AQUIS ENTERTAINMENT LIMITED

ABN 48 147 411 881

Financial Statements
for the Financial Year Ended 31 December 2018

AQUIS ENTERTAINMENT LIMITED
DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements for the financial year ended 31 December 2018. The consolidated financial statements comprise the financial statements of Aquis Entertainment Limited ("Aquis" or "Company") and its controlled entities (together referred to as the "Group" or "Consolidated Entity").

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are set out below:

Tony Fung	Chairman
Justin Fung	Non-Executive Director (resigned 14 May 2018)
Alex Chow	Non-Executive Director
Russell Shields	Non-Executive Director
Jessica Mellor	Executive Director & CEO (to 31 December 2018) (resigned 21 February 2019)
Allison Gallaugher	Executive Director (appointed 28 June 2018) & CEO (Acting) (from 1 January 2019)

Current Directors

Tony Fung (Chairman)

Mr Tony Fung is the ultimate owner and controller of the Aquis Group. He has significant experience in corporate finance and company administration, including running Sun Hung Kai & Co. Ltd, a leading Hong Kong-based non-bank financial and securities holding company. Mr Fung has significant property investments in Hong Kong and also in Australia.

Alex Chow (Independent Non-Executive Director)

Mr Chow Yu Chun, Alexander, is a senior non-executive director with over 35 years of experience in commercial, financial and investment management in Hong Kong and Mainland China. He has served as an Independent Non-executive Director of Top Form International Limited since February 1993 and was a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants until January 2019. Mr. Chow is also currently an independent non-executive director of Playmates Toys Limited, China Strategic Holdings Limited and Symphony Holdings Ltd, each of which are listed on the Hong Kong Stock Exchange.

Mr Chow is the Chair of the Audit and Risk Committee And a member of the Remuneration and Nomination Committee.

Russell Shields (Independent Non-Executive Director)

Russell Shields is a senior non-executive director with more than 35 years' experience in the financial services industry. He was Chairman Queensland and Northern Territory of ANZ Bank for 6 years. Prior to joining ANZ, Mr Shields held senior executive roles in Australia and Asia with HSBC including Managing Director Asia Pacific – Transport, Construction and Infrastructure and State Manager Queensland, HSBC Bank Australia. He is currently a non-executive director of ASX-listed Eclipx Group Limited, was a non-executive director of Retail Food Group Limited (December 2015 to October 2018) and was Chairman of Onyx Property Group Limited until December 2015.

Mr Shields is the Chair of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

Jessica Mellor (Executive Director to 21 February 2019 & CEO to 31 December 2018)

Jessica Mellor is a seasoned project manager with experience spanning major infrastructure projects, residential and commercial development and funds management.

Ms Mellor was involved in major infrastructure projects with Leighton Contractors in Queensland before moving into residential development and later funds management. Ms Mellor joined the greater Aquis Group in 2013 where she a played key leadership role in the groups' ambitious Yorkeys Knob project in Cairns and following the acquisition of Casino Canberra was appointed as Executive Director, Strategy and Project Development. Ms Mellor was appointed as Chief Executive Officer of Aquis Entertainment Limited and Casino Canberra on 4 October 2017.

Ms Mellor ceased her CEO duties from 31 December 2018 and resigned as director effective from 21 February

2019.

Allison Gallaugher (Executive Director, Financial Controller & Acting CEO from 1 January 2019)

Allison Gallaugher is a Chartered Accountant with over 20 years experience in the accounting industry, advising a range of local and international listed and unlisted companies, across a broad range of industries.

Ms Gallaugher held senior management positions including at a top 5 accounting firm in Sydney, before returning to Canberra where she joined the leading boutique accounting firm as an advisor to many of Canberra's largest businesses, predominantly in the property and development industry. Ms Gallaugher's experience spans the full range of business advisory, taxation and audit fields. Most recently, Ms Gallaugher was the Financial Controller of a large club group, before joining Aquis on 24 March 2017 as Financial Controller.

Ms Gallaugher was appointed as a director on 28 June 2018 and as acting Chief Executive Officer effective from 1 January 2019.

Company Secretary

The Company Secretary in office at the end of the reporting period was Company Matters practitioner, Louise Sheppard. Louise is an experienced company secretary whose professional experience spans three decades. Louise's commercial career began at AMP where she worked both in Australia and the UK across several financial services finance and project roles. Thereafter she worked for ABN AMRO in what would today be recognised as an AML/CTF equivalent compliance officer role. Louise has also held compliance and company secretarial roles at Babcock & Brown, and most recently was the Secretarial Governance Manager at Origin Energy Limited.

INTERESTS IN SHARES AND OPTIONS

As at the date of this report, the interests of the Directors in the ordinary shares of Aquis were:

Directors	Ordinary Shares	Unlisted Options
T Fung	163,871,874	-
A Chow	-	-
R Shields	-	-
A Gallaugher	-	-

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity during the year was entertainment, gaming and leisure through the ownership of Casino Canberra.

OPERATING AND FINANCIAL REVIEW

Operating results for the Year

The operating result for the consolidated entity for the year to 31 December 2018 was a loss of $3,396,832 (2017: loss $13,811,804, included in the 2017 loss is a $5,498,173 write down of deferred tax assets).

Operating revenue for the year amounted to $26,032,797, an 0.45% decrease from the 2017 result ($26,150,567). Earnings before Interest Tax Depreciation and Amortisation (EBITDA) for the year was a profit of $625,885 (2017: loss $4,702,327).

Strategy

Aquis has a clear strategy to develop and manage quality destination integrated resorts in underserved areas of Australia. Casino Canberra is the first such investment and has been used to demonstrate the Company's ability to significantly improve an underperforming operation by a combination of leadership and targeted investment in the business.

Strategy (**continued)**

Aquis advanced its strategy during the year by:

- Focused marketing activities to capitalise on the refurbishment of the Casino Canberra property in 2016;
- Continuing to improve the operations of Casino Canberra by engaging experienced management who are focussed on improving revenue and customer service standards;
- Implementation of a cost control program to reduce expenditure and streamline efficiencies in business processes to improve economies of scale;
- Ongoing consideration of alternative and complementary business lines; and
- Ongoing liaison with the ACT Government, in relation to the proposal for the development of a world-class integrated entertainment precinct in the heart of Canberra's CBD. The current status of this proposal is discussed further in the Future Developments, Prospects and Business Strategies section of this report.

Operations

Revenue from operations for the year decreased 0.45% from the prior year to $26,032,797 in 2018 compared to $26,150,567 in 2017. The result was driven by a 0.87% increase in gaming revenue and a 12% decrease in food and beverage and other sales. Operating expenses including payroll related expenses decreased by 17.7% for the year, with the major decreases being in payroll and marketing expenses. The reduction in payroll expenditure was a result of more efficient use of the workforce, combined with inter-departmental restructuring to better align teams to leaders. The marketing reduction was a result of refinement of the operation of our VIP program expenses.

2017 saw the first full year of operation of the refurbished gaming floor. Throughout the year, Casino Canberra maintained its focus on improving awareness the brand to increase visitation, improving VIP offerings to increase market share, together with a cost reduction program to increase profitability.

Toward the end of the year, the increase in visitation rates as a result of the marketing efforts reduced volatility and produced an overall improvement in hold rates, which is expected to continue and stabilise over the coming year as record visitation rates are maintained via new and continuing marketing initiatives.

