



REEF  
CASINO TRUST

# Annual Report **2007**

ARSN 093 156 293



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### **Annual General Meeting**

6 May 2008 at 2pm  
Reef Hotel Casino  
Urchins Lounge  
35-41 Wharf Street  
Cairns Qld Australia 4870

A notice of meeting and a proxy form  
are included with this report.

### **Unit Distribution**

#### **Half year ended 31 December 2007**

13.5 cents per unit tax deferred

Payment date 27 March 2008

Total for 2007 29 cents per unit tax deferred

### **Announcement Dates**

#### **Half year ended 30 June 2008**

Estimated distribution mid June 2008

Results late August 2008

#### **Half year ended 31 December 2008**

Estimated distribution mid December 2008

Results late February 2009



## CHAIRMAN'S REVIEW

### Dear Unitholders,

On behalf of the board of directors of Reef Corporate Services Limited, responsible entity of Reef Casino Trust (Trust), I present my review of the Reef Casino Trust for the year ended 31 December 2007.

### Key points

- The Reef Hotel Casino complex property was independently revalued at \$171 million, an increase of \$42.5 million
- Underlying casino and hotel business remained strong
- Net profit of \$12.8 million – includes reversal of previous impairment \$2.8 million, before “finance costs” (in effect distributions) attributable to unitholders.
- Second half year distributable profit was \$6.1 million compared to \$3.9 million in the first half year. Total distributable profit for the year was \$10.0 million, down from \$13.5 million last year.
- A second half year distribution to unit holders of 13.5 cents per unit, tax deferred, making a total unit distribution for the year of 29.0 cents per unit, last year being 31.5 cents per unit.

### Property valuation of Reef Hotel Casino complex

In accordance with the Trust Constitution, the Reef Hotel Casino complex has been independently valued as at 30 June 2007 by Jones Lang La Salle at \$171 million. Compared to the property's previous book value of \$128.5 million, this is an increase of \$42.5 million or 33%. The Reef Hotel Casino complex was last independently valued in June 2004. This is a positive outcome for the Trust and has resulted in the Trust's balance sheet strengthening considerably.

This revaluation has been booked in the accounts and consequently the Trust's asset revaluation reserve has increased by \$39.7 million. The reported profit has also increased by \$2.8 million due to a reversal of a previous impairment loss on the site lease and as such, this profit is not distributable.



The Reef Hotel Casino & Cairns Wildlife Dome



## CHAIRMAN'S REVIEW

### Trust distributable profit

The Trust reported a distributable profit of \$10.0 million for the twelve months ended 31 December 2007, compared to \$13.5 million last year which was a record annual profit for the Trust.

	<b>2007</b>	<b>2006</b>	
	<b>\$'000</b>	<b>\$'000</b>	
REVENUE			
Rental revenue	<b>21,349</b>	23,787	<b>-10.2%</b>
Other revenue	<b>361</b>	452	
<b>TOTAL REVENUE</b>	<b>21,710</b>	24,239	<b>-10.4%</b>
EXPENSES			
Operating	<b>6,153</b>	5,832	<b>+5.5%</b>
Depreciation and amortisation	<b>5,509</b>	4,925	<b>+11.8%</b>
<b>TOTAL EXPENSES</b>	<b>11,662</b>	10,757	
PROFIT BEFORE IMPAIRMENT REVERSAL AND FINANCE COSTS <sup>1</sup>			
ATTRIBUTABLE TO UNITHOLDERS	<b>10,048</b>	13,482	<b>-25.5%</b>
	<b>Cents</b>	<b>Cents</b>	
	<b>per unit</b>	<b>per unit</b>	
	<b>2007</b>	<b>2006</b>	
Earnings per unit <sup>2</sup>	<b>20.2</b>	27.1	
Distribution per unit	<b>29.0</b>	31.5	

1 "finance costs" relate to 50% of distributable profit payable to unitholders

2 Before unit distributions and reversal of impairment

**Trust rental** – lower in first half year; slight increase in second half year

The main reason for the lower Trust profit is that Trust rental income was \$2.4 million (10.2%) lower for the year, all attributable to the first half year. In the second half year, a slight increase was recorded.

**Premium play** – business up but low win rate

**"Grind" play** – contributions up

The Reef Hotel Casino experienced a much lower than expected win rate on its premium play during the year despite recording an increase in business as measured by player "drop" (money exchanged from gaming chips) and "turnover" (amount of bets). This factor when combined with a better than expected win rate last year has resulted in an overall impact on rental income of \$3.3 million.

**Slots revenues** – recovered from smoking ban, up on last year

The smoking ban introduced by the Queensland government in July 2006 had a negative impact on the casino's electronic gaming machine revenues in the first half but the casino recovered fairly strongly in the second half year with an overall increased contribution to rental income of \$490,000.

## CHAIRMAN'S REVIEW

### Hotel operations – contributions up

Overall, hotel operations' contributions were \$354,000 up on last year with food and beverage operations performing particularly strongly.

### Some Trust costs up – as a consequence of revaluation of property

On the cost side, as a result of the increase in the value of the Reef Hotel Casino complex property, responsible entity fees for the year have increased by \$312,000. Depreciation and amortisation was up by \$584,000 (no cash outflow, retained in Trust). Otherwise, Trust costs were well controlled.

A more detailed analysis is provided overleaf.

## Unit distribution

The Trust has declared a distribution of 13.5 cents per unit for the six months ended 31 December 2007. Together with the first half year distribution of 15.5 cents per unit, the distribution for the year was 29 cents per unit or \$14.4 million in total.

The second half year unit distribution has been sourced as follows.

Source	Cents per Unit	Total Amount \$
100% of distributable profits	12.3	6.1 million
"Undistributed income" account	1.2	0.6 million
<b>Total</b>	<b>13.5</b>	<b>6.7 million</b>

The above distribution is payable to all unitholders on a "tax deferred" basis. As foreshadowed in the half year report, the Trust has reverted to a generally even distribution from out of the "undistributed income" account in the six months just ended and expects this to be the case in the coming financial periods. Following this distribution, the balance in the "undistributed income" account is \$2.9 million.

Total unit distributions over recent years are shown in the table below.

	2007 Cents per unit	2006 Cents per unit	2005 Cents per unit	2004 Cents per unit
First half year	15.5	15.5	8.5	7.25
Second half year	13.5	16.0	10.5	8.0
Total	29.0	31.5	19.0	15.25
Special	—	—	18.0	—
GRAND TOTAL	29.0	31.5	37.0	15.25



## CHAIRMAN'S REVIEW

### Bank loan renewed

On 22 August 2007, the Trust accepted an offer from the Bank of Queensland to extend the current interest only loan facility for another 5 years from 3 September 2007. The whole bank loan of \$16,500,000 is a non-current liability in the balance sheet. In addition, the Trust has an overdraft facility of \$2,000,000 with the same bank which has not been used to date.

### Review of trading at Reef Hotel Casino, Cairns

#### General economic factors – Cairns and North Queensland

As I have reported in the half year report, there were two main factors affecting the leisure and tourism industry in Cairns and Far North Queensland.

#### Strong Australian dollar

The strong Australian dollar has had a negative impact on in-bound international tourism into Cairns generally. Cairns Airport has reported lower international arrivals (down 11%, January 2007 – December 2007 compared to January 2006 – December 2006, source: Cairns Port Authority) with Japanese arrivals down fairly significantly. Japan is one of the most, if not the most important international sources of tourists into Cairns and Far North Queensland.

#### Queensland government smoking ban

First introduced in July 2006, this continued to have a negative impact on the casino's electronic gaming machine revenues in the first half year. However, electronic gaming revenues recovered well in the second half. Our gaming patrons can now enjoy a smoke-free environment. For those who enjoy smoking, our complex offers three designated outdoor smoking areas.

#### Reef Hotel Casino complex

Despite weaker economic fundamentals mentioned above, the casino still recorded over 1.3 million visitations, just 3.3% fewer visitations than last year.

Underpinning the relative strength of our casino visitations was an expanded live entertainment program throughout the complex and continued focus on marketing efforts.

The Reef Hotel Casino conferencing and banqueting facilities were boosted by the launch of a brand new suite of rooms leading to increased sales revenues.

Our casino continued to invest in new electronic machine games including the installation of a new linked jackpot offering a \$100,000 starting jackpot, the biggest on offer in Cairns and the region.

We continued to actively and successfully develop and market our premium player program to new markets in North Asia and others nearer to Cairns including PNG and New Zealand.



## CHAIRMAN'S REVIEW

### Hotel and other non casino operations – rental income contributions up

Our Sofitel room accommodation posted an increase in revenues of 0.5% despite lower international arrivals into Cairns airport, particularly from Japan. Food revenues increased by 3.2% while beverage revenues increased by 7.2%.

These are strong key performance indicators and have strengthened our lead position in the five star hotel segment in Cairns.

Overall, hotel and non casino operations contributed \$354,000 or 14.9% more towards Trust rental income.

### Casino operations

In 2007, electronic gaming machine revenues accounted for around 64% of all casino revenues and table games 36%. This is generally consistent with our casino revenue mix over the last few years.

### Electronic gaming machines – good recovery from smoking ban

In the first half year, the main factor that impacted on the casino's electronic gaming machines revenues was the Queensland government's smoking ban introduced in July 2006.

During this period, our gaming machine revenues recorded a 3.3% decrease compared to the same period last year.

However, in the second six months of the year, gaming machine revenues increased by 6.8% compared to the same period last year.

For the whole year, gaming machine revenues increased by 1.9% when compared to 2006. Our gaming revenues performance during 2007 compared favourably with the industry in Queensland as a whole (an increase of 0.06% for Queensland clubs and hotels – source: Queensland Office of Gaming and Regulation).

We believe that management's anticipatory action and marketing and promotional efforts have paid off.



Sofitel Guest Suite



Vertigo Bar & Lounge



## CHAIRMAN'S REVIEW

### Table games

#### "Grind" play – win rate up

Accounting for 76% of table games (based on player "drop" in 2007), grind table games action (non premium play) on the main casino floor is very much tourist driven and reflects casino visitations and as such player "drop" was flat compared to last year. However, the win rate on the main casino floor was higher than 2006 such that overall gaming revenues were up 3.2%. Different from premium play, grind action produces a steadier win rate as its gross gaming revenues are derived from a larger number of players wagering smaller average bets.

