



REEF
CASINO TRUST

ARSN 093 156 293

Annual Report
& FINANCIAL STATEMENTS
2009



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Annual General Meeting

19 May 2010 at 2pm
 Pullman 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 2009

13.0 cents per unit tax deferred

Payment date 26 March 2010

Total for 2009 24.0 cents per unit tax deferred

Announcement Dates

Half year ended 30 June 2010

Estimated distribution mid June 2010

Results late August 2010

Half year ended 31 December 2010

Estimated distribution mid December 2010

Results late February 2011



CHAIRMAN'S REVIEW

Dear Unitholders,

On behalf of the Board of directors of Reef Corporate Services Limited, responsible entity of the Reef Casino Trust (the Trust), I present my review of the Reef Casino Trust for the year ended 31 December 2009.

Key points

- Trust distributable profit to unitholders up 3.9% on a "like for like basis"*
- Factoring in higher gaming machine revenue tax rate effective 1 July 2009, Trust distributable profit to unitholders was 4.6% lower
- Queensland Government increased gaming machine revenue tax from 10% to 20% effective 1 July 2009
- Trust's performance resilient given tough economic environment in Cairns
- Good underlying gaming earnings growth at The Reef Hotel Casino despite global financial crisis on a 'like for like' basis
- Healthy Trust cash flows, costs under control
- Unit distribution of 13 cents per unit for six months from July to December 2009. Total unit distribution for financial year 2009 was 24 cents per unit, same as last year
- Reef Hotel Casino complex independently valued at \$143 million (as at 30 June 2009)

* excluding net impact of increase in gaming machine revenue tax.



Trust distributable profit

On a "like for like" basis, Trust distributable profit would have been \$14.0 million for the 2009 financial year (January to December 2009). This compares with \$13.4 million in 2008 or 3.9% better (following adoption of "cost" method for building value).

The doubling of the gaming machine revenue tax rate by the state government had a net negative impact on Trust profit of \$1.14 million resulting in a Trust distributable profit of \$12.8 million.

Total revenue (comprising mainly of rental revenue from The Reef Hotel Casino) was up 0.9% compared to last year on a "like for like" basis. This was achieved despite the global financial and economic crisis.

Trust rental revenue from gaming grew by 1.4%, however, Trust rental revenue from non gaming operations declined by 7.8%, reflecting weak tourism conditions in Cairns.

Trust operating expenses were well controlled and were 5.9% lower.

	2009	2009¹	2008²	
	\$'000	\$'000	\$'000	
REVENUE				
Rental revenue	22,945	24,282	24,176	+0.4%
Other revenue	482	482	369	
TOTAL REVENUE	23,427	24,764	24,545	+0.9%
EXPENSES				
Operating	5,820	6,015	6,394	-5.9%
Depreciation and amortisation	4,790	4,790	4,716	
TOTAL EXPENSES	10,610	10,805	11,110	
PROFIT BEFORE FINANCE COSTS ³				
ATTRIBUTABLE TO UNITHOLDERS	12,817	13,959	13,435	+3.9%
Earnings per unit (cents)	25.7	28.0	27.0	
Distribution per unit (cents)	24.0	24.0	24.0	

1 Excluding extra gaming tax net impact.

2 Restated following adoption of "cost" method for building value.

3 "Finance costs" relate to 50% of distributable profit payable to unitholders.

Unit distribution

The Trust has declared a distribution of 13 cents per unit (total of \$6.47 million) for the six months from 1 July to 31 December 2009. This distribution will be paid on a "tax deferred" basis. The record date was 31 December 2009 and the payment to all unitholders will be made on 26 March 2010.

This distribution comprises 100% of the Trust's distributable profits in the second half year (being 12.6 cents per unit) and a transfer from out of the undistributed income account (being 0.4 cents per unit).

For the financial year 2009, the total unit distribution was 24 cents per unit or a total of \$12.0 million which is the same level as for 2008.