Financial position

At 31 December 2018, the Group had cash reserves of $4,676,086 (2017: $4,658,166) and unused borrowing facilities of $3,071,317. Following the end of the financial year no further drawdowns have been made and the group has forecast a positive net cashflow for the financial year. The balance sheet at 31 December 2018 shows a net asset deficit of $16,651,690 (2017: $13,254,858 deficit) as a result of the loss incurred during the financial year and the de-recognition of the deferred tax asset representing carry forward tax losses.

Outlook

Directors are confident of the outlook for Aquis. The completion of the refurbishment of Casino Canberra has proven the ability to attract new and existing customers. The casino's highly experienced operations leadership team continue to execute the vision of attracting and servicing quality players from Australia and overseas. Several internal restructures to improve the alignment of teams within the group has resulted in better efficiency in our workforce. Our Business Development team have focused on mining of the existing customer database over the year, solidifying the efforts of the past several years which were spent building its size and quality. This focus allowed for a decrease in expenditure, resulting in a profitable VIP sector for the year.

Legislation has been enacted to allow 200 electronic gaming machines (EGM's) to operate within the casino; planning continues for the redevelopment of Casino Canberra discussions with the Government will continue throughout 2019 surrounding the details of the legislated requirements for the EGM's to enable planning for the future.

The Board has agreed to and recommended to shareholders a transaction for the major shareholder to sell the majority of their shares to a new investor; this is discussed in further detail in the Future Developments, Prospects and Business Strategies section of this report. The Board will work together with the proposed new shareholder to progress the transaction, which will bring great opportunities to the business, particularly in the VIP sector.

Employees

The number of people employed by the Consolidated Entity at the reporting date was 253.

DIVIDENDS

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

Directors' and committee meetings

The number of meetings of the Company's Board of Directors held during the period and the number of meetings attended by each Director was:

Director	Board Meetings		Audit & Risk		Remuneration & Nomination	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
T Fung	3	3	n/a	n/a	n/a	n/a
J Fung[1]	3	2	2	1	n/a	n/a
A Chow	3	3	2	2	2	2
R Shields	3	3	2	2	2	2
J Mellor[2]	3	3	n/a	n/a	n/a	n/a
A Gallaugher[3]	2	2	n/a	n/a	n/a	n/a

[1]Resigned 14 May 2018
[2]Resigned 21 February 2019
[3]Appointed 28 June 2018

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the year, other than disclosed in this report.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Other than as set out in this report and the attached financial statements, no matters or circumstances have arisen since 31 December 2018, which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

INDEMNIFICATION OF OFFICERS

The Company is required to indemnify Directors, and other officers of the Company against certain liabilities which they may incur as a result of or by reason of (whether solely or in part) being or acting as an officer of the Company.
During the financial year, the Company paid a premium to insure the Directors against potential liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of Director of the Company other than conduct involving wilful breach of duty in relation to the Company. The amount of the premium is not disclosed as it is considered confidential.
The Company provides no indemnity to any auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the consolidated entity is a party for the purpose of taking responsibility on behalf of the consolidated entity or any part of those proceedings.

ENVIRONMENTAL REGULATIONS

The Directors are mindful of the regulatory regime in relation to the impact of the organisation's activities on the environment.
There have been no known breaches of any environmental regulation by the Consolidated Entity during the financial period.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Aquis is an entertainment, gaming and leisure company which currently operates a casino business in Canberra.
On 21 December 2018, the company announced that it had entered into a binding Implementation Deed (and related documentation) with Blue Whale Entertainment Pty Limited (Blue Whale), a company owned and controlled by Mr Michael Gu, the Group CEO of iProsperity Group, and Aquis Canberra Holdings (Aus) Pty Limited (ACH). The transaction contemplates Blue Whale's acquisition of the outstanding convertible loan and 137.0 million shares held by ACH.
Pursuant to the transaction, ACH will transfer:

- 137,004,377 AQS shares to Blue Whale; and
- Its convertible loan with the company to Blue Whale, following which Blue Whale will forgive a minimum of $2.0 million of the convertible loan and then immediately convert the balance of the convertible loan to AQS shares at a conversion price of $0.20 per share and subject to a cap.

The above transfers will result in Blue Whale replacing ACH as the controlling shareholder of the company with a shareholding of up to a maximum of 86.99% of Aquis' share capital.

Blue Whale also grants ACH a put option in respect of its remaining 26,867,497 shares, pursuant to which ACH may elect to sell those shares to Blue Whale after approximately 3 years should such shares not have a value of more than $4 million at that time.

The transaction is subject to shareholder approval by the independent shareholders of Aquis and ACT gaming regulatory approvals. Blue Whale may also terminate the agreements if certain limited material adverse events occur. The Extraordinary General Meeting (EGM) to seek the approval of the independent shareholders is to be held on 21 March 2019. ACT Government regulatory approval is expected to take approximately 3-6 months to complete.

An independent expert provided a favourable opinion on his review of the transaction and there are no other proposals which are superior to the Blue Whale offer, so the independent directors of Aquis unanimously recommend that the independent shareholders vote in favour of the proposed transactions,

Following completion of the proposed transaction, it is anticipated that the company will work with Blue Whale to achieve further cost efficiencies and to work on opportunities for the future with VIP markets and look at options available regarding a redevelopment of the precinct, in order to operate the 200 electronic gaming machines for which the legislation was passed in the last year. .

SHARE OPTIONS

As at the date of this report, there were no unissued ordinary Aquis shares under option (2017: nil). Accordingly, during the financial year and to the date of this report no options were exercised

No options have been issued in the period since year end to the date of this report.

INDEPENDENT PROFESSIONAL ADVICE

Directors of the Company are expected to exercise considered and independent judgement on matters before them and may need to seek independent professional advice. A director with prior written approval from the Chairman may, at the Company's expense, obtain independent professional advice to properly discharge their responsibilities.

NON-AUDIT SERVICES

There were no non-audit services provided by the entity's auditors, RSM Australia Partners during the financial year.

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached.

REMUNERATION REPORT (AUDITED)

This Remuneration Report forms part of the Directors' Report and has been prepared in accordance with Section 300A of the *Corporations Act 2001* and has been audited as required by Section 308(3C) of that Act.

The Remuneration Report is set out under the following key headings:

- A Introduction
- B Principles used to determine the nature and amount of remuneration
- C Remuneration details
- D Service agreements
- E Other KMP disclosures

A. Introduction

The Remuneration Report sets out information relating to the remuneration of the non-executive Directors, executive Directors and senior management of the Company - collectively termed Key Management Personnel (KMP). The KMP are the persons primarily accountable for planning, directing and controlling the affairs of the Company. For the purposes of this report the executive Directors and senior management are referred to as Executives.

Details of KMP for whom remuneration disclosures are included in this Report are as follows:

Current Non-Executive Directors

T Fung	Chairman
A Chow	Non-Executive Director
R Shields	Non-Executive Director

Current Executives

Name	Role	Relevant Dates
J Mellor	Chief Executive Officer Director	CEO to 31 December 2018 Resigned 21 February 2019
A Gallaugher	Financial Controller Director Chief Executive Officer (Acting)	Appointed 24 March 2017 Appointed 28 June 2018 Appointed 1 January 2019
R Bach	Vice President & General Manager	Appointed 2 July 2015

Previous Directors and Executives

Name	Role	Relevant Dates
J Fung	Non-Executive Director	Resigned 14 May 2018

Except where otherwise stated, KMP held office from the commencement of the year.