#### Premium play – business volume up but lower win rate

Accounting for around 24% of table games (based on player "drop" in 2007), our premium play continued to grow during the year with both player "drop" and "turnover" increasing by 15.6% and 84.4% respectively. These key performance indicators point to a continuing strong business.

Our player development and marketing efforts have been successful, however the casino's win rate on turnover was much lower compared to the theoretical/statistical rate and what was achieved last year. Consequently premium play gross gaming revenues were less than last year.

Simply put, our premium players have been lucky and our casino has recorded less gross gaming revenues than anticipated based on theoretical/statistical levels. Short term fluctuations are not unusual and are to be expected and are a reflection of the nature of premium play in particular and the casino business as a whole.

Therefore, overall table games contribution to rental income was \$3.3 million less than last year.

### Outlook for 2008

Little change is expected with regards to the tourism industry in Cairns and Far North Queensland and it is expected to remain flat in the next 12 months. In-bound tourist arrivals from Japan in particular are expected to continue to be under some pressure although most tourist operators consider that this market would not soften any further.





## CHAIRMAN'S REVIEW

On the other hand, the number of mainland Chinese visitors into Cairns may increase. Although special air charters around Chinese New Year from Hong Kong have been coming into Cairns for a number of years, in 2008 this number has increased from half a dozen in 2007 to around a dozen in 2008. Apart from flying in from Hong Kong, charters are also coming in from Macau and Guangzhou, mainland China, for the first time. There is an expectation in the near future that Viva Macau, an airline based in Macau China, will commence two charter flights a week into Cairns from Macau for six months as a trial.

As for the total smoking ban introduced in July 2006, based on our electronic gaming machine performance in the second half of 2007, we believe the worst is behind us. We have been surely building growth back into our electronic gaming machine revenues. We are pleased with our relative resilience and better performance in the first eighteen months since the introduction of the smoking ban as compared to the rest of the industry in Queensland.

With premium play, even with the development of Macau as a major casino gaming destination, we still managed to grow this competitive market in 2007 which augurs well for the future. It is not unreasonable to expect an improvement in the win rate on player turnover moving forward, so long as we continue to maintain and develop our business in the future. If our premium business volume holds up, then any improvement in the win rate towards the theoretical rate would contribute to an improvement in the Trust's results in 2008.

The Trust's tax losses are steadily being applied against profits and we think that these tax losses would be used up around 2010. This would then pave the way for the Trust to expand without jeopardising the valuable benefits of the tax losses. In this regard, the Trust is on the look out for suitable opportunities.



**Ben Macdonald**

Chairman

Reef Corporate Services Limited

Responsible Entity of Reef Casino Trust



Pacific Flavours



## DIRECTORS' REPORT



**Mr Ben Macdonald**  
Non-executive Chairman



**Hon Keith De Lacy**  
Non-executive Director  
Chairman of Compliance,  
Audit & Risk Committee



**Mr Julian Hercus**  
Non-executive Director



**Mr Paul Herzfeld**  
Non-executive Director



**Mr David Baffsky**  
Non-executive Director



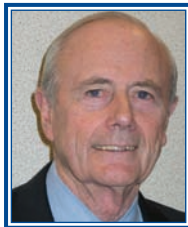
**Mr Michael Issenberg**  
Non-executive Director



**Mr Kim Mooney**  
Non-executive Director



**Mr Allan Tan**  
Executive Director,  
CEO Reef Hotel Casino



**Mr R John Hickey**  
Alt Director for Mr Baffsky,  
Mr Issenberg & Mr Mooney



**Mr Josef Leutgeb**  
Alt Director for Mr Herzfeld

## DIRECTORS' REPORT

The directors of Reef Corporate Services Limited, ABN 66 057 599 621, the Responsible Entity of Reef Casino Trust (the Trust) present their report together with the financial report of the Trust for the year ended 31 December 2007 and the auditor's report thereon.

### Responsible Entity

The directors of Reef Corporate Services Limited during the financial year until the date of this report are:

Mr Benjamin W Macdonald (Chairman)

Hon Keith De Lacy

Mr Julian Hercus

Mr Paul Herzfeld

Mr David Baffsky

Mr Michael Issenberg

Mr Kim Mooney

Mr Allan Tan (director and alternate for Mr Macdonald)

Mr R John Hickey (alternate for Mr Baffsky, Mr Issenberg and Mr Mooney)

Mr Josef Leutgeb (alternate for Mr Herzfeld)

### Principal activities

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

### Review and results of operations

The review and results of operations is contained in the Chairman's Review commencing on page 1.

### Distributions

Distributions are paid on a half yearly basis.

The distribution of \$7.97 million (16 cents per unit tax deferred) in respect of the six month period ended 31 December 2006 as reported in the 2006 annual report was paid on 12 March 2007.

The distribution of \$7.72 million (15.5 cents per unit tax deferred) in respect of the six month period ended 30 June 2007 was paid on 21 September 2007 (refer note 15).

The directors have declared a distribution of \$6.72 million (13.5 cents per unit tax deferred) in respect of the six month period ended 31 December 2007 to be paid on 27 March 2008.

### State of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Trust that occurred during the financial year under review.



## DIRECTORS' REPORT

### Environmental regulation

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

### Events subsequent to balance date

On 19 February 2008, the board of directors of the Responsible Entity, Reef Corporate Services Limited, declared a 13.5 cent per unit distribution payable on 27 March 2008. This distribution totals \$6,723,140.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Trust, the results of those operations, or the state of affairs of the Trust, in future financial years.

### Interests of the Responsible Entity

Reef Corporate Services Limited holds no units either directly or indirectly in Reef Casino Trust. Associates of the Responsible Entity hold 36,529,577 units (total number of units on issue 49,801,036) at 31 December 2007 (2006: 36,529,457 units).

### Responsible Entity's remuneration

In accordance with the Trust Constitution, Reef Corporate Services Limited is entitled to receive:

- (i) Half yearly fees calculated as 0.375% of the value of net assets of the Trust as at the last day of the half year period just completed, paid quarterly, plus
- (ii) Half yearly fees calculated as the greater of \$37,500 and a fee calculated on a sliding scale by reference to the value of gross assets, payable within two months of the end of each half yearly period.

Reef Corporate Services Limited is also entitled to reimbursement of Trust expenses incurred on behalf of the Trust.

Set out below are the fees paid or payable by the Trust to the Responsible Entity during the year:

	<b>Dec 2007</b>	<b>Dec 2006</b>
	<b>\$</b>	<b>\$</b>
Responsible Entity fees	1,294,178	982,160
Reimbursement of trust expenses	60,878	57,754



## DIRECTORS' REPORT

### Directors' interests

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

	<b>Number of units held</b>
Mr Benjamin W Macdonald	263,750
Hon Keith De Lacy	39,609
Mr Julian Hercus	250,000
Mr Paul Herzfeld	—
Mr David Baffsky	—
Mr Michael Issenberg	221,000
Mr Kim Mooney	122,583
Mr Allan Tan	—
Mr John Hickey	100,000
Mr Josef Leutgeb	—

### Likely developments

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

### Indemnities and insurance premiums for officers or auditors

#### Indemnification

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

#### Insurance premiums

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

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



## DIRECTORS' REPORT

### Information on directors

#### Ben Macdonald AM – Non-executive Chairman; director since 20 September 1995.

Mr Macdonald was born in Brisbane and educated at Geelong Grammar School Victoria. He joined Macdonald Hamilton & Co Ltd in 1952, retiring in 1985 as joint Managing Director of the company.

Since 1985, he has served as a director of a number of Australian public companies, some of which were Perpetual Trustees Australia Ltd (Chairman), AMP Society (Australia board), CSR Limited, Placer Pacific Ltd, Allgas Energy Ltd, Bank of Queensland Ltd (Deputy Chairman), Casinos Austria International Limited (Chairman), and Queensland Cotton Holdings Ltd (Chairman). He was founding director and deputy Chairman of Brisbane's first FM radio station (Four Triple M Ltd).

He served as the Honorary Consul for Uruguay in Queensland and served on the Committee of the Royal Automobile Club of Queensland and the Salvation Army (Brisbane Division).

For service to business and commerce through executive roles with a range of investment, banking and agricultural organisations, and to the community as a supporter of charitable and sporting bodies, Ben has been awarded an AM.

His current directorships include AP Eagers Ltd (Chairman), and FKP Ltd (Chairman).

#### Keith De Lacy AM – Non-executive independent director; director since 1 December 1999.

Keith De Lacy was born in Cairns and still lives there with his family. He was the State Member for Cairns for fifteen years and Treasurer of Queensland from 1989 to 1996.

He is currently Chairman of listed companies Macarthur Coal Limited and Trinity Group. He is also Chairman of Queensland Sugar Ltd and Cubbie Group Ltd. Keith also chairs the Global Sugar Alliance, a group of raw sugar exporting countries seeking freer trade in sugar on world markets.

For services to the community Keith has been awarded an AM, the Centenary Medal, honorary doctorates from both James Cook University (HonDLitt) and Central Queensland University (DUniv), and the Gatton Gold medal from the University of Queensland. He is both a Fellow and Vice President of the Queensland division of the Australian Institute of Company Directors.

His novel *Blood Stains the Wattle* was published by CQU Press in November 2002.

#### Julian Hercus – Non-executive independent director; director since 31 October 2000.

Julian Hercus is a consultant in aviation, marketing and tourism. He also has interests in several private and public companies.

He worked at Qantas Airways for 28 years and was Deputy Chief Executive Commercial for the four years prior to his retirement.

Julian holds a Bachelor of Science Degree from the University of NSW and has attended the Advanced Management Program at Harvard University. He is a Fellow of the Australian Institute of Company Directors.



## DIRECTORS' REPORT

### Paul Herzfeld – Non-executive director; director since 23 February 2005.

Mr Herzfeld joined Casinos Austria AG, in 1975 and was appointed member of the board of the group's parent company in 2001. He became Deputy Director General in 2006. In his position as CEO of Casinos Austria International Holding GmbH which he has held since 1997, Mr Herzfeld manages the group's extensive international activities with more than 60 casinos on all continents. Mr Herzfeld holds a Masters Degree in Commercial Studies from Vienna University of Economics and Business Administration.