Overall for the financial year, the total unit distribution (being 24 cents per unit) will comprise 93.1% of Trust distributable profits with the balance of Trust distributable profits (being 1.7 cents per unit) transferred to the undistributed income account.

The maintenance of the unit distribution in 2009 at last year's level is a good, yet prudent, outcome for all unitholders given the tough economic conditions in Cairns resulting from the global financial crisis.

Following the latest unit distribution, the balance of the undistributed income account is \$7.2 million (14.5 cents per unit). This is available for distribution to unitholders in future financial periods.

As the Trust's tax losses are likely to be used up in 2010, future unit distributions would no longer be entirely paid on a "tax deferred" basis. A portion of such distributions could still be "tax deferred" and the balance may be taxable in the hands of the unitholders.

Trust balance sheet

The Trust enjoyed healthy cash flows in 2009 and its balance sheet remains robust. The Trust has adequate working capital. The Trust's interest only loan facility remains unchanged at \$16.5 million with the current term extending to September 2012. As at 31 December 2009, the Trust has drawn down \$11.5 million. The Trust also has an overdraft facility of \$2.0 million which has not been used to date.



Reef Conference Room

Gaming machine tax

As mentioned in my review for the first half year, the state government raised The Reef Hotel Casino's electronic gaming machine revenue tax rate from 10% to 20% effective 1 July 2009.

In the period 1 July to 31 December 2009, The Reef Hotel Casino had to pay an extra \$1.4 million to the government in gaming taxes because of the doubling of the tax rate.

Independent valuation of Trust property

As a consequence of the increase in gaming tax, the Trust obtained an independent valuation of The Reef Hotel Casino complex.

The independent valuer, Jones Lang Lasalle, valued The Reef Hotel Casino complex at \$143 million as at 30 June 2009.

The Trust will continue to obtain an independent valuation of The Reef Hotel Casino complex at least once every 3 years in accordance with the requirements of the Trust Constitution.

Compliance with the Australian Accounting Standards means the balance sheet does not reflect the full value of Trust property

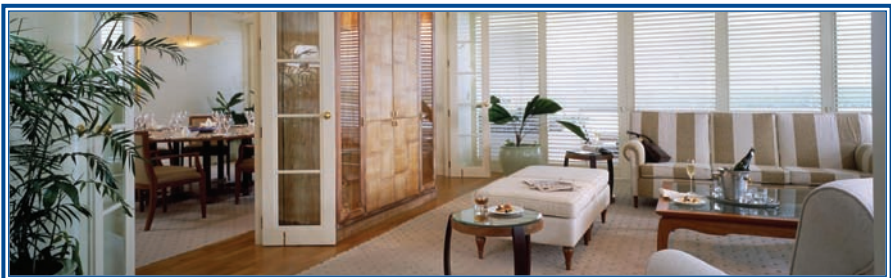
Any valuation of The Reef Hotel Casino complex (which includes the casino licence, site lease, plant and equipment and building) is based principally on the cash flows of The Reef Hotel Casino. The split of the overall valuation of the complex into its component parts, which are linked, is arbitrary to some extent and may not be precise.

The use of the "cost" method for the building component will:

- a) bring the accounting treatment of the building into line with the other three components of The Reef Hotel Casino complex; and
- b) avoids the uncertainties resulting from an arbitrary split of the whole value of the complex into its different components.

The Trust is required under the Corporations Act, 2001 (Cth) to comply with the Australian Accounting Standards. However, it should be noted that this mandatory compliance has resulted in the Trust's financial statements not reflecting the full value of The Reef Hotel Casino complex as determined by the independent valuer.

Further information on this matter is contained in the notes to the financial statements.



Luxury Accommodation

Review of trading performance and strategy at The Reef Hotel Casino

The Reef Hotel Casino trading performance held up well in 2009 in the face of the global financial crisis and an economic downturn in Cairns.