B. Principles used to determine the nature and amount of remuneration

Aquis' corporate goal is to develop and manage quality integrated resorts in Australia. To achieve this, the Group has sought to engage and retain experienced and talented Directors and Executives. The Group therefore aims to offer Directors and Executives a competitive remuneration package which reflects individual duties and responsibilities. The remuneration approach seeks to align Executive reward with the achievement of strategic objectives and the creation of value for shareholders.

The Remuneration Committee will be responsible for determining and reviewing on-going remuneration arrangements for its Directors and Executives. This Committee may seek advice of external remuneration consultants in conducting its duties. Further information regarding the Committee is set out in the Corporate Governance Statement.

The Group has established differing remuneration structures for Non-Executive Directors and Executives.

Non-Executive Directors

Fees and payments to the Non-Executive Directors reflect the demands which are made on, and the responsibilities of, these Directors. Non-Executive Director fees comprise a base salary plus statutory superannuation. Non-Executive Directors are not entitled to receive share based payments or other performance based incentives.

ASX listing rules require the aggregate non-executive directors remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 26 November 2015, where the shareholders approved an aggregate remuneration pool of $600,000.

Executives

Aquis aims to reward executives with a remuneration structure based on their position and responsibility, which has both fixed and variable components.

Fixed remuneration

Fixed remuneration aims to provide a base level of remuneration and is determined with reference to available market data, the scope of the executive's responsibilities and their experience and qualifications.

Fixed remuneration, consists of base salary, superannuation and complementary privileges at Casino Canberra, and may include other benefits where Executives may elect to sacrifice part of their salary to be contributed towards any non-cash benefit including motor vehicles, accommodation costs etc.

Fixed remuneration for Executives is reviewed annually and approved by the Remuneration Committee.

Performance based remuneration

Short term incentives

The performance based component of Executive remuneration aligns the strategies set by the Board with the individual targets of the Executives responsible for implementing those strategies.

Executives are entitled to receive short term incentives based on service and on the achievement of Key Performance Indicators.

Long term incentive plan

At the Annual General Meeting of the Company held on 31 May 2017, Shareholders approved the implementation of the Aquis Entertainment Limited Share Rights Plan (Plan). Under the Plan, Participants may become entitled to receive Rights (which are entitlements on vesting to fully paid ordinary shares in Aquis Entertainment Limited). The Rights would be granted for no monetary consideration and have no exercise price, unless otherwise determined by the Board. One vested Right is an entitlement to one Share.

The Plan allows for three kinds of Rights, being:

- Performance Rights which vest when performance conditions have been satisfied,
- Retention Rights which vest after the completion of a period of service, and
- Restricted Rights which are vested but subject to disposal restrictions.

At the date of this report, no Rights have been issued pursuant to the Plan.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to performance of the consolidated entity. A portion of short term incentive payments are dependent on achieving defined KPI's. For the 2018 year, the KPI's were set by the Board and related to the achievement of revenue and profitability outcomes. These outcomes were to be driven by the Board's strategy to improve the overall product offered to customers including service standards and marketing programs. Improvements in revenue generating capability and profitability will form the basis of providing long term earnings growth for Casino Canberra and consequently for shareholder value growth.

C. Details of remuneration

Remuneration received or receivable by Key Management Personnel during the reporting period was as follows.

Key management personnel	Short-term benefits			Post-employment benefits super - annuation	Share based payment	Total	Performance based remuneration	Remun-eration at risk - STI
	Fees and/or salary	Cash, profit sharing / other bonuses	Other					
	$	$	$	$	$	$	%	%
2018								
T Fung	-	-	-	-	-	-	-	-
J Fung[1]	-	-	-	-	-	-	-	-
A Chow	105,000	-	-	-	-	105,000	-	-
R Shields	105,000	-	-	9,975	-	114,975	-	-
J Mellor	391,892	-	62,400	34,833	-	489,125	-	-
R Bach	210,577	105,290	52,557	17,381	-	385,805	27%	27%
A Gallaugher[2]	175,000	34,088	-	21,655	-	230,743	15%	15%
Totals	**987,469**	**139,378**	**114,957**	**83,844**	**-**	**1,325,648**		

[1] Resigned 14 May 2018
[2] Appointed as Director from 28 June 2018

Key management personnel	Short-term Benefits			Post-employment benefits super - annuation	Share based payment	Total	Performance based remuneration	Remun-eration at risk - STI
	Fees and/or salary	Cash, profit sharing / other bonuses	Other					
	$	$	$	$	$	$	%	%
2017								
T Fung	-	-	-	-	-	-	-	-
R Or Ching Fai[1]	-	-	-	-	-	-	-	-
J Fung	-	-	-	-	-	-	-	-
A Chow	104,583	-	-	-	-	104,583	-	-
R Shields[4]	103,750	-	-	9,856	-	113,606	-	-
J Mellor	368,754	112,500	62,400	34,712	-	578,366	19%	19%
R Bach	250,000	62,500	52,157	19,616	-	384,273	16%	16%
G Gill[2]	107,787	-	10,878	8,034	-	126,699	-	-
A Gallaugher[3]	114,423	18,862	-	10,870	-	144,155	13%	13%
Totals	**1,049,297**	**193,862**	**125,435**	**83,088**	**-**	**1,451,682**		

[1] Resigned 31 December 2017
[2] Resigned 12 May 2017
[3] Appointed 24 March 2017
[4] Committee Chair from 1 February 2017

D. Service agreements

Non-Executive Directors

Each Director has signed a letter of appointment which sets out the conditions of the appointment including the remuneration for the position.

The Chairman and Vice Chairman have each elected to receive no remuneration for performing their Director roles.

The remaining Non-Executive Directors are entitled to the following remuneration:

- A base fee of $80,000 per annum
- $20,000 per annum for acting as the Chair of a Board Committee and
- $5,000 per annum for serving on a Board Committee.
- Statutory superannuation where required by law.

Executives

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name	**Jessica Mellor**	**Rhiannon Bach**	**Allison Gallaugher**
Title	Chief Executive Officer	VP and General Manager	Financial Controller & Acting CEO[2]
Commencement Date	23 December 2014	23-Apr-15	24-Mar-18
Term of Agreement	Open[1]	Open	Open
Annual Salary	$450,000	$250,000	$175,000 ($192,500 from 7 January 2019)
Superannuation	Statutory superannuation	Statutory superannuation	Statutory superannuation
Bonus	Maximum annual bonus = 50% of Remuneration comprising: • Guaranteed amount of 50% of the maximum annual potential bonus and • Amount up to 50% of the maximum annual potential bonus as determined at the absolute discretion of the Board subject to KPI's agreed between the Executive and the Chair of the Remuneration Committee. • No bonus payment if Executive gives notice of termination prior to the payment date or if terminated for cause		Maximum annual bonus = 20% of Remuneration as determined at the absolute discretion of the Board subject to KPI's agreed between the Executive and the Chair of the Remuneration Committee. No bonus payment if Executive gives notice of termination prior to the payment date or if terminated for cause
Post-employment restraint	Company may impose restraint for various periods up to12 months and for various regions		
Termination Period	6 months either party	3 months either party	2 months either party

[1] *Resigned effective 21 February 2019, CEO duties cease 31 December 2018*
[2] *Appointed acting CEO from 1 January 2019*

E. Other KMP disclosures

Movements in share holdings

The movement during the year in the number of ordinary shares in the Company held directly, indirectly or beneficially by each key management person, including their related parties, follows:

Name 2018	Opening Balance[1]	Acquired on Market	Disposed	Closing Balance[2]
T Fung	163,871,874	-	-	163,871,874
J Fung[3]	163,871,874	-	-	163,871,874

Name 2017	Opening Balance[1]	Acquired on Market	Disposed	Closing Balance[2]
T Fung	163,871,874	-	-	163,871,874
J Fung[3]	163,871,874	-	-	163,871,874

[1] *Opening balance includes balance at beginning of the period or at date of appointment*
[2] *Closing balance includes balance at end of the period or at date of resignation*
[3] *Interest held as related party to Mr T Fung*

Other than as detailed in the table above, no shares were held in the Company either directly, indirectly or beneficially by any key management personnel.

b) Movement in option holdings

There were no options over ordinary shares in the Company held directly, indirectly or beneficially by key management personnel.