### David Baffsky AO – Non-executive director; director since 28 March 2006.

Mr Baffsky is currently the Honorary Chairman of Accor Asia Pacific, which is the largest hotel management company in the Asia Pacific region.

He is a director of Tourism Asset Holdings Limited (TAHL), Australia's largest hotel owning company, and was a founding director and is a Life Member of the Tourism Task Force.

In June 2001, Mr Baffsky was made an Officer in the General Division of the Order of Australia (AO). The award was made for his "service to tourism, particularly in relation to industry development, service provision and employment generation, and to the community through medical research, humanitarian relief and social welfare organisations". In 2004, Mr Baffsky was awarded "Asia Pacific Hotelier of the Year".

### Michael Issenberg – Non-executive director; director since 21 January 2002.

Mr Issenberg has been with Accor for more than 12 years and was recently promoted to Chairman & Chief Operating Officer, Accor Asia Pacific. He has responsibility and oversight for Accor's full range of business interests in the Asia Pacific region.

Prior to joining Accor Asia Pacific, Mr Issenberg spent five years as Chief Executive Officer, Hotels for Mirvac Limited. This was following a successful career at Westin Hotels and Resorts, Laventhol & Horwath and Horwath & Horwath Services Pty Limited in San Francisco and Sydney. He came to Accor with an impressive background in the hotel industry.

Mr Issenberg also continues to be a keen supporter of Asia Pacific tourism development.

### Kim Mooney – Non-executive director; director since 21 January 2002.

Mr Mooney is the Chief Financial Officer for Accor Asia Pacific and is responsible for over 200 hotels and a range of ancillary tourism services and operations.

He joined Accor in 1993 from Resort Hotels Management as the General Manager of Finance for Australia, New Zealand, South Pacific and Japan. Prior to this he held positions in Arts Administration in Europe, England and Australia.

In February 2003, he was appointed Chief Financial Officer – Asia Pacific, which is the position he currently holds. He works from both the regional head office in Sydney and the Asian head office in Singapore.

Mr Mooney is a Certified Practising Accountant, holding qualifications in Business, Hospitality and Arts Administration.



## DIRECTORS' REPORT

Allan Tan – Executive director; director since 28 March 2006.  
Alternate for Mr Macdonald; alternate director since 10 July 1997.

Mr Tan joined Casinos Austria in 1995 as Chief Financial Officer and Company Secretary for Casinos Austria International Limited. Since this time, he has held several positions within the group, including Chief Financial Officer and Company Secretary for Reef Casino Trust; Regional Manager (Australia, Asia Pacific) for Casinos Austria Group; and since 16 August 2004, Chief Executive Officer for The Reef Hotel Casino.

He holds an honours degree in Commerce (Accounting) and is a member of the English & Welsh Institute of Chartered Accountants and a member of Chartered Secretaries Australia.

Mr Tan also holds a number of executive directorships within the Casinos Austria Group.

R John Hickey – Alternate for Mr Baffsky, Mr Issenberg and Mr Mooney  
Alternate director since 25 March 2003.

Born in Sydney, Mr Hickey had a long and distinguished career in banking, being an Executive Director of several investment banks. Mr Hickey retired from banking in 1990 and joined Accor Asia Pacific in 1994 as Group General Manager, Banking and Finance.

Appointed as Managing Director of Tourism Asset Holdings Limited in 1999 when it was a publicly listed company, he served in that role until 2002 when the company was taken over and delisted.

He is currently General Manager Investments & Financing for Accor Asia Pacific located in Sydney.

Josef Leutgeb – Alternate for Mr Herzfeld; alternate director since 23 February 2005.

Mr Leutgeb has been Chief Financial Officer and member of the board of Casinos Austria International Holding GmbH since 1997 and member of the board of the parent company, Casinos Austria AG, since 2005. Prior to joining Casinos Austria in 1993, Mr Leutgeb worked for a large auditing firm. He is responsible for Financial Controlling, Accounting, Treasury, Due Diligence, optimizing shareholder value and sound financial development of the group. Mr Leutgeb holds a Masters Degree in Business Administration from Vienna University of Economics and Business Administration and is a member of the Austrian Chamber of Accountants.





## DIRECTORS' REPORT

### Units on issue

Units on issue and movements in issued units are detailed in note 14 to the financial statements.

### Assets

The Trust had total assets of \$176,887,000 as at 31 December 2007 (2006: \$139,758,000). The basis of valuation of the Trust's assets is disclosed in note 3 to the financial statements.

### Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 43 and forms part of the directors' report for the year ended 31 December 2007.

### Rounding off

The trust is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors of Reef Corporate Services Limited.



**Ben Macdonald**

Director



**Keith De Lacy**

Director

Brisbane

19 February 2008



## BALANCE SHEET

As at 31 December 2007

	Note	Dec 2007 \$'000	Dec 2006 \$'000
<b>ASSETS</b>			
Cash and cash equivalents	17	<b>4,199</b>	7,368
Receivables	7	<b>1,921</b>	2,151
Site lease – rental in advance	10	<b>706</b>	661
<b>TOTAL CURRENT ASSETS</b>		<b>6,826</b>	10,180
Receivables	7	<b>750</b>	750
Property, plant and equipment	8	<b>126,779</b>	88,300
Intangible assets	9	<b>160</b>	196
Site lease – rental in advance	10	<b>42,372</b>	40,332
<b>TOTAL NON-CURRENT ASSETS</b>		<b>170,061</b>	129,578
<b>TOTAL ASSETS</b>		<b>176,887</b>	139,758
<b>LIABILITIES</b>			
Payables	11	<b>4,594</b>	4,555
Loans and borrowings	12	—	16,500
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,594</b>	21,055
Loans and borrowings	12	<b>16,500</b>	—
Deferred income	13	<b>39</b>	42
Issued units – liability portion	14	<b>85,051</b>	85,051
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>101,590</b>	85,093
<b>TOTAL LIABILITIES</b>		<b>106,184</b>	106,148
<b>EQUITY</b>			
Issued units – equity portion	14	<b>85,051</b>	85,051
Distribution account		<b>3,657</b>	4,625
Undistributed income		<b>2,876</b>	7,270
Asset revaluation reserve		<b>61,452</b>	21,767
Accumulated losses		<b>(82,333)</b>	(85,103)
<b>TOTAL EQUITY</b>		<b>70,703</b>	33,610
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>176,887</b>	139,758
Memorandum note – issued units			
Issued units – liability portion		<b>85,051</b>	85,051
Issued units – equity portion		<b>85,051</b>	85,051
		<b>170,102</b>	170,102

The balance sheet is to be read in conjunction with the accompanying notes.

## INCOME STATEMENT

For the year ended 31 December 2007

	Note	Dec 2007 \$'000	Dec 2006 \$'000
REVENUE AND OTHER INCOME			
Revenue	4	<b>21,702</b>	24,235
Other income	4	<b>2,777</b>	4
TOTAL REVENUE AND OTHER INCOME		<b>24,479</b>	24,239
EXPENSES			
Depreciation and amortisation	5	<b>5,509</b>	4,925
Property outgoings		<b>967</b>	976
Rates and taxes		<b>602</b>	586
Responsible Entity fees		<b>1,294</b>	982
Repairs and maintenance		<b>985</b>	1,049
Legal and consulting fees		<b>62</b>	62
Insurance		<b>327</b>	351
Other expenses		<b>679</b>	652
TOTAL EXPENSES		<b>10,425</b>	9,583
PROFIT FROM OPERATING ACTIVITIES		<b>14,054</b>	14,656
Finance costs attributable to unitholders			
Finance costs attributable to unitholders		<b>5,024</b>	6,741
Interest expense		<b>1,237</b>	1,174
TOTAL FINANCE COSTS		<b>6,261</b>	7,915
PROFIT FOR THE YEAR		<b>7,793</b>	6,741
Basic and diluted earnings per unit (cents)	21	<b>31.3</b>	27.1
Profit before reversal of impairment (note 4) and finance costs attributable to unitholders		<b>10,048</b>	13,482

*The income statement is to be read in conjunction with the accompanying notes.*



## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Issued units	Distribution account	Undistributed income	Asset revaluation reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1 JANUARY 2006	85,051	1,533	9,475	21,767	(85,103)	32,723
Profit for the year	—	—	—	—	6,741	6,741
Transfer to distribution account	—	6,741	—	—	(6,741)	—
Transfer from undistributed income	—	2,205	(2,205)	—	—	—
Distributions paid	—	(5,854)	—	—	—	(5,854)
31 DECEMBER 2006	85,051	4,625	7,270	21,767	(85,103)	33,610
1 JANUARY 2007	85,051	4,625	7,270	21,767	(85,103)	33,610
Profit for the year	—	—	—	—	7,793	7,793
Transfer to distribution account	—	5,023	—	—	(5,023)	—
Revaluation of property, plant and equipment	—	—	—	39,685	—	39,685
Transfer from undistributed income	—	4,394	(4,394)	—	—	—
Distributions paid	—	(10,385)	—	—	—	(10,385)
31 DECEMBER 2007	85,051	3,657	2,876	61,452	(82,333)	70,703

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



## CASH FLOW STATEMENT

For the year ended 31 December 2007

	Note	Dec 2007 \$'000	Dec 2006 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		<b>23,834</b>	25,487
Cash payments in the course of operations		<b>(6,965)</b>	(6,835)
Interest received		<b>260</b>	358
Interest and other finance charges paid		<b>(1,223)</b>	(1,154)
NET CASH FROM OPERATING ACTIVITIES	17(b)	<b>15,906</b>	17,856
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		<b>(3,394)</b>	(3,489)
Proceeds from disposal of property, plant and equipment		<b>6</b>	20
NET CASH FROM INVESTING ACTIVITIES		<b>(3,388)</b>	(3,469)
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions paid		<b>(15,687)</b>	(12,948)
NET CASH FROM FINANCING ACTIVITIES		<b>(15,687)</b>	(12,948)
Net increase/(decrease) in cash held		<b>(3,169)</b>	1,439
Cash and cash equivalents at 1 January		<b>7,368</b>	5,929
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	17(a)	<b>4,199</b>	7,368

*The cash flow statement is to be read in conjunction with the accompanying notes.*



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

## 1. The Trust

Reef Casino Trust (the Trust) was established by a Trust Constitution dated 2 July 1993 as amended by supplemental deeds dated 30 November 1993, 19 September 1999, 31 May 2000, 8 August 2001, 14 April 2004 and 29 June 2005. Reef Corporate Services Limited, a company domiciled in Australia, is the Responsible Entity of the Trust. The Trust is the owner and lessor of The Reef Hotel Casino complex in Cairns, North Queensland, Australia.