Economic conditions were tough in Cairns throughout 2009, especially the second half year. Tourism, the mainstay of the Cairns' economy was hit hard, especially from Japan. Partly because of the Federal Government's financial stimulus, the trading conditions in the first half year were relatively less tough than the second half.

Two factors helped mitigate the otherwise gloomy economic conditions in 2009 – continued population growth in Cairns and the successful implementation of the business strategy by management of The Reef Hotel Casino to best manage the difficult trading conditions.

Casino gaming operations

Given that tourism was very weak in Cairns, it was not a surprise that casino visitations were 6.9% lower compared to last year. Despite this, overall casino revenues grew by 1.5% and rental contributions to the Trust grew by 1.4% (excluding extra gaming tax) compared to last year.

- Total table games revenue was up by 0.8%
- Main floor (or grind) play was softer due to soft tourism into Cairns
- Premium play held up well following successful marketing efforts and an above theoretical win rate
- Electronic gaming machine revenue was up 2%, even though the overall gaming market in Queensland contracted
- The overall good performance of the casino was due to effective promotions throughout the complex, special events and a tightly run gaming floor



Flinders Bar & Grill

Hotel/non gaming operations

Rental contributions were lower in 2009 by 7.8%, reversing the positive trend in the first half year. Tourism in Cairns softened considerably in the second half of the year.

- Room revenues were lower by 13.1% which is a relatively better result than the overall decline in the Cairns market
- Food and beverage offers were adjusted to counter the downturn in tourism. Otherwise, sales held up and importantly, contributions improved
- Management efforts have resulted in successful cost recovery across hotel, food and beverage operations to minimise the impact on contributions

Capital expenditure

The Reef Hotel Casino complex continued to be maintained in an excellent condition throughout the year. The Trust's capital expenditure for the year was consistent with previous years and sums were allocated responsibly to areas that reflect overall capital expenditure policy – revenue generating areas (such as new gaming machines), control tools (such as surveillance equipment, energy saving devices) and maintaining the high standards of our complex (such as guest rooms and facilities).



Electronic Gaming Machines



Weddings at Pullman Reef Hotel Casino

Outlook for 2010

On the economic front, we expect that 2010, particularly the first half year, would continue to present tough trading conditions. On the other hand, we have confidence that management will continue to run a tight ship which should hopefully result in the Trust's overall performance remaining resilient.

One bright spot in the first half year is Chinese New Year in February during which Cairns will see more than a dozen special air charters arriving from different parts of China. All up, Cairns can expect around 10,000 Chinese tourists to visit the city during this festive period. Another positive development is the recommencement of flights from Osaka/Kansai into Cairns starting from April this year.

The array of tourism promotional activity carried out by Tourism Queensland in conjunction with local Cairns' tourism bodies will hopefully result in more tourist arrivals into Cairns in 2010.

Otherwise, there are not too many signs of a quick recovery in Cairns' tourism in the first half of 2010.

The board has endorsed their business strategy for 2010 which has at its core to achieve success by ensuring that The Reef Hotel Casino remains the best in the industry in North Queensland. This will involve a focus on marketing The Reef Hotel Casino as the premier entertainment complex in Cairns while continuing to adopt a prudent approach to costs and risk management in still uncertain economic times during 2010.



Ben Macdonald

Chairman

Reef Corporate Services Limited

Responsible Entity of Reef Casino Trust



DIRECTORS' REPORT

Mr Ben Macdonald
Non-executive Chairman



Mr Julian Hercus
Non-executive Director



Mr Michael Issenberg
Non-executive Director



Mr Allan Tan
Executive Director,
CEO Reef Hotel Casino



Ms Louise Daley
Alternate for
Mr Issenberg & Mr Mooney



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



Mr Paul Herzfeld
Non-executive Director



Mr David Baffsky
Non-executive Director



Mr Kim Mooney
Non-executive Director



Mr Josef Leutgeb
Alternate for