Loans to directors and executives

There were no loans to directors or executives at balance date.

Other transactions and balances with directors and executives

There were no other transactions with Directors or executives during the financial year. At the reporting date, the Group had loans outstanding from entities related to Mr Tony Fung totalling $35.5 million (2017: $36.8 million) inclusive of accrued interest.

End of audited remuneration report

Signed in accordance with a resolution of the directors.

Russell Shields
Director

Brisbane

27 February 2019

AQUIS ENTERTAINMENT LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Note	Consolidated 2018 $	2017 $
Revenue and other income			
Revenue	3	26,032,797	26,150,567
Other income	3	378,434	473,710
Total revenue and other income		**26,411,231**	**26,624,277**
Expenses from continuing operations:			
Casino taxes		(2,867,390)	(2,669,047)
Employee benefit expenses		(16,400,518)	(18,500,315)
Other operating expenses	4	(6,517,438)	(10,157,242)
Finance charges	4	(2,254,424)	(1,834,813)
Depreciation	4	(1,742,658)	(1,750,856)
Amortisation	4	(25,635)	(25,635)
Loss before income tax		**(3,396,832)**	**(8,313,631)**
Income tax expense / (benefit)	5	-	(5,498,173)
Loss attributable to members of the consolidated entity		**(3,396,832)**	**(13,811,804)**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the members of the consolidated entity		**(3,396,832)**	**(13,811,804)**
Basic and diluted earnings per share (cents per share)	6	(1.83)	(7.46)

The accompanying notes form part of these financial statements.

AQUIS ENTERTAINMENT LIMITED
STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
CURRENT ASSETS			
Cash and cash equivalents	7	4,676,086	4,658,166
Trade and other receivables	8	118,319	58,910
Inventories	9	172,746	335,634
Other current assets	10	1,172,688	1,299,615
Total current assets		**6,139,839**	**6,352,325**
NON-CURRENT ASSETS			
Property, plant and equipment	11	12,003,595	13,433,742
Intangible assets	12	1,868,177	1,893,812
Financial assets at fair value through other comprehensive income	13	4,106	4,106
Other non-current assets	10	74,322	966,200
Total non-current assets		**13,950,200**	**16,297,860**
TOTAL ASSETS		**20,090,039**	**22,650,185**
CURRENT LIABILITIES			
Trade and other payables	14	4,352,234	4,452,358
Employee benefit provisions	15	690,517	719,911
Total current liabilities		**5,042,751**	**5,172,269**
NON-CURRENT LIABILITIES			
Employee benefit provisions	15	40,726	27,579
Loans and borrowings	16	31,658,252	30,705,195
Total non-current liabilities		**31,698,978**	**30,732,774**
TOTAL LIABILITIES		**36,741,729**	**35,905,043**
NET ASSETS		**(16,651,690)**	**(13,254,858)**
EQUITY			
Contributed equity	17	4,167,952	4,167,952
Reserve	17	6,677,725	6,939,271
Accumulated losses	18	(27,497,367)	(24,362,081)
TOTAL EQUITY		**(16,651,690)**	**(13,254,858)**

The accompanying notes form part of these financial statements

AQUIS ENTERTAINMENT LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Share capital	Reserve	Accumulated losses	Total
	$	$	$	$
Balance at 1 January 2017	4,167,952	6,367,984	(10,550,277)	(14,341)
Equity component of convertible debt	-	571,287	-	571,287
Loss attributable to members of the company	-	-	(13,811,804)	(13,811,804)
Balance at 31 December 2017	**4,167,952**	**6,939,271**	**(24,362,081)**	**(13,254,858)**
Balance at 1 January 2018				
Equity component of convertible debt	-	(261,546)	261,546	-
Loss attributable to members of the company	-	-	(3,396,832)	(3,396,832)
Balance at 31 December 2018	**4,167,952**	**6,677,725**	**(27,497,367)**	**(16,651,690)**

The accompanying notes form part of these financial statements

AQUIS ENTERTAINMENT LIMITED
STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	Note	Consolidated 2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		28,618,396	26,602,924
Payments to suppliers and employees		(27,216,734)	(29,835,937)
Interest received		49,537	47,190
Interest paid		(1,367)	(7,789)
Net cash provided by (used in) operating activities	19	**1,449,832**	**(3,193,612)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Plant and equipment		(189,271)	(432,789)
Proceeds from sale of assets		57,119	-
Dividend received		240	178
Net cash used in investing activities		**(131,912)**	**(432,611)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		300,000	4,100,000
Repayment of borrowings		(1,600,000)	(1,000,000)
Net cash (used in) provided by financing activities		**(1,300,000)**	**3,100,000**
Net increase (decrease) in cash held		17,920	(526,223)
Cash at beginning of the period		4,658,166	5,184,389
Cash at end of the period	7	**4,676,086**	**4,658,166**

The accompanying notes form part of these financial statements

1. **Statement of significant accounting policies**

The financial report covers the consolidated group of Aquis Entertainment Limited (“Aquis” or “Company”) and its controlled entities (together referred to as the “Consolidated Entity” or “Group). Aquis is a for-profit company limited by shares incorporated and domiciled in Australia. The Company’s shares are publicly traded on the Australian Securities Exchange (ASX: AQS).

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgements in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2

Functional and presentation currency

The Company’s functional and presentation currency is Australian dollars.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

Summary of accounting policies

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial statements.

(a) Principles of consolidation

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases. A list of subsidiaries is contained at Note 25. All controlled entities have a December year end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

1. **Statement of significant accounting policies (continued)**

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit.

(b) Revenue recognition

The consolidated entity recognises revenue as follows:

Gaming Revenue

Gaming Revenue is the net of gaming wins and losses.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(c) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Profit or Loss and Other Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

1. **Statement of significant accounting policies (continued)**

(d) Goods & services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Goods & Services Tax (GST) receivable from, or payable to, the Australian Taxation Office has been accounted for and included as part of receivables or payables in the Statement of Financial Position.

Cash flows are presented in the Statement of Cash Flows on a gross basis except for the GST component of investing activities, which are disclosed as an operating cash flow.

(e) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

(g) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any provision for impairment.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

1. **Statement of significant accounting policies (continued)**

(i) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	10-40 years
Plant and equipment	3-20 years

The assets' residual values and useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement.

(j) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either:

(i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or

(ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

1. **Statement of significant accounting policies (continued)**

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

(k) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

(l) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(m) Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

1. **Statement of significant accounting policies (continued)**

(n) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

(o) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company

(p) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowing using the effective interest rate method.

(q) Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received.

Any transaction costs arising on the issue of shares are recognised (net of tax) directly in equity as a reduction of the share proceeds received.

(r) Earnings per share (EPS)

Basic earnings per share

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Company, excluding any costs of servicing equity other than shares, by the weighted average number of shares outstanding during the financial year, adjusted for any bonus elements in Shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential shares.