## 2. Basis of preparation

### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Trust complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the directors of the Responsible Entity on 19 February 2008.

### (b) Basis of measurement

The financial report is prepared on the historical cost basis except for the building and integral plant which is stated at fair value.

### (c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Trust's functional currency. The Trust is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

### (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### (a) Financial instruments

#### (i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost.

A financial instrument is recognised if the Trust becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Trust's contractual rights to the cash flows from the financial assets expire or if the Trust transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are usually accounted for at trade date, i.e., the date that the Trust commits itself to purchase or sell the asset.

Financial liabilities are derecognised if the Trust's obligations specified in the contract expire or are discharged or cancelled.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

### 3. Significant accounting policies (cont)

#### (a) Financial instruments (cont)

##### (i) Non-derivative financial instruments (cont)

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Trust's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Accounting for finance income and expense is discussed in note 3(g).

##### (ii) Derivative financial instruments

The Trust holds no derivative financial instruments.

##### (iii) Compound financial instruments – issued units

Compound financial instruments issued by the Trust comprise issued units.

The Trust Constitution contains a contractual obligation to distribute at least 50% of Trust income for any income period. The issued units have therefore been classified as a compound financial instrument containing both a liability and an equity component. As the fair value of future distributions cannot be ascertained with any certainty, the directors of the Responsible Entity have determined that the liability component comprises 50% of the value of total issued units with the equity component comprising the other 50% in line with the obligation to distribute 50% of Trust income.

The total distribution for an income period is determined in accordance with the Trust Constitution. The portion of the distribution comprising 50% of net income is recognised as a liability and expensed as a financing cost on an accrual basis. The remaining portion of the distribution is debited directly to equity, and recognised as a liability in the period in which it is declared.

#### (b) Property, plant and equipment

##### (i) Recognition and measurement

Buildings and integral plant are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. 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 revaluation amount of the asset.

All other items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

##### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Trust and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

##### (iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings and integral plant 15 – 73 years
- Plant and equipment 3 – 20 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

### 3. Significant accounting policies (cont)

#### (b) Property, plant and equipment (cont)

##### (iv) Revaluations

Increases in carrying amounts arising on revaluations of the building are credited to an asset revaluation reserve. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit and loss. Decreases that reverse previous increases of the same asset are first charged against the revaluation reserve to the extent of the remaining reserve attributable to the asset. All other decreases are charged to the income statement.

The Trust is required to assess the fair value of property, plant and equipment on an annual basis and determine whether there is any impairment (note 3(d)). However, an appraisal by a professional qualified valuer is only required if the fair value of an asset is materially different from the carrying value.

The Trust will continue with its policy of obtaining valuations of the complex in accordance with the Trust Constitution which requires the complex to be valued at least once during every 3 years.

The valuation is based on the price at which a property might reasonably be expected to be sold at the date of valuation, assuming:

- (i) a willing, but not anxious, buyer and seller;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market;
- (iv) that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued; and

only takes into account instructions given by the Responsible Entity and is based on all the information that the valuer needs for the purposes of the valuation being made available by or on behalf of the Responsible Entity.

As the valuation does not assign separate values to the building, site lease and plant and equipment the directors of the Responsible Entity allocate the valuation increment, after deducting the carrying value of plant and equipment, proportionately to the site lease (up to a maximum of depreciated cost) and building based on their written down value prior to the valuation.

#### (c) Intangible assets

Items of software that are acquired by the Trust, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the items of software from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- Software 4 years

#### (d) Impairment

##### (i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

### 3. Significant accounting policies (cont)

#### (d) Impairment (cont)

##### (i) Financial assets (cont)

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

##### (ii) Non-financial assets

The carrying amounts of the Trust's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the assets in the unit on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (e) Provisions

A provision is recognised if, as a result of a past event, the Trust has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### (f) Revenue

##### (i) Rental income

Rent revenue is brought to account when earned and, if not received at reporting date, is reflected in the balance sheet as a receivable. Rent is determined in accordance with the lease agreements relating to The Reef Hotel Casino and is calculated based on the performance of the lessee (Casinos Austria International (Cairns) Pty Ltd).



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

### 3. Significant accounting policies (cont)

#### (f) Revenue (cont)

##### (ii) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Trust will comply with the conditions associated with the grant. Grants that compensate the Trust for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Trust for the cost of an asset are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

#### (g) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss.

Finance expenses comprise interest expense on borrowings calculated using the effective interest method, and the portion of distributions comprising 50% of net income.

#### (h) Responsible Entity's fee

Under the Trust Constitution, the Responsible Entity is entitled to a fee amounting to:

- (i) Half yearly fees calculated as 0.375% of the value of net assets of the Trust (as defined in the Trust Constitution) as at the last day of the half year period just completed, paid quarterly, plus
- (ii) Half yearly fees calculated as the greater of \$37,500 and a fee calculated on a sliding scale by reference to the value of gross assets, payable within two months of the end of each half yearly period.

The Responsible Entity is also entitled to reimbursement of Trust expenses incurred on behalf of the Trust.

#### (i) Income tax

Under current income tax legislation, the Trust is not subject to income tax, provided that the taxable income, including any taxable capital gains, is fully distributed to unit holders each year. Tax allowances for building and plant and equipment depreciation are distributed in the form of tax deferred benefits.

At 31 December 2007, carried forward losses available to offset future assessable income of the Trust amounted to \$33 million (2006: \$43 million).

#### (j) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### (k) Earnings per unit

The Trust presents basic and diluted earnings per unit data for its issued units. Basic earnings per unit is calculated by dividing the profit or loss attributable to unitholders of the Trust by the weighted average number of the equity component of issued units outstanding during the period. Diluted earnings per unit is determined by adjusting the profit or loss attributable to unitholders and the weighted average number of the equity component of issued units outstanding for the effects of any dilutive potential units.

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## NOTES TO THE FINANCIAL STATEMENTS

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For the year ended 31 December 2007

### 3. Significant accounting policies (cont)

#### (l) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Trust in the period of initial application. They are available for early adoption at 31 December 2007, but have not been applied in preparing this financial report:

Application date 1 January 2009

Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The Trust has not yet determined the potential effect of the revised standard on the Trust's disclosures.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

	Dec 2007 \$'000	Dec 2006 \$'000
<b>4. Revenue and other income</b>		
REVENUE		
<i>Rental</i>		
Base rent	756	650
Contingent rent	20,593	23,137
	<b>21,349</b>	23,787
<i>Interest received and receivable from</i>		
Other persons	252	352
Related parties	75	71
	<b>327</b>	423
<i>Other revenue</i>		
Sundry	26	25
	<b>21,702</b>	24,235
OTHER INCOME		
Reversal of impairment of site lease	2,769	—
Net gain on disposal of plant and equipment	5	1
Government grants	3	3
	<b>2,777</b>	4

## 5. Expenses

Net profit includes the following specific expenses:

<i>Depreciation</i>		
Building	2,555	2,186
Plant and equipment	2,198	2,040
	<b>4,753</b>	4,226
<i>Amortisation</i>		
Computer software	72	38
Site lease – rental in advance	684	661
	<b>756</b>	699
	<b>5,509</b>	4,925

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

	Dec 2007 \$'000	Dec 2006 \$'000
<b>6. Finance income and expense</b>		
<i>Recognised in profit or loss</i>		
Interest income on bank deposits	252	352
Interest income on loans and receivables	75	71
<b>FINANCE INCOME</b>	<b>327</b>	423
Interest expense on financial liabilities measured at amortised cost	(1,237)	(1,174)
Interest expense on debt portion of compound financial instruments	(5,024)	(6,741)
<b>FINANCE EXPENSE</b>	<b>(6,261)</b>	(7,915)
<b>NET FINANCE INCOME AND EXPENSE</b>	<b>(5,934)</b>	(7,492)

The above financial income and expense include the following in respect of assets (liabilities) not at fair value through profit or loss:

Total interest income on financial assets	327	423
Total interest expense on financial liabilities	(6,261)	(7,915)

## 7. Receivables

<b>CURRENT</b>		
Rent receivable from complex operator	1,878	2,060
Other debtors	43	91
	<b>1,921</b>	2,151
<b>NON-CURRENT</b>		
Loans to complex operator, bearing an interest rate of 10.10% (2006: 9.60%)	750	750



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

	<b>Building &amp; Integral Plant \$'000</b>	<b>Plant &amp; Equipment \$'000</b>	<b>Total \$'000</b>
<b>8. Property, plant and equipment</b>			
AT 1 JANUARY 2006			
– Cost	—	47,864	47,864
– Valuation <sup>1</sup>	86,266	—	86,266
Accumulated depreciation	(3,270)	(41,620)	(44,890)
Net carrying amount	82,996	6,244	89,240
YEAR ENDED 31 DECEMBER 2006			
Opening net carrying amount	82,996	6,244	89,240
Additions	746	2,559	3,305
Disposals	—	(19)	(19)
Depreciation charge	(2,186)	(2,040)	(4,226)
Closing net carrying amount	81,556	6,744	88,300
AT 31 DECEMBER 2006			
– Cost	—	49,378	49,378
– Valuation <sup>1</sup>	87,012	—	87,012
Accumulated depreciation	(5,456)	(42,634)	(48,090)
Net carrying amount	81,556	6,744	88,300
YEAR ENDED 31 DECEMBER 2007			
Opening net carrying amount	81,556	6,744	88,300
Additions	520	3,028	3,548
Revaluation of property, plant and equipment	39,685	—	39,685
Disposals	—	(1)	(1)
Depreciation charge	(2,555)	(2,198)	(4,753)
Closing net carrying amount	119,206	7,573	126,779
AT 31 DECEMBER 2007			
- Cost	—	51,406	51,406
- Valuation <sup>1</sup>	120,664	—	120,664
Accumulated depreciation	(1,458)	(43,833)	(45,291)
Net carrying amount	119,206	7,573	126,779

1 An independent valuation of the Trust's interest in the Reef Hotel Casino Complex was carried out by Jones Lang LaSalle Hotels as at 30 June 2007. The Trust's interest in the complex, which comprises the building, site lease and plant and equipment, was valued at \$171 million (with no residual value). The site lease is classified as a prepayment (note 10).

