



## REEF CASINO TRUST

12 November 2010

The Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West VIC 8007

Via email: standard@asb.gov.au

Dear Sir

### **Comments on ED202R and the IASB ED/2010/9 Leases**

Thank you for the opportunity to comment on ED202R Leases and the IASB ED/2010/9 Leases.

We are participating in the IASB lessor workshop next month however, we would like to highlight to the AASB some of our concerns in response to the specific questions raised.

#### *Question 5: Scope exclusions*

*The exposure draft proposes that a lessee or a lessor should apply the proposed IFRS to all leases, including leases of right-of-use assets in a sublease, except leases of intangible assets, leases of biological assets and leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources (paragraphs 5 and BC33-BC46).*

*Do you agree with the proposed scope of the proposed IFRS? Why or why not? If not, what alternative scope would you propose and why?*

We do not agree with the position taken to exclude leases of intangible assets from the scope.

We think that the [proposed] standard should make it clear that single leases of composite assets which include both tangible (building & equipment) and intangible (eg. gaming licences, computer software) assets are included in scope. It would be impractical and provide no benefit to users to artificially apportion one lease and the rental income from that lease into separate components, especially where the lease agreement includes no bifurcation of cash flows.

We note the exclusion of investment properties from the [proposed] standard. We think this causes disparity with the requirements for other property trusts that do not satisfy the definition of investment property due to the significant exposure of the trust to the cash flows generated by the underlying operations of the property via the rental formula. These trusts also have significant rental income streams which are the main driver of distributions paid to unitholders and are otherwise comparable with trusts holding investment properties. As the fair value of the property is already obtained regularly and disclosed, we believe there is no additional benefit to users in applying the [proposed] standard.

Registered Office  
Level 1 Mercure Hotel  
85-87 North Quay  
Brisbane QLD 4000  
PO Box 12072 George Street  
Brisbane QLD 4003  
Telephone: +61 7 3211 3000  
Facsimile: +61 7 3211 4777

REEF CASINO TRUST  
ABN 90 464 324 877  
Managed by Reef Corporate Services Ltd - ABN 66 057 599 621

Addressing for invoicing  
Reef Hotel Casino  
35-41 Wharf Street  
Cairns QLD 4870  
PO Box 7320  
Cairns QLD 4870  
Telephone: +61 7 4030 8888  
Facsimile: +61 7 4030 8831

We believe that the [proposed] standard should extend the concession provided to investment properties to other entities which have as their main/only activity leasing of property and related assets.

*Question 9: Lease payments*

*Do you agree that contingent rentals and expected payments under term option penalties and residual value guarantees that are specified in the lease should be included in the measurement of assets and liabilities from a lease using an expected outcome technique? Why or why not? If not, how do you propose that a lessee or a lessor should account for contingent rentals and expected payments under term option penalties and residual value guarantees and why?*

*Do you agree that lessors should only include contingent rentals and expected payments under term option penalties and residual value guarantees in the measurement of the right to receive lease payments if they can be measured reliably? Why or why not?*

We agree with the alternative view expressed in paragraphs AV2 – AV8 in the Basis of Conclusions to the [proposed] standard to exclude from the measurement of assets and liabilities those contingent rentals that are merely dependent on future business conditions. It is practically very difficult to forecast contingent rentals based on future trading with any accuracy, especially where contingent rentals comprise a large proportion (95%) of total rental and the lease extends over a long period.

As such, we believe actual income from contingent rentals should be disclosed separately in the statement of financial performance in the year it is accrued.

*Question 12: Statement of financial position*

*(b) Do you agree that a lessor applying the performance obligation approach should present underlying assets, rights to receive lease payments and lease liabilities gross in the statement of financial position, totalling to a net lease asset or lease liability (paragraphs 42, BC148 and BC149)? Why or why not? If not, do you think that a lessor should disclose this information in the notes instead? What alternative presentation do you propose and why?*

*(c) Do you agree that a lessor applying the derecognition approach should present rights to receive lease payments separately from other financial assets and should present residual assets separately within property, plant and equipment (paragraphs 60, BC154 and BC155)? Why or why not? Do you think that a lessor should disclose this information in the notes instead? What alternative presentation do you propose and why?*

We see a practical difficulty for a lessor applying either the performance obligation approach or the derecognition approach, where the underlying asset is spread over more than one class of asset for example property, plant & equipment and intangibles, and think this needs clarification in the [proposed] standard.

*General comments*

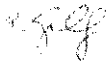
*Whether the proposals would result in financial statements that would be useful to users and are in the best interests of the Australian and New Zealand economies*

As noted above the disparity between the requirements for property trusts with investment properties and other property trusts that do not satisfy the definition of investment property is not in the best interests of users who are predominantly Australian and New Zealand based. The [proposed] standard does not change the external valuer's valuation of the property, nor the amount of cash available to pay distributions to unitholders. Where existing rental income is

straight forward for users to understand the [proposed] standard creates complexity in determining the amount of income and the resultant profit which adds no value to users.

If you have any questions regarding this submission please do not hesitate to contact me at [financemanager@reefcasino.com.au](mailto:financemanager@reefcasino.com.au) or by phone on (07) 40308778.

Yours faithfully



Alison Galligan  
Company Secretary  
Reef Corporate Services Ltd  
Responsible Entity for Reef Casino Trust