1. **Statement of significant accounting policies (continued)**

(s) New or amended accounting standards and interpretation adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 January 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. The impact of adoption was not material.

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 January 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period. The impact of adoption was not material .

1. **Statement of significant accounting policies (continued)**

(t) New accounting standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 January 2019, the impact of its adoption is not expected to be material.

(u) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of $3,396,832 (2017: $13,811,804 loss), had net cash inflows from operating activities of $1,449,832 (2017: outflows of $3,193,612) and negative net assets of $16,651,690 (2017: $13,254,858) for the year ended 31 December 2018.

The Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- The consolidated entity has unused financing facilities of $3.07 million at the balance date. This facility is sufficient to meet the cash flow requirements for the consolidated group.
- The 2019 forecast cash flow is positive.
- The Company's major shareholder (Aquis Capital H K Limited through Aquis Canberra Holdings Pty Ltd) has provided the Directors with an undertaking to provide financial support to the consolidated entity should it be required; a current approved facility is in place with the shareholder as detailed above for this purpose.
- Following the anticipated approval by the independent shareholders regarding the proposed transaction (note 26), the company will be debt free.

1. Statement of significant accounting policies (continued)

Accordingly, the Directors believe that the going concern basis is the appropriate basis for the preparation of the financial report. If for any reason the consolidated entity is unable to continue as a going concern, it would impact on the consolidated entity's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below

Impairment of Intangibles

The consolidated entity assesses impairment of intangible assets at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating unit to which the intangible is allocated. The assumptions and methodology used to assess the recoverable amount are set out in Note 12.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be wholly settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

	Consolidated	
	2018	**2017**
3. Revenue and other income	**$**	**$**
Revenue		
Revenue from services	23,700,065	23,495,712
Revenue from sale of goods	2,332,732	2,654,855
Total revenue	**26,032,797**	**26,150,567**
Other income		
Interest	49,536	47,190
Other revenue	328,898	426,520
Total other income	**378,434**	**473,710**

4. Expenses from continuing operations

(a) Other operating expenses		
Cost of sales	747,115	826,433
Annual casino licence fee	891,877	891,877
Business development	122,086	-
Repairs & maintenance	349,652	375,085
Utilities	485,727	461,177
Insurance	185,359	169,510
Printing & stationery	30,654	53,152
Marketing, promotion and associated costs	1,571,840	4,960,377
Legal, accounting and consultants	406,196	288,520
Travel and associated costs	61,164	114,071
Gaming supplies	162,807	238,536
Rates and taxes	140,077	135,470
Computer supplies	257,925	240,070
Contracts	-	133,768
Uniform replacement and cleaning	87,423	78,522
Other expenses	1,017,536	1,190,674
Total other operating expenses	**6,517,438**	**10,157,242**
(b) Finance charges		
Interest – 3rd parties	1,367	7,789
Interest – related parties	2,253,057	1,827,024
Total finance charges	**2,254,424**	**1,834,813**
(c) Depreciation		
Buildings	1,047,558	1,047,599
Plant and equipment	695,100	703,257
Total depreciation	**1,742,658**	**1,750,856**
(d) Amortisation		
Casino licence and fees	**25,635**	**25,635**

	Consolidated	
5. Income tax	**2018**	**2017**
(a) The components of income tax expense comprise	**$**	**$**
Current tax	-	5,498,173
Deferred tax	-	-
	-	**5,498,173**
(b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Net profit/(loss)	(3,396,832)	(8,313,631)
Prima facie income tax on the loss from		
Ordinary activities at 30% (2017: 30%)	(1,019,050)	(2,494,089)
Tax effect of permanent differences:		
Non-deductible amortisation	7,691	7,691
Non-deductible interest expense	469,428	267,336
Sundry items	29,905	17,708
De-recognition of DTA on accruals	331,470	9,973
De-recognition of DTA on CY tax losses	180,556	1,628,018
De-recognition of DTA on arising from tax consolidation	-	521,890
De-recognition of DTA on prior year tax losses	-	5,498,173
Adjustment recognised for prior periods	-	41,473
Income tax attributable to entity	-	**5,498,173**
(c) Unused tax losses and temporary differences for which no deferred tax asset has been recognised at 30%		
Net deferred tax assets at beginning	-	5,498,003
Charged to income statement current year	-	(5,498,003)
Net deferred tax assets at end of the year	-	-

6. Earnings per share

Basic and diluted earnings per share (cents per share)	(1.83)	(7.46)
	No.	**No.**
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted EPS	**185,141,050**	**185,141,050**

Options are considered potential ordinary shares. For the years ended 31 December 2018 and 31 December 2017, their conversion to ordinary shares would have had the effect of reducing the loss per share (from continuing operations). Accordingly, the options were not included in the determination of diluted earnings per share for that period.

	Consolidated	
	2018	2017
7. Cash and cash equivalents	$	$
Cash at bank and on hand	4,676,086	4,658,166

Pursuant to the Deed between the ACT Gambling and Racing Commission, the Company and the Australian Capital Territory dated 23 December 2014, the Company is required to maintain at all times a minimum of $3 million in liquid assets that are not otherwise used in the day to day operations of the business unless with the prior written consent of the Commission.

8. Trade and other receivables

Trade receivables	112,888	46,021
Other receivables	5,431	12,889
Total	**118,319**	**58,910**

9. Inventories

Consumable stores - at cost	105,644	206,471
Goods for resale – at cost	67,102	129,163
Total	**172,746**	**335,634**

10. Other assets

Current		
Prepaid casino licence fee	891,877	891,877
Prepayments and deferrals	214,793	329,883
Other	66,018	77,855
	1,172,688	**1,299,615**
Non-current		
Prepaid casino licence fee	**74,323**	**966,200**

In February 2015, the consolidated entity prepaid 5 years of annual casino licence fees to the ACT Gambling and Racing Commission. The fees totalled $4,459,385 and are amortised on a straight line basis. The amount of the prepayment that is to be amortised over the following 12 months is treated as a current asset. The remainder of the prepayment is treated as a non-current asset. The recoverable value of the prepayment is reviewed annually for potential impairment (refer Note 12).

11. Property plant and equipment	Consolidated 2018 $	Consolidated 2017 $
Building and leasehold improvements		
Building at cost	28,196,319	28,196,319
Accumulated depreciation	(11,094,717)	(10,047,159)
Accumulated impairment	(8,223,418)	(8,223,418)
	8,878,184	**9,925,742**
Plant and equipment		
Plant and equipment at cost	5,202,535	5,158,846
Accumulated depreciation	(2,202,004)	(1,512,742)
Accumulated impairment	(1,120)	(138,104)
Plant and equipment – work in progress	126,000	-
	3,125,411	**3,508,000**
Balance	**12,003,595**	**13,433,742**
Movements in property plant and equipment:		
Building and leasehold improvements		
Opening written down value	9,925,742	10,973,340
Depreciation	(1,047,558)	(1,047,598)
Carrying value at 31 December	**8,878,184**	**9,925,742**
Plant and equipment		
Opening written down value	3,508,000	3,778,469
Additions	189,271	67,726
Addition – work in progress	126,000	-
Transfer cost of chips to PP&E *	-	365,063
Loss on disposal of plant and equipment	(2,760)	-
Depreciation expense	(695,100)	(703,258)
Carrying value at 31 December	**3,125,411**	**3,508,000**

* Gaming chips in use have previously been classed as inventories – consumable stores. During 2017, gaming chips in use have been more appropriately reclassified as Property & Plant & Equipment.