As the independent valuation did not assign separate values to the building, site lease and plant and equipment, the directors of the responsible entity of the Trust allocated the increment in accordance with Trust accounting policy as set out in note 3(b). This resulted in a building increment of \$39,685,000 being credited to the asset revaluation reserve, and a reversal of impairment of the site lease of \$2,769,000 recognised in the profit and loss.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

**Dec  
2007  
\$'000**                      **Dec  
2006  
\$'000**

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

Carrying amounts that would have been recognised if the building and integral plant were stated at cost. If the building and integral plant were stated on the historical cost basis, the amounts would be as follows:

#### Building and integral plant

Cost	<b>111,080</b>	110,560
Less: Accumulated depreciation and impairment	<b>(27,086)</b>	(29,029)
Net carrying amount	<b>83,994</b>	81,531

#### Capital expenditure commitments

Contracted but not provided for and payable:

Not longer than one year	<b>229</b>	1,071
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#### Operating leases as lessor

The Trust leases out The Reef Hotel Casino under an operating lease.

The future minimum lease payments under non-cancellable leases are as follows:

Less than one year	<b>896</b>	650
Between one and five years	<b>3,583</b>	2,600
More than five years	<b>2,762</b>	2,655
	<b>7,241</b>	5,905

The casino, hotel and ancillary facilities leases to the complex operator have a twenty year term, expiring 24 January 2016. Base rent is set out in the lease (and is indexed annually) and additional rent is based on financial performance. Options exist to renew the leases at the end of the existing term until 26 October 2029. The future minimum lease payments shown do not include rentals which are contingent on revenue of the operator, and do not include recovery of outgoings.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

	<b>Dec 2007 \$'000</b>	<b>Dec 2006 \$'000</b>
<b>9. Intangible assets</b>		
COMPUTER SOFTWARE		
AT 1 JANUARY		
At cost	<b>457</b>	276
Accumulated depreciation	<b>(261)</b>	(223)
Net carrying amount	<b>196</b>	53
YEAR ENDED 31 DECEMBER		
Opening net carrying amount	<b>196</b>	53
Additions	<b>36</b>	181
Amortisation charge	<b>(72)</b>	(38)
Closing net carrying amount	<b>160</b>	196
AT 31 DECEMBER		
At cost	<b>428</b>	457
Accumulated depreciation	<b>(268)</b>	(261)
Net carrying amount	<b>160</b>	196

### RECLASSIFICATION

In 2006, some software items were disclosed as part of property, plant and equipment. Under Australian Accounting Standards, these items should be disclosed as intangible assets. At 31 December 2007, computer software has been disclosed as intangible assets and the comparatives have been reclassified accordingly. The reclassification has no impact on the profit or loss, and only affects property, plant and equipment and intangible assets.





## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

	<b>Dec 2007 \$'000</b>	<b>Dec 2006 \$'000</b>
<b>10. Site lease – rental in advance</b>		
Original cost	<b>53,000</b>	53,000
Less: Accumulated amortisation and impairment	<b>(9,922)</b>	(12,007)
	<b>43,078</b>	40,993
Site lease as shown in the financial statements:		
<i>Current</i>	<b>706</b>	661
<i>Non-current</i>	<b>42,372</b>	40,332
Total site lease – rental in advance	<b>43,078</b>	40,993

The remaining term of the site lease is 61 years. The conditions of the lease are set out in the Cairns Casino Agreement which forms part of the Cairns Casino Agreement Act 1993. Negotiations for a further lease can take place during the last 10 years. The lease cannot be assigned or sublet without consent of the Minister. The site is required to be used for commercial purposes only.

## 11. Payables

CURRENT		
Trade creditors and accruals – unsecured	<b>1,528</b>	1,212
Accrued distributions (note 15)	<b>3,066</b>	3,343
	<b>4,594</b>	4,555



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

### 12. Loans and borrowings

This note provides information about the contractual terms of the Trust's loans and borrowings, which are measured at amortised cost. For more information about the Trust's exposure to interest rate and liquidity risk, see note 22.

	<b>Nominal Interest rate</b>	<b>Year of maturity</b>	<b>Dec 2007 \$'000</b>	<b>Dec 2006 \$'000</b>
<b>CURRENT</b>				
Bank loan – Bank of Queensland Limited	7.26%	2007	—	16,500
<b>NON-CURRENT</b>				
Bank loan – Bank of Queensland Limited	8.11%	2012	<b>16,500</b>	—

The bank loan is secured by a registered first mortgage over the Special Lease (a Crown lease for a term of 75 years under which the Trust occupies the site on which the complex is built) and a first ranking fixed and floating equitable charge over the whole of the assets and undertakings of the Trust.

Interest is payable at 7.99% for \$8,250,000 and at a fixed margin over Bank of Queensland's cost of funds for \$8,250,000.

#### FINANCING ARRANGEMENTS

The Trust also has access to the following overdraft facility:

Amount of credit unused	<b>2,000</b>	2,000
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### 13. Deferred income

Government grant	<b>39</b>	42
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The Trust has been awarded two government grants in relation to the car park ventilation and control system. One of the grants amounted to \$35,000 and was conditional upon the proof of purchase, installation and commissioning of the system, and submission of historical electricity consumption data.

The second grant was conditional upon a log of electricity savings, a final project report, and a project summary.

The conditions of both the grants have been fulfilled, and the amounts are being amortised over the useful life of the asset.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

**Dec  
2007  
\$'000**                      **Dec  
2006  
\$'000**

### 14. Issued units

49,801,036 (December 2006: 49,801,036) units

Issued units – equity portion	<b>85,051</b>	85,051
Issued units – liability portion	<b>85,051</b>	85,051
	<b>170,102</b>	170,102

The number of issued units includes 740,000 (December 2006: 740,000) restricted founder units. Founder units can only be transferred with consent of the founders and the Governor of Queensland and by making a binding covenant to be bound by the Foundation Agreement. Founder units can not be encumbered.

### 15. Distributions

#### DISTRIBUTABLE INCOME

The Trust Constitution requires calculation of distributable income for each half yearly period commencing either on the first day of January or July and the amount transferred to a distribution account on the last day of such period. As the Trust must distribute at least 50% of net income for the period, this 50% is classified as a liability, and transferred from the distribution account to accrued liabilities on the balance sheet (note 11).

The proposed distribution for the six months ended 31 December 2007 was declared on 19 February 2008, and accounted for as follows:

#### DISTRIBUTION ACCOUNT (refer to statement of changes in equity)

Balance relating to issued units – equity portion	<b>3,657</b>	4,625
ACCRUED DISTRIBUTION (payables – note 11)		
Balance relating to issued units – liability portion	<b>3,066</b>	3,343
<b>TOTAL OF DISTRIBUTION ACCOUNTS</b>	<b>6,723</b>	7,968

	<b>Dec 2007</b>		<b>Dec 2006</b>	
	<b>Total \$'000</b>	<b>Cents per unit</b>	<b>Total \$'000</b>	<b>Cents per unit</b>
<i>Distributions paid and payable</i>				
Half year ended 30 June paid September	<b>7,719</b>	<b>15.50</b>	7,719	15.50
Half year ended 31 December				
paid/payable March	<b>6,723</b>	<b>13.50</b>	7,968	16.00
	<b>14,442</b>	<b>29.00</b>	15,687	31.50

All distributions are "tax deferred" in accordance with the Income Tax Assessment Act 1997.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

### 16. Segment information

The Trust operates in one business segment, that of property ownership and rental in the tourism, leisure and gaming industry, and in one geographical segment, Australia.

	<b>Dec 2007 \$'000</b>	<b>Dec 2006 \$'000</b>
--	--------------------------------	--------------------------------

### 17(a) Cash and cash equivalents

Cash (held in interest bearing accounts, at call)	<b>3,199</b>	2,368
Bank short term deposits, maturing within 30 days	<b>1,000</b>	5,000
	<b>4,199</b>	7,368

### 17(b) Reconciliation of cash flows from operating activities

PROFIT FOR THE YEAR	<b>7,793</b>	6,741
ADJUSTMENTS FOR:		
(Profit)/loss on sale of property, plant and equipment	<b>(5)</b>	(1)
Finance costs attributable to unitholders	<b>5,024</b>	6,741
Reversal of impairment	<b>(2,769)</b>	—
Depreciation and amortisation	<b>5,508</b>	4,925
NET CASH FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	<b>15,551</b>	18,406
Changes in operating assets and liabilities		
Decrease/(increase) in receivables and other assets	<b>231</b>	(746)
Increase in payables	<b>127</b>	154
(Decrease)/increase in deferred income	<b>(3)</b>	42
NET CASH FROM OPERATING ACTIVITIES	<b>15,906</b>	17,856



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

### 18. Related party information

#### The Responsible Entity

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

#### Remuneration of directors and executives of the Responsible Entity

	Short-term Salary & Fees \$	Post-employment Superannuation Benefits \$	Total \$
<b>2007</b>			
Specified directors			
Non-executive			
Benjamin Macdonald (Chairman)	75,000	—	75,000
Keith De Lacy	50,000	4,500	54,500
Julian Hercus	48,000	4,320	52,320
Paul Herzfeld	—	—	—
David Baffsky	—	—	—
Michael Issenberg	—	—	—
Kim Mooney	—	—	—
Ronald John Hickey	—	—	—
Josef Leutgeb	—	—	—
Executive			
Allan Tan (Director and Chief Executive Officer - Operator)	63,695	—	63,695
Alison Galligan (Company Secretary)	79,458	—	79,458
Total	316,153	8,820	324,973
<b>2006</b>			
Total	287,281	7,920	295,201

Only directors who are not full time executives of Casinos Austria International Limited group or Accor Asia Pacific group receive remuneration from the Trust.

