also consisted of operational requirements of the Reef Hotel Casino including new gaming machines and capital commitments for the proper maintenance of the Reef Hotel Casino complex.

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 2018

The 2018 annual report sets out in detail our 2018 trading performance. Let me provide a brief overview this afternoon.

Key trading and operating conditions in 2018:

- A strong record performance by hotel room operations
- Our hotel casino complex had an improved Chinese New Year high tourist season in the first half of 2018 which contributed to good premium play
- Our complex continued to aggressively take on the local competition in electronic gaming machine operations
- Our food and beverage operations continued to strongly support the overall performance of our complex

Rentals paid to the Trust were lower than last year by 4.4% due to more challenging trading and economic conditions in 2018 even as visitations to the casino increased by 6.0%.



Record room accommodation revenues were 17.8% above the previous year. Successful yield management, product packaging and leveraging off Accor's global and Australian network contributed to the record performance.

Food and beverage revenues were 0.2% better than last year. Our food and beverage facilities continued to play a key role in supporting our casino operations.

Table games revenues from the main floor grind and premium markets were 12.8% higher than 2017. Stronger premium play was in a large part due to an improved Chinese New Year tourist season. Softer grind play was mainly due to an overall softer China tourist market.

Casino electronic games revenues were 4.0% lower than 2017. We continued to implement measures and take action to increase our competitiveness in the local market.

Note that the comparatives for food and beverage, electronic games and table games revenues are on a comparative basis without the impact of AASB 15 Revenue from Contracts with Customers applied for the first time in this period.

Driving future performance in 2019

The following 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.

- Casino operations
Increase our competitiveness in the local slots market
Focussed targeting of tourists and visitors to increase visitations to the casino.
- Hotel Operations
Sharp yield management and leverage off our market reputation as the best hotel in Cairns.
Further enhance and refine entertainment, food and beverage operations to support the whole complex
- Tight cost management

Trading Update

On 17th April 2019, a trading update advised that the Trust's distributable profit for the 1st half year from 1 January 2019 to 30 June 2019 was estimated to be between \$1.7 million to \$3.0 million. Our current estimate of the distributable profit is between \$1.2 million to \$1.7 million.

Current economic and trending conditions are challenging in Cairns and the region:

- Softness in Cairns tourism – at a level not experienced for a number of years, made worse by an extraordinary wet season in the 1st quarter of the year and also in the second quarter. This has affected tourism into Cairns and visitation to our complex.
- Short term variability in casino table gaming because of a soft gaming and Chinese tourist market including a soft Chinese New Year season, at a level not experienced in recent years. This has impacted on casino revenues.



- A subdued local economy with weak consumer spend due to soft tourism and increased local competition which has had an impact on casino slots gaming and to a lesser extent on hotel accommodation.
- A subdued national economy exacerbated by uncertainties and consumer anxieties leading up to the recent Federal elections

My management team is committed to achieve the best possible outcome given the current challenging conditions including initiatives to try and improve revenues but also to cut operating costs

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

Trust, CASAG and Accor

The relationships between the Trust and CASAG/Accor (as major unitholders and joint operator of the Reef Hotel Casino) continue to work exceptionally well. I believe the quality of this partnership and the specialist expertise each shareholder brings to the Trusts operations has been a fundamental factor behind the sustained success and performance of the business and the Trust.

Queensland Government's Global Tourism Hub (GTH)

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

The State Government's led process continued during 2018 and at this point in time appears like it will extend well into the end of 2019.

The Trust continues to consider any appropriate future investment to expand. However, any such investment must be consistent with our unit holders risk appetite, be financially attractive and not diminish the quality service offering our customers expect. To this end, the Trust continues to have internal discussions with the Queensland Government and interested parties.

In response to the Department of State Development's request, a submission regarding the Government's investigation into a potential State Development Area to support the Tropical North Global Tourism Hub was made. A State Development Area has since been declared. The Queensland Government has said that the State Development Area is intended to assist any possible development of the GTH.

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



We will keep unitholders informed as needed.

2019 Economic Conditions/Outlook

Here are some relevant indicators:

- Geo-political and economic factors – the global picture is somewhat uncertain especially given the tensions between USA and China
- Australian economy – the outlook here is marked by slower growth, a contracting housing market and cautious consumer spending
- Cairns economy – generally reflects the broader Australian economy; more specifically tourism will continue to play a key part but is currently looking subdued; China tourist market outlook is currently also looking softer.

Conclusion

The CEO has shared with you his key strategies to continue to tightly manage the business at the Reef Hotel Casino under current challenging conditions. The Board endorses that.

Further to the Trust's trading update to the ASX on 17 April 2019 and the CEO's address earlier, the Trust will make an announcement of its estimation of the Trust unit distribution for the first half year 2019 in mid to late June.

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

Finally, I would like to thank my fellow 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.