12. Intangible assets	**Consolidated 2018**	**Consolidated 2017**
	$	**$**
Casino Licence and associated costs		
At cost	19,000,000	19,000,000
Accumulated amortisation and impairment	(17,131,823)	(17,106,188)
Carrying value at 31 December	**1,868,177**	**1,893,812**
Movements in intangible assets		
Opening written down value	1,893,812	1,919,447
Amortisation	(25,635)	(25,635)
Carrying value at 31 December	**1,868,177**	**1,893,812**

The Casino Canberra licence is tested annually for impairment.

Casino Canberra is considered a cash-generating unit (CGU) for the purpose of impairment testing. The recoverable value of the casino CGU was based on its fair value less costs to sell. The fair value less costs to sell of the CGU was determined to be higher than its carrying value at 31 December 2018 of $13,956,538 (2017: $16,275,879) and accordingly no impairment loss was recognised.

Fair value less costs to sell was determined by discounting the future cash flows generated from the continuing use of the CGU for five years and a terminal growth rate thereafter and adjusting the result for the likely costs to sell the CGU. The calculation of the fair value less costs of disposal was based on the following key assumptions.

Cash flows are based primarily on a five-year forecast extrapolated using average annual growth rates of approximately 2 – 2.5% (2017: 2 – 2.5%).

A post-tax discount rate of 13.1% (2017:13.1%) was applied in determining the recoverable amount of the unit. The discount rate was determined by using the weighted average cost of capital applicable to the CGU.

Forecast after tax cash flow was based on expectations of future outcomes based on actual results achieved during the first full year of operations post refurbishment of the casino.

Sensitivity

Judgements and estimates have been applied in respect of impairment testing of the CGU. Should these judgements and estimates not occur the resulting carrying amount may decrease. The key sensitivities are as follows:

- Revenue would need to decrease by more than 8% (2017: 5%) from the forecast levels (with all other assumptions remaining constant) before the carrying value of the CGU would need to be impaired,
- Expenses would need to increase by more than 9% (2017: 5%) from the forecast levels (with all other assumptions remaining constant) before the carrying value of the CGU would need to be impaired,
- The discount rate would be required to increase to approximately 27% (2017: 44%) (with all other assumptions remaining constant) before the carrying value of the CGU would need to be impaired.

13. Financial assets at fair value through other comprehensive income

Listed equities – at fair value	4,106	4,106

The fair values of listed investments are determined by reference to published price quotations in an active market.

14. Trade and other payables

	Consolidated 2018 $	Consolidated 2017 $
Current unsecured:		
Trade payables	388,559	467,524
Annual leave	1,031,948	1,060,494
Sundry payables and accrued expenses	2,931,727	2,924,340
Total payables (unsecured)	**4,352,234**	**4,452,358**

Trade and other payables are non-interest bearing and have maturity dates of less than 90 days. The fair value of the liabilities is determined in accordance with the accounting policies disclosed in Note 1.

15. Employee benefit provisions

Long Service Leave	**731,243**	**747,490**
Movement in the provision was as follows:		
Opening balances:	747,490	702,598
Add: Entitlements	43,613	100,834
Less: Payments	(59,860)	(55,942)
Closing balances:	**731,243**	**747,490**
Presented in the statement of financial position as:		
Current	690,517	719,911
Non-current	40,726	27,579
Total	**731,243**	**747,490**

16. Loans and borrowings

Interest bearing loans from related party (unsecured)	**31,658,252**	**30,705,195**

The fair value of the loan has been divided into its debt and equity component as follows:

Presented in the statement of financial position as:

Borrowings	31,658,252	30,705,195
Equity	6,677,725	6,939,271
	38,335,977	**37,644,466**

16. Loans and borrowings (continued)

Financing facilities:

At the Company's Annual General Meeting on 31 May 2016, shareholders passed a resolution to enter into the Amended Loan Conversion Deed between the Company and major shareholder Aquis Canberra Holdings Pty Ltd. The Deed (and related amended loan agreements entered into by the Company) consolidated all existing loans from multiple lenders into a single loan. As a result of entering into the deed, all loan facilities on foot at 31 May 2016 are now classified as non-current in the Company's Statement of Financial Position.

Key terms of the financing facility are as follows:

- Facility limit is for a capital value $36,450,000
- The Loan Agreement matures on 25 August 2024 (Maturity Date);
- Interest is payable on the balance of the new loan at an interest rate of the lower of: BSY + 2% per annum; and the Reserve Bank of Australia's indicator lending rate for small business; variable; residential secured and term rates.
- Interest will accrue monthly and will be capitalised on the last day of each month.
- Capitalised interest is in addition to the capital value of the facility (i.e. the accrued interest does not form part of the balance of the facility limit).
- Repayment/conversion: the outstanding amount under the loan agreement may be repaid in any of the following ways:
  - at the sole election of Aquis Canberra Holdings under the Amended Loan Conversion Deed, by conversion into Shares at a conversion price of $0.20 per Share, provided that the Company is not required to issue Shares to the extent that conversion would result in either:
    - the issue of greater than 250,000,000 Shares; or
    - Aquis Canberra Holdings and its associates having voting power in the Company in excess of 89.59%;
  - the Company prepays to Aquis Canberra Holdings all or any part of the amount outstanding on the new loan in cash at any time up to the date that is 5 Business Days before the Maturity Date.

The Loan represents a compound financial instrument comprising elements of debt (the contractual obligation to pay cash to the lender) and equity (the lender's option to convert the liability into fully paid ordinary shares). Accordingly, the initial carrying amount of the loan has been allocated to its debt and equity components by assigning to equity the residual amount after deducting the amount separately determined for the carrying value of the liability from the fair value of the instrument as a whole. The carrying amount of the liability has been determined by measuring the fair value of a similar liability that does not have an associated equity component.

The facility limit is $36,450,000 in principal; interest is capitalised in addition to the facility limit.

16. Loans and borrowings (continued)

The fair value of the Loan has been divided into its debt and equity components as follows:

	Consolidated	
	2018	2017
	$	$
Breakdown of the financing facilities:		
Principal (limit $36,450,000)	33,378,683	34,678,683
Interest capitalised	5,218,840	2,965,783
	38,597,523	**37,644,466**
Movement during the year:		
Balance at the beginning of the year	37,644,466	32,717,443
Drawdowns	300,000	4,100,000
Repayments	(1,600,000)	(1,000,000)
Interest	2,253,057	1,827,023
Balance at the end of the year	**38,597,523**	**37,644,466**

17. Contributed equity

(a) Fully paid ordinary shares	4,167,952	4,167,952

The share capital of the Company consists only of fully paid ordinary shares, which do not have a par value. All shareholders participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Balance at the beginning and end of the reporting date	4,167,952	4,167,952

In accordance with the reverse acquisition procedure, the equity balance recognised in the consolidated financial statements in 2015 was the equity balance of the legal subsidiary Aquis Canberra Pty Ltd immediately before the business combination. The amount recognised as contributed equity in the consolidated financial statements in 2015 was determined by adding the cost of the acquisition to the contributed equity of the legal subsidiary ACPL.