The Trust pays no amounts directly to executives. The amounts disclosed above have been reimbursed by the Trust to Casinos Austria International Limited. The amount is based on an allocation of the executive's time spent on managing the affairs of the Trust (and includes on costs).

The Responsible Entity determines remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced directors. This is determined by given trends in other public companies in the same industry.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

### 18. Related party information (cont)

None of the directors of the Responsible Entity has or has had any interest in the promotion of the Trust or in the property acquired for the purposes of the Trust other than the directors of the Responsible Entity who are entitled to receive directors' fees from the Trust, as set out above.

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

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

#### Unit holdings of directors of the Responsible Entity

Name	Balance at start of the year	Changes during the year	Balance at end of the year
Benjamin Macdonald	263,750	—	263,750
Keith De Lacy	39,609	—	39,609
Julian Hercus	250,000	—	250,000
Paul Herzfeld	—	—	—
David Baffsky	—	—	—
Michael Issenberg	221,000	—	221,000
Kim Mooney	122,463	120	122,583
Allan Tan	—	—	—
Josef Leutgeb	—	—	—
John Hickey	100,000	—	100,000
TOTAL	996,822	120	996,942

<b>Dec</b>	<b>Dec</b>
<b>2007</b>	<b>2006</b>
<b>\$</b>	<b>\$</b>

#### Responsible Entity's remuneration

Fees paid or payable by the Trust to

Reef Corporate Services Limited during the year

Responsible Entity fee

Reimbursement of trust expenses

<b>1,294,178</b>	982,160
<b>60,878</b>	57,754

Details of the basis of the Responsible Entity's fees are set out in note 3(h).



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

### 18. Related party information (cont)

#### Other related parties

- The complex operator is jointly owned by Casinos Austria International Limited and Accor Casino Investments (Australia) Pty Limited.
- Reef Casino Investments Pty Ltd (jointly owned by Casinos Austria International Limited and Accor Casino Investments (Australia) Pty Ltd) directly owns 50.2% of Reef Casino Trust.
- Casinos Austria International Holding GmbH (the parent company of Casinos Austria International Limited) directly owns 10.75% of Reef Casino Trust.
- Casinos Austria International Limited directly owns 5.53% of Reef Casino Trust and Accor Casino Investments (Australia) Pty Ltd directly owns 4.86% of Reef Casino Trust.

Each of these entities is considered to be a related party and transactions and balances with these entities are summarised below.

	<b>Dec 2007 \$</b>	<b>Dec 2006 \$</b>
Aggregate amounts brought to account in relation to transactions with other related parties:		
Rental income received from complex operator	<b>21,349,084</b>	23,787,051
Interest on loan to complex operator	<b>74,453</b>	70,966
Operating expenses paid by the Trust to the complex operator and entities related to the Responsible Entity	<b>2,068,406</b>	2,153,021
Management fee to complex operator	<b>118,662</b>	116,241
Distribution paid or payable	<b>9,505,918</b>	7,846,155
Aggregate amounts receivable/payable with related parties at balance date:		
Current receivables	<b>1,877,695</b>	2,059,561
Non-current receivables	<b>750,000</b>	750,000
Current payables	<b>873,596</b>	830,322

#### Controlling entity

The ultimate chief parent entity is Reef Casino Investments Pty Ltd which is incorporated in Australia.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

### 19. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Trust:

	<b>Dec 2007</b>	<b>Dec 2006</b>
	<b>\$</b>	<b>\$</b>
<i>KPMG</i>		
Audit services	<b>61,685</b>	63,542

### 20. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at reporting date.

### 21. Earnings per unit

	<b>Dec 2007</b>	<b>Dec 2006</b>
<b>Basic and diluted earnings per unit (cents)</b>	<b>31.3</b>	27.1
<i>Weighted average number of units (equity portion) for the year</i> (note 3(a) and note 14)	<b>24,900,518</b>	24,900,518
	<b>\$'000</b>	<b>\$'000</b>
Profit for the year	<b>7,793</b>	6,741

### 22. Financial instruments

#### Financial risk factors

Trust activities result in exposure to a number of financial risks, including market risk, credit risk and liquidity risk.

#### (a) Market risk (interest rate risk)

The Trust's future cash flows and profit or loss could fluctuate up or down because of changes in interest rates.

The Trust manages the interest rate exposure by having a balance of fixed interest debt to variable interest debt with some flexibility to adjust the ratio and investing excess cash at variable interest rates.

#### *Sensitivity analysis*

##### Fixed rate portion

The Trust does not account for the fixed rate borrowings at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

##### Variable rate portion

A change of 100 basis points in interest rates would have increased or decreased the Trust's finance income by \$71,000 (2006: \$201,000), finance costs by \$82,000 (2006: \$50,000) and net profit by (\$11,000) (2006: \$151,000).



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

### 22. Financial instruments (cont)

#### (b) Credit risk

The Trust has exposure to credit risk on the receivables in the balance sheet. There is a significant concentration of credit risk in so far as the Trust receives rental income from one complex, The Reef Hotel Casino. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. There is no collateral held as security or any other credit enhancements. None of the Trust's receivables are past due, and therefore, no impairment required. There are no significant financial assets that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

#### (c) Liquidity risk

The Trust uses cash flow management and forecasts to ensure there is enough cash to meet liabilities when due.

The contractual maturity of fixed and floating rate financial liabilities are shown in the table below. The amounts presented represent the future undiscounted principal and interest cash flows. For floating rate instruments, the amount disclosed is determined by reference to the interest rate at the last re-pricing date.

	2007				2006			
	Contractual maturity (nominal cash flows)				Contractual maturity (nominal cash flows)			
	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	Over 5 years \$'000	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	Over 5 years \$'000
NON-DERIVATIVE FINANCIAL LIABILITIES								
Bank borrowings	(1,337)	(1,337)	(20,511)	—	(17,737)	—	—	—

#### (d) Capital management

The Trust policy is to maintain the current level of issued units plus an interest only loan facility. Should new funding be required for enhancement or for investment in new opportunities the Trust will consider an appropriate balance of new equity or debt funding.

The board sets the level of distributions to unit holders taking into account the requirements of the Trust Constitution. It is the board's current policy to distribute all of the Trust's distributable income and a portion from out of the undistributed income account.



## DIRECTORS' DECLARATION

1. In the opinion of the directors of Reef Corporate Services Limited, the Responsible Entity of Reef Casino Trust:
  - (a) the financial statements and notes, set out on pages 16 to 39, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the financial position of the Trust as at 31 December 2007 and of its performance, as represented by the results of its operations and cash flows, for the year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.
2. The Trust has operated during the year ended 31 December 2007 in accordance with the provisions of the Trust Constitution dated 2 July 1993 (as amended).
3. The Register of Unitholders has, during the year ended 31 December 2007, been properly drawn up and maintained so as to give a true account of the Unitholders of the Trust.
4. The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 31 December 2007 pursuant to section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors of Reef Corporate Services Limited:



**Ben Macdonald**  
Director



**Keith De Lacy**  
Director

Brisbane  
19 February 2008

## INDEPENDENT AUDIT REPORT

To the Unitholders of Reef Casino Trust

### Scope

#### The financial report and directors' responsibility

The financial report comprises the income statement, statement of changes in equity, balance sheet, cash flow statement, accompanying notes to the financial statements, and the directors' declaration set out on pages 16 to 40 for Reef Casino Trust (the Trust) for the financial year ended 31 December 2007.

The directors of the Responsible Entity, Reef Corporate Services Limited, are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### Audit approach

We conducted an independent audit in order to express an opinion to the unitholders of the Trust. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia and of the provisions of the Trust Constitution dated 2 July 1993 (as amended), a view which is consistent with our understanding of the Trust's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors of the Responsible Entity.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.


## INDEPENDENT AUDIT REPORT

To the Unitholders of Reef Casino Trust

### Audit opinion

In our opinion, the financial report of Reef Casino Trust is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Trust's financial position as at 31 December 2007 and of its performance for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
- (b) other mandatory professional reporting requirements in Australia; and
- (c) the provisions of the Trust Constitution dated 2 July 1993 (as amended).



KPMG



Graham Coonan  
Partner

Cairns  
19 February 2008

## LEAD AUDITOR'S INDEPENDENCE DECLARATION

Under Section 307C of the Corporations Act 2001 to the directors of Reef Corporate Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2007 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



KPMG



Graham Coonan  
Partner

Cairns  
19 February 2008

## CORPORATE GOVERNANCE STATEMENT

The directors of Reef Corporate Services Limited, the Responsible Entity of Reef Casino Trust, support the principles of corporate governance developed by the ASX Corporate Governance Council, in order to promote investor confidence and credibility of Australian capital markets.

The Responsible Entity complies with the majority of the ASX Principles. Where it does not, reasons for the departure are noted in this statement. The responsible entity has noted the revised Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council in August 2007 and will report by reference to the revised principles from 1 January 2008.

The following corporate governance practices were in place throughout the financial year, unless otherwise stated. In this statement, "the board" means the board of directors of the Responsible Entity of the Trust.

This corporate governance statement and other related information is available on The Reef Hotel Casino website [www.reefcasino.com.au/trust/home.htm](http://www.reefcasino.com.au/trust/home.htm).

### **Principle 1: Solid foundations for management and oversight of the board**

Reef Corporate Services Limited is jointly owned by Casinos Austria International Limited (CAIL) and Accor Casino Investments (Australia) Pty Ltd which are also substantial shareholders in the Trust.

The Responsible Entity's role is provided for in the Trust Constitution. Its role covers the provision of all corporate services in connection with the Trust, including investor relations, government and operator liaison, secretarial and administrative services, maintenance of financial and taxation records and statutory compliance plus overall corporate governance of the Trust, including the protection of unitholders' interests.

The responsibilities of the board are set out in the board Charter. The board's role includes:

- Final approval of the strategic plans of the complex operator
- Final approval of the annual budgets including capital expenditure of the Trust and complex operator
- Approving and monitoring the progress of major refurbishment programs, acquisitions or divestments
- Approving the issue of securities and establishment of debt facilities
- Approving the appointment of the CEO of the operator, the company secretary and the external auditor (taking guidance from the Compliance, Audit and Risk Committee)
- Distribution policy and approval of any distribution payment
- Approving (taking guidance from the Compliance, Audit and Risk Committee) all half yearly and annual financial reports including the directors' report and corporate governance statement and any related announcements to the ASX or communications with unitholders
- Instigation of corporate governance policies including Code of Conduct, continuous disclosure, trading in units
- Approving and monitoring compliance with the Trust internal control system and risk management systems
- Monitoring (taking guidance from the Compliance, Audit and Risk Committee) the Trust's obligations and compliance with relevant regulatory requirements

Day to day management of the Trust and matters not specifically referred to have been delegated to the CEO of the complex operator but are subject to oversight by the board. The separation of responsibilities between the board and management is clearly understood and respected.



### Principle 2: Structure of the board to add value

The board comprises seven non-executive directors (including the Chairman) and one executive director. The names and details of the directors in office at the date of this Statement, and the period of office of each director, are set out in the directors' report.

The board does not meet ASX Recommendation 2.1: *A majority of the board should be independent directors*. The constitution of the Responsible Entity reflects its joint ownership by Casinos Austria International Limited (CAIL) and Accor Casino Investments (Australia) Pty Ltd and requires directors to be appointed as follows:

- two directors appointed by the unitholders (considered independent after consideration of their business and other relationships with the trust including their unitholding);
- three directors appointed by Casinos Austria International Limited (CAIL) (not considered independent); and
- three directors appointed by Accor Casino Investments (Australia) Pty Ltd (not considered independent).

The composition also reflects the majority ownership of the Trust by CAIL and Accor.

The Responsible Entity's constitution provides each of the directors shall have regard to the following interests (in descending order of priority)

- The interest of the unitholders of the Trust as a whole;
- The interests of the person who has a right to appoint and remove the director except to the extent those interests conflict with the interests of unitholders as a whole; and
- The interest of the members of the Company except to the extent that interest conflicts with either or both of the interests of the unitholders of the Trust as a whole or the appointer.

The board believes that it has an appropriate mix of skills and experience. It is complimented by the Compliance, Audit and Risk Committee which comprises a majority of independent directors.

The Trust has no Chief Executive Officer, although similar roles are carried out by the Chief Executive Officer of the complex operator. These functions have always remained separate from the functions performed by the Chairman.

The Chairman of the board of directors of Reef Corporate Services Limited is appointed by agreement of the directors. Any of the directors may be appointed Chairman. The board does not comply with ASX Recommendation 2.2: *The chairperson should be an independent director*. The Chairman, Mr Benjamin Macdonald is appointed by CAIL as a director and therefore is not independent. The board believes that he has the appropriate skills and experience and fulfils the responsibilities of the Chairman as outlined in ASX Recommendation 2.2.

Directors appointed by the unitholders remain in office for a term of 3 years (unless removed earlier) and are then subject to re-election. All other directors remain in office until removed by their appointers. All director appointments must be approved by the Queensland Treasurer. The board does not comply with ASX Recommendation 2.4 *The board should establish a nomination committee* as given the limited involvement by the board in the appointment of directors a separate committee is not considered necessary.

Each director is able to seek independent professional advice at the Trust's expense, with prior approval of the Chairman.

### **Principle 3: Promote ethical and responsible decision making and**

### **Principle 10: Recognising the legitimate interests of stakeholders**

#### **Code of Conduct**

The board supports the ongoing need for directors and employees to demonstrate the highest level of behaviour and ethics as set out in the Code of Conduct which applies to all employees and directors of the Responsible Entity, the Trust and the complex operator. The Code of Conduct is available from The Reef Hotel Casino website [www.reefcasino.com.au/trust/home.htm](http://www.reefcasino.com.au/trust/home.htm).

#### **Unit trading policy**

Trust policy requires directors to discuss a proposed trade in Trust units with the Chairman prior to any trade. Unless there are unusual circumstances, directors should not trade in Trust units except during the period of one month after the lodgement of the Trust's half-year and annual profit announcements with the ASX and in the period of one month after the holding of the Trust's annual general meeting, provided that directors are not at the time in possession of price sensitive information which is not generally available to the market.

A copy of the policy on purchase or sale of units is available from The Reef Hotel Casino website [www.reefcasino.com.au/trust/home.htm](http://www.reefcasino.com.au/trust/home.htm).

### **Principle 4: Safeguard integrity in financial reporting and**

### **Principle 7: Recognising and managing risk**

#### **Management representations**

As part of each six monthly reporting process the Chief Executive Officer of the complex operator and the Company Secretary / Executive Manager Finance provide a written statement to the board in accordance with the ASX principles and the Corporations Act stating that in their opinion

- the financial report of the Trust presents a true and fair view, in all material respects, of the Trust's financial position and performance in accordance with relevant accounting standards and the Corporations Act;
- is founded on a sound system of risk management and internal compliance and control systems which in all material respects implement the policies adopted by the board; and
- the Trust's risk management and internal compliance and control systems in relation to financial reporting are operating effectively and efficiently in all material respects.



## CORPORATE GOVERNANCE STATEMENT

### Compliance, Audit and Risk Committee

The Compliance, Audit and Risk Committee complies with ASX Recommendation 4.3. and comprises:

	*Meetings Attended
Mr Keith De Lacy (Chair) Independent, non-executive director	3
Mr Julian Hercus Independent, non-executive director	4
Mr Kim Mooney Non-executive director	2
Mr R John Hickey Alternate for Mr Mooney	2

\*4 meetings held during the year

Details of these directors' qualifications are set out in the directors' report.

The Committee Charter is available from The Reef Hotel Casino website [www.reefcasino.com.au/trust/home.htm](http://www.reefcasino.com.au/trust/home.htm).

The responsibilities of the Compliance, Audit and Risk Committee include:

- exercising a high level of due diligence in relation to the accuracy and completeness of the Trust's half-year and annual financial reports and any reports lodged with the ASX, and the Company's annual financial report and Australian Financial Services Licence (AFSL) audit requirements;
- reviewing the independence of the external auditor and timing of rotation of audit engagement partner having regard to requirements set out in the Corporations Act;

- recommending to the board the selection or replacement of the external auditor;
- monitoring the audit plan, auditor's findings and provision of non-audit services;
- considering the adequacy of the operational, financial and compliance risk management processes and internal control systems of the Trust, Company and sub-lessee of The Reef Hotel Casino by reviewing and assessing
  - the process for identifying, assessing and monitoring key risk areas
  - the existence of effective risk management and internal control systems; and
- performing the functions of a compliance committee identified in the Corporations Act and Compliance Plan.

The external auditors, Company Secretary / Executive Manager Finance, the Chief Executive Officer and other relevant experts attend committee meetings at the invitation of the committee. The committee meets at least twice per year. It is authorised to take such independent professional advice as it considers necessary.

The external auditor, KPMG has a policy for rotating audit partners in accordance with the Corporations Act.

### Risk management

Management maintains risk registers and is responsible for ongoing identification, assessment, monitoring and management of risk.

As a registered managed investment scheme the Trust has a compliance plan which has been lodged with ASIC. The compliance plan sets out measures to ensure compliance with the Trust Constitution and the Corporations Act. Compliance with the plan is audited annually.



## CORPORATE GOVERNANCE STATEMENT

The board has also instigated an internal control framework as described below:

- Financial reporting - there is a comprehensive budgeting system with an annual budget approved by the directors. Monthly actual results are reported against budget. The Trust reports to unitholders on a twice yearly basis. Procedures are also in place to ensure that price sensitive information is reported to the ASX in accordance with continuous disclosure requirements.
- Functional specialty reporting - the board has identified a number of key areas which are subject to regular reporting to the board such as operational, legal and insurance matters.
- Investment appraisal - the Trust has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures and levels of authority.

### **Principle 5: Timely and balanced disclosures**

The board has established policies and procedures, which are regularly reviewed, to ensure the Trust complies with legal obligations and ASX Listing Rules. A copy of the continuous disclosure policy is available from The Reef Hotel Casino website [www.reefcasino.com.au/trust/home.htm](http://www.reefcasino.com.au/trust/home.htm).

The Company Secretary is responsible for communications with the ASX including ensuring continuous disclosure requirements under the ASX Listing Rules and overseeing information to the ASX, unitholders and other interested parties.

### **Principle 6: Respecting the rights of unitholders**

The board aims to ensure that the unitholders are informed of all major developments affecting the Trust's state of affairs. Information is communicated to unitholders as follows:

- Half yearly financial report containing financial information and review of the operations of the Trust during the half year made available on the website, by email or by mail
- Annual report containing the relevant information about the operations of the Trust during the year, changes in the state of affairs of the Trust and details of future developments in addition to disclosures required by the Corporations Act 2001, ASX and accounting standards made available on the website, by email or by mail;
- Notice of all meetings of unitholders;
- Distribution advices with information including the components which make up the distributions.
- On the website [www.reefcasino.com.au/trust/home.htm](http://www.reefcasino.com.au/trust/home.htm) which includes information on the Trust and recent ASX announcements
- Other material matters are also announced as required.

Proposed major changes in the Trust which may impact on unitholders' rights are submitted to a vote of unitholders.

The board encourages full participation of unitholders at general meetings to ensure a high level of accountability and identification with the Trust's strategy and goals. Important issues are presented to the unitholders as single resolutions.

A representative of the external auditor, KPMG, attends the annual general meetings and is available to answer questions about the audit from unitholders. The unitholders are advised of this at the commencement of the meeting by the Chairman.



## CORPORATE GOVERNANCE STATEMENT

### **Principle 8: Encouraging enhanced performance**

The board continuously reviews its performance and the performance of executive management.

Each new director appointed undergoes an induction with the Chairman, and management is available for discussions as required. In addition, management presents to the board regular financial and corporate updates which are relevant to the Trust.