	No.	No.
Balance at the beginning and end of the reporting date	185,141,050	185,141,050

(b) Reserves	Consolidated	
	2018	2017
	$	$
Opening balance	6,939,271	6,367,984
Equity component of convertible debt	(261,546)	571,287
Balance at 31 December	**6,677,725**	**6,939,271**

18. Accumulated losses

	Consolidated 2018 $	2017 $
Opening balance	(24,362,081)	(10,550,277)
Comprehensive loss for the period	(3,135,286)	(13,811,804)
Balance at 31 December	**(27,497,367)**	**(24,362,081)**

19. Cash flow information

Reconciliation of cash flow from operations with Loss after income tax:		
Loss from ordinary activities after income tax	(3,396,832)	(13,811,804)
Non-cash flows from ordinary activities:		
Depreciation and amortisation	1,768,294	1,776,491
Profit on disposal	(54,359)	-
Interest on loan	2,253,057	1,827,023
Casino licences	891,877	891,879
Dividends received	(240)	(178)
Employee provisions – current	(57,940)	30,661
Employee provisions – non-current	13,147	14,231
Changes in operating assets and liabilities:		
(Increase)/Decrease in receivables	(58,706)	26,182
(Increase)/Decrease in inventory	162,889	330,074
Decrease / (Increase) in other assets	126,784	17,604
Decrease / (Increase) in deferred tax asset	-	5,498,003
(Decrease)/Increase in creditors and accruals	(198,139)	206,222
Cash flows from operations	**(1,449,832)**	**(3,193,612)**

20. Financial instruments

a) General objectives, policies and processes

The consolidated entity's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable and loans from related parties. The consolidated entity's business exposes it to market risk (interest rates), credit risk and liquidity risk.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Company's risk management objectives are therefore designed to minimise the potential impacts of these risks on the results of the Company where such impacts may be material. The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

20. Financial instruments (continued)

(b) Credit risk

The Company has exposure to credit risk on the receivables in the balance sheet. However, the Company has no significant concentrations of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history, and as such collateral is not requested. Cash at bank is held with the ANZ Banking Group Limited,

The maximum exposure to credit risk at balance date is as follows:	**Consolidated**	
	2018	**2017**
	$	**$**
Cash at bank	4,676,086	4,658,166
Trade and other receivables	118,319	58,910
	4,794,405	**4,717,076**

(c) Liquidity risk

The consolidated entity manages liquidity risk by monitoring forecast cash flows.

Maturity analysis - 2018

	Carrying amount	**< 6 months**	**6-12 months**	**1-3 years**	**> 3 years**
	$	**$**	**$**	**$**	**$**
Financial liabilities					
Trade creditors	388,559	388,559	-	-	-
Loans and borrowings	31,658,252	-	-	-	31,658,252
Other creditors and accruals	2,931,726	2,931,726	-	-	-
Total	**34,978,537**	**3,312,285**	**-**	**-**	**31,658,252**

Intercompany working capital loans have no fixed repayment date. Parties to the loans have agreed that repayments will not be called to the detriment of any other group company and at the date of this report no notices have been issued in relation to repayment of any working capital loans. Parties have agreed that there will be no repayments called within the next 13 months.

Maturity analysis - 2017

	Carrying amount	**< 6 months**	**6-12 months**	**1-3 years**	**> 3 years**
	$	**$**	**$**	**$**	**$**
Financial liabilities					
Trade creditors	467,524	467,524	-	-	-
Loans and borrowings	30,705,195	-	-	-	30,705,195
Other creditors and accruals	2,924,340	2,924,340	-	-	-
Total	**34,097,059**	**3,391,864**	**-**	**-**	**30,705,195**

20. Financial instruments (continued)

(d) Market risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

(i) Interest rate risk

The Company's exposure to market interest rates relates to both the Company's long-term (interest bearing) loan obligation as set out in note 16 and the company's future cash flows from its cash holdings. The Company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the tables below:

		Fixed / floating interest rate maturing			
	Weighted average effective interest rate	**Within 1 year**	**1 to 5 years**	**Non-interest bearing**	**Total**
At 31 December 2018	**%**	**$**	**$**	**$**	**$**
Financial assets					
Cash & cash equivalents	**1.5%**	3,648,897	-	1,027,189	**4,676,086**
Trade & other receivable		-	-	118,319	**118,319**
Total financial assets		**3,648,897**	**-**	**1,145,508**	**4,794,405**
Financial liabilities					
Trade creditors		-	-	388,559	**388,559**
Loans and borrowings	**5%**	-	32,958,252	-	**32,958,252**
Total financial liabilities		**-**	**32,958,252**	**388,559**	**33,346,811**
At 31 December 2017					
Financial assets					
Cash & cash equivalents	**1.5%**	3,294,955	-	1,363,211	**4,658,166**
Trade & other receivable		-	-	58,910	**58,910**
Total financial assets		**3,294,955**	**-**	**1,422,121**	**4,717,076**
Financial liabilities					
Trade creditors		-	-	467,524	**467,524**
Loans and borrowings	**5%**	-	30,705,195	-	**30,705,195**
Total financial liabilities		**-**	**30,705,195**	**467,524**	**31,172,719**

20. Financial instruments (continued)

ii) Net fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

iii) Sensitivity analysis

The group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest rate sensitivity analysis

At 31 December 2018, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated	
	2018	**2017**
	$	**$**
Change in profit:		
Increase in interest rate by 2%	(560,187)	(548,205)
Decrease in interest rate by 2%	633,165	614,104
Change in equity		
Increase in interest rate by 2%	(560,187)	(548,205)
Decrease in interest rate by 2%	633,165	614,104

(*ii) Other price risk*

The Company is not subject to other price risk

21. Key management personnel disclosures

(a) Key management personnel

Directors

T Fung	Chairman (appointed 7 Aug 2016)
J Fung	Non-Executive Director (appointed 7 Aug 2016, resigned 14 May 2018)
A Chow	Non-Executive Director (appointed 7 Sept 2016)
R Shields	Non-Executive Director (appointed 7 Aug 2016)
J Mellor	Executive Director (appointed 14 Aug 2016, resigned 21 February 2019)
A Gallaugher	Executive Director (appointed 28 Jun 2018)

Executives

J Mellor	Senior Executive to 14 July 2015, appointed CEO 4 October 2016 to 31 December 2018
R Bach	VP and General Manager appointed 2 July 2015
A Gallaugher	Financial Controller appointed 24 March 2017, CEO (Acting) appointed from 1 Jan 2019

21. Key management personnel disclosures (continued)

Transactions with key management personnel

Key management personnel remuneration includes the following:

	Consolidated 2018 $	2017 $
Short term employee benefits:	1,126,847	1,243,159
Other benefits	114,957	125,435
Post-employment benefits:	83,844	83,088
Total remuneration	**1,325,648**	**1,451,682**

Further details are included in the Remuneration Report.

22. Related party transactions

(a) Controlling entities

The ultimate parent is TF Reef – Canberra Holdings Limited (incorporated in BVI). The ultimate Australian parent entity is Aquis Canberra Holdings (Aus) Pty Ltd

(b) Key management personnel

Disclosures relating to KMP are included in Note 21 and the Remuneration report.

(c) Transaction with related parties

The Group received loans from related parties during the year. Details of the loans are set out at Note 16.

23. Contingent liabilities

Pursuant to the Deed between the ACT Gambling and Racing Commission, CCL and the Australian Capital Territory dated 23 December 2014, CCL granted the Commission and the Territory:

- First ranking mortgage over the casino land and
- First ranking security interest over all other property.

CCL can replace the mortgage with a bank guarantee for $3 million should it raise debt finance in connection with improvements or redevelopment of the business.

24. Investment in controlled entities

Interests in controlled entities are set out below. All entities are incorporated and domiciled in Australia.