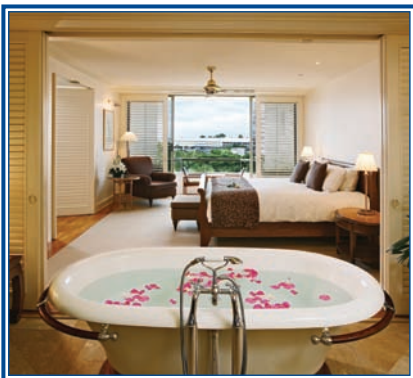
### **Principle 9: Remunerating fairly and responsibly**

Details of the directors' remuneration are set out in note 18 of the Annual Report. The trust only pays directors fees to non-executive directors who are not full time executives of Casinos Austria International Limited group or Accor Asia Pacific group. Other non-executive directors receive no remuneration from the Trust.

The Trust has no direct employees. Executives involved in the management of the Trust are employed by Casinos Austria International Limited. The Trust reimburses a portion of the payroll related costs based on time spent on Trust management.

A separate remuneration committee is not considered necessary due to the relatively small number of people remunerated by the Trust. Instead the entire board fulfils the role of the remuneration committee. Independent advice is obtained, as needed, on the appropriateness of the directors' remuneration.

No shares or options are issued to directors and no retirement benefits are payable to directors.



Sofitel Guest Suite



Casino Promotions



## SECURITIES EXCHANGE INFORMATION

### Substantial unitholders

Substantial unitholders as at 29 February 2008 are:

Unitholder	Number	%
Casinos Austria Group	20,610,832*	41.39
Accor Group	14,921,803*	29.96

\* Includes 50% (12,500,000 units) of the total units owned by Reef Casino Investments Pty Ltd, which is jointly controlled by Casinos Austria Group and Accor Group.

### Distribution of unitholders (as at 29 February 2008)

Range	Holders	Public Units	% Issued Capital
1 – 1,000	2,079	651,300	1.31
1,001 – 5,000	666	1,645,315	3.30
5,001 – 10,000	131	1,031,049	2.07
10,001 – 100,000	118	3,152,603	6.33
100,001 – and over	22	43,320,769	86.99
	3,016	49,801,036	100.00

The number of unitholders holding less than a marketable parcel of units (167 units) at 29 February 2008 was 831.

### Restricted Founders units (as at 29 February 2008)

Unitholder	Number of units	% of total units
Casinos Austria International Limited	370,000	0.74%
Accor Casino Investments (Australia) Pty Ltd	370,000	0.74%



## SECURITIES EXCHANGE INFORMATION

### Twenty largest unitholders of listed units (as at 29 February 2008)

Unitholder	Number of units	% of total units
Reef Casino Investments Pty Ltd	25,000,000	50.20
Casinos Austria International Holding GmbH	5,355,117	10.75
Casinos Austria International Limited	2,755,715	5.53
Accor Casino Investments (Australia) Pty Limited	2,421,803	4.86
Mr Gary Mauric	1,600,000	3.21
RBC Dexia Investor Services Australia Nominees Pty Ltd	1,569,326	3.15
JP Morgan Nominees Australia Ltd	889,396	1.79
Citicorp Nominees Pty Ltd	601,756	1.21
National Nominees Limited	472,325	0.95
Invia Custodian Pty Ltd WAM Capital Ltd	320,424	0.64
Mr Frank McFadden	316,684	0.64
ANZ Nominees Limited Cash Income A/C	269,248	0.54
Greenwich Stud Pty Ltd	264,871	0.53
Julian Hercus & Associates Pty Ltd Superfund A/c	250,000	0.50
Mrs Elspeth Macdonald	250,000	0.50
Mr Michael Issenberg	200,000	0.40
Citicorp Nominees Pty Ltd Cwlth Small Co Fd 2 A/C	160,000	0.32
Mrs Rita Agata Mauric	150,000	0.30
Mr William Coates Gair & Mrs June Verna Gair	135,000	0.27
Les Smith Holdings Pty Ltd	117,875	0.24
	43,099,540	86.53

### Voting rights

The voting rights, as set out in Clause 29.9 of the Trust Constitution, are:

On a show of hands every unitholder who is present in person or by proxy and who was recorded on the register at the books closing date for that meeting as a holder of a unit carrying the right to vote at that meeting shall have one vote and;

On a poll every such unitholder shall have:

- one vote for each fully paid unit of which he is the registered holder; and
- a fraction of a vote equivalent to the proportion of the total selling price paid-up for each partly paid unit for which he is the registered holder.

### On-market buy-back

There is no current on-market buy-back.



## TRUST DIRECTORY

### Registered office of the Responsible Entity

Reef Corporate Services Limited  
Level 1  
Mercure Hotel  
85-87 North Quay  
BRISBANE QLD 4000  
Telephone: (07) 3211 3000  
Facsimile: (07) 3211 4777  
[www.reefcasino.com.au/trust/home.htm](http://www.reefcasino.com.au/trust/home.htm)

### Directors of the Responsible Entity

Mr Benjamin W Macdonald (Chairman)  
Hon Keith De Lacy  
Mr Julian Hercus  
Mr Paul Herzfeld  
Mr David Baffsky  
Mr Michael Issenberg  
Mr Kim Mooney  
Mr Allan Tan

### Alternate directors

Mr Allan Tan (alternate for Mr Macdonald)  
Mr R John Hickey (alternate for Mr Baffsky,  
Mr Issenberg and Mr Mooney)  
Mr Josef Leutgeb (alternate for Mr Herzfeld)

### Secretary of the Responsible Entity

Ms Alison Galligan

### Compliance, Audit and Risk Committee of the Responsible Entity

Hon Keith De Lacy (Chairman)  
Mr Julian Hercus  
Mr Kim Mooney

### Solicitors to the Responsible Entity

Freehills  
Level 38  
Central Plaza One  
345 Queen Street  
BRISBANE QLD 4000



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## TRUST DIRECTORY

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### Unit registry

Computershare Investor Services Pty Ltd  
Level 19  
307 Queen Street  
BRISBANE QLD 4000  
Telephone: 1300 552 270

### Bankers

Bank of Queensland Limited  
229 Elizabeth Street  
BRISBANE QLD 4000

### Auditors of the Trust

KPMG  
Level 13  
Cairns Corporate Tower  
15 Lake Street  
CAIRNS QLD 4870

### Securities exchange listing

Official list of the Australian  
Securities Exchange  
Home Exchange: Brisbane

### Sub-lessee of The Reef Hotel Casino complex

Casinos Austria International (Cairns) Pty Ltd  
Level 1  
Mercure Hotel  
85-87 North Quay  
BRISBANE QLD 4000  
Telephone: (07) 3211 3000  
Facsimile: (07) 3211 4777

### The Reef Hotel Casino

35 – 41 Wharf Street  
CAIRNS QLD 4870  
Telephone: (07) 4030 8888  
Facsimile: (07) 4030 8777  
[www.reefcasino.com.au](http://www.reefcasino.com.au)



## QUEENSLAND'S BIGGEST & PREMIER LEISURE & ENTERTAINMENT COMPLEX NORTH OF BRISBANE

**CASINOS AUSTRIA INTERNATIONAL**

### Reef Casino

Try your luck at the tables and experience the thrills and excitement of international gaming or adjourn to one of our many bars for a well earned refreshment. Offers 535 gaming machines, 43 gambling tables, plus Club Privé, TAB and Keno. Open Monday – Thursday 10am - 3am and Friday – Sunday 10am - 5am.

**S O F I T E L**  
LUXURY HOTELS

### Sofitel Cairns Reef Casino

The Sofitel Cairns Reef Casino features 128 luxury guest rooms and suites each offering charm, elegance and tranquility. Their decor accentuates the feel and lifestyle of Tropical North Queensland. Sofitel facilities include swimming pool and spa, health club, shops and tour desk.



### Tamarind

Indulge in the fusion of Asian and Western cuisine – a new and contemporary dining experience unique to Cairns. Open daily 6pm - 10.30pm.



### Pacific Flavours

Start your day with a delicious 5 star breakfast buffet and choose from a wide range of light lavish dishes for lunch. Tantalise your tastebuds with our ever changing dinner buffet. Open daily from 6.30am - 10pm.



### Flinders Bar & Grill

Choose from a great range of light meals, snacks and beverages. Great value – all meals \$10 and under. Open during Casino operating hours.



Urchins Lounge



Tamarind



Coffee Shop





## “MUST SEE, MUST VISIT”



### Vertigo Bar and Lounge

Ultra modern bar with all your favourite drinks and cocktails. Great live entertainment on Thursday, Friday and Saturday nights. Open daily from 4pm until late.



### Conference & Banqueting

A total of eight unique venues ranging from ballroom to boardroom to poolside are available to cater for 10 to more than 500 guests for every type of function.



### Car Park

More than 330 undercover car parking spaces are provided for those attending events and for our Casino and Hotel patrons.



### Café China

Café China Noodle Bar offers a tempting array of traditional Chinese delicacies in the historic surroundings of Customs House. Open daily.



### Casino Sportz Arena

Located on Level 2 in the Reef Casino, this bar is themed with memorabilia and screens showing major sporting games and events on the big screen.



### Velvet Rope

Night Club with live music and entertainment. Open Friday and Saturday nights till late.



### Cairns Wildlife Dome

Discover the rainforest in the heart of Cairns. A real wildlife experience! Open daily from 8am to 6pm



Cairns Wildlife Dome



Café China Noodle Bar

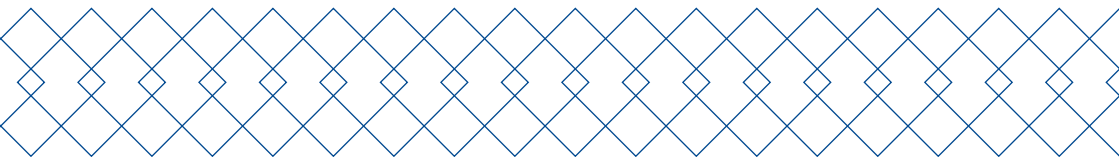


**QUEENSLAND'S BIGGEST & PREMIER LEISURE & ENTERTAINMENT COMPLEX  
NORTH OF BRISBANE**



**“MUST SEE, MUST VISIT”**





  
CASINOS AUSTRIA INTERNATIONAL

S O F I T E L  
L U X U R Y H O T E L S