Name	Principal Activity	Incorporated	Ownership Interest 2018	2017
Aquis Canberra Pty Ltd	Gaming and entertainment	Australia	100%	100%
Casino Canberra Limited[1]	Gaming and entertainment	Australia	100%	100%

[1] Shares held by ACPL

25. Parent entity information

	2018 $	2017 $
Statement of financial position		
Current assets	30,551,588	32,456,965
Non-current assets	9,556	13,658
Total assets	30,561,144	32,470,623
Current liabilities	(355,659)	(157,256)
Non-current liabilities	(31,658,252)	(30,705,195)
Total liabilities	(32,013,911)	(30,862,451)
Net assets	**(1,452,767)**	**1,608,172**
Equity		
Issued capital	4,727,776	4,727,776
Reserves	6,805,438	7,066,984
Accumulated losses	(12,985,981)	(10,186,588)
Total equity	**(1,452,767)**	**1,608,172**
Statement of profit or loss and other comprehensive income		
Income	1,804	1,112
(Loss) for the year	**(3,060,938)**	**(3,132,448)**

Commitments for the parent entity are the same as those for the consolidated entity and are set out at Note 21.

The parent entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at year end.

26. Future developments

On 21 December 2018, the company announced that it had entered into a binding Implementation Deed (and related documentation) with Blue Whale Entertainment Pty Limited (Blue Whale), a company owned and controlled by Mr Michael Gu, the Group CEO of iProsperity Group, and Aquis Canberra Holdings (Aus) Pty Limited (ACH). The transaction contemplates Blue Whale's acquisition of the outstanding convertible loan and 137.0 million shares held by ACH.

Pursuant to the transaction, ACH will transfer:

- 137,004,377 AQS shares to Blue Whale; and
- Its convertible loan with the company to Blue Whale, following which Blue Whale will forgive a minimum of $2.0 million of the convertible loan and then immediately convert the balance of the convertible loan to AQS shares at a conversion price of $0.20 per share and subject to a cap.

The above transfers will result in Blue Whale replacing ACH as the controlling shareholder of the company with a shareholding of up to a maximum of 86.99% of Aquis' share capital.

Blue Whale also grants ACH a put option in respect of its remaining 26,867,497 shares, pursuant to which ACH may elect to sell those shares to Blue Whale after approximately 3 years should such shares not have a value of more than $4 million at that time.

26. Future developments (continued)

The transaction is subject to shareholder approval by the independent shareholders of Aquis and ACT gaming regulatory approvals. Blue Whale may also terminate the agreements if certain limited material adverse events occur. The Extraordinary General Meeting (EGM) to seek the approval of the independent shareholders is to be held on 21 March 2019. ACT Government regulatory approval is expected to take approximately 3-6 months to complete.

27. Subsequent events

Other than as disclosed in this report, there has not arisen in the interval between the end of the reporting period 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 significantly affect the operations of the entity, the results of those operations or the state of affairs of the Company in future financial years.

28. Segment information

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The consolidated entity operates in a single operating segment: that of the gaming and entertainment industry in Australia.

29. Auditor information

The following fees were paid or payable for services provided by the Group's auditors:

	2018 $	2017 $
Audit of the financial statements		
RSM Australia Partners	139,250	141,730

30. Company information

The registered office and principal place of business is as follows:

21 Binara Street
Canberra ACT 2601

31. Authorisation of financial statements

The consolidated financial statements for the year ended 31 December 2018 (including comparatives) were approved and authorised for issue by the Board of Directors on 27 February 2019.

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. the financial statements and notes are in accordance with the *Corporations Act 2001* and:

   a. comply with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

   b. give a true and fair view of the financial position as at 31 December 2018 and of the performance for the year ended on that date of the company and consolidated group;

2. the Chief Executive Officer and Financial Controller have each declared that:

   a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

   b. the financial statements and notes for the financial year comply with the Accounting Standards; and

   c. the financial statements and notes for the financial year give a true and fair view;

3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

4. Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards

Signed in accordance with a resolution of the Directors.

AGallaugher

Allison Gallaugher
Director
Canberra
27 February 2019

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Aquis Entertainment Limited for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

RODNEY MILLER
Partner

Canberra, Australia Capital Territory
Dated: 27 February 2019

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AQUIS ENTERTAINMENT LIMITED

Opinion

We have audited the financial report of Aquis Entertainment Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended; and

(ii) 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 Group 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 confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

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

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed this matter
Recognition of Revenue – Refer to Note 3 in the financial statements	
Revenue for the year ended 31 December 2018 was $26.4million. Revenue is considered to be a Key Audit Matter because, while it is not judgmental, it involves the transfer of significant volumes of cash in circumstances where there is no immediate paper trail. There is potential for management override to achieve revenue targets via manual journal entries posted to revenue. Revenue could be inaccurately stated as a result. Our procedures were designed to corroborate our assessment that revenue should be closely aligned to cash banked and identify manual adjustments that are made to revenue for further testing.	Our audit procedures in relation to the recognition of revenue included: • Assessing whether the Group's revenue recognition policies were in compliance with Australian Accounting Standards. • Evaluating the operating effectiveness, of management's controls related to revenue recognition. • Using data extracted from the accounting system, we tested the appropriateness of journal entries impacting revenue. • We verified the recognition and measurement of revenue by tracing a sample of transactions throughout the year from the table performance reports to the monthly summary reports and then back to the cash desk, to verify the accuracy of reported revenue.
Impairment of Intangible Assets – Refer to Note 12 in the financial statements	
At 31 December 2018 the Group has intangible assets with a carrying value of $1.9 million. This is the Casino licence and its associated costs. We focused on this area due to the size of the intangible balance, and because the directors' assessment of the 'fair value less cost to sell' of the cash generating unit ("CGU"), Casino Canberra (Casino) involves judgements about the future underlying cash flows of the business and the discount rates applied to them. For the year ended 31 December 2018 management have performed an impairment assessment over the intangible balance by: • calculating the fair value less cost to sell for the Casino using a discounted cash flow model. This model used cash flows (revenues, expenses and capital expenditure) for the Casino for 5 years, with a terminal growth rate applied to the 5th year. These cash flows were then discounted to net present value using the Group's weighted average cost of capital (WACC); and	Our audit procedures in relation to management's impairment assessment included: • Updating our understanding of management's annual impairment testing process. • Assessing management's determination that the intangible asset should be allocated to a single CGU, the Casino, based on the nature of the Group's business and the manner in which results are monitored and reported. • We assessed the forecasts underlying the impairment review and agreed to budgets approved by the Board, reviewing these against actual performance and historic accuracy of forecasting. We also performed sensitivity analysis on earnings multiples and growth rates applied to cash flows to determine the extent of headroom for the Casino. • We agreed other key assumptions such as discount rates and revenue growth to supporting evidence and corroborated these to industry averages/trends.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed this matter
Impairment of Intangible Assets – Refer to Note 12 in the financial statements (continued)	
• comparing the resulting fair value less cost to sell of the Casino to the respective book value. Management also performed a sensitivity analysis over the calculations, by varying the assumptions used (growth rates, terminal growth rate and WACC) to assess the impact on the valuations.	• We compared the cash flow projections to historic performance and observable trends and corroborated the reasons for deviations to third party evidence as appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2018, 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 Company 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 ability of the Group 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 Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 11 of the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Aquis Entertainment Limited, for the year ended 31 December 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM AUSTRALIA PARTNERS

RODNEY MILLER
Partner

Canberra, Australia Capital Territory
Dated: 27 February 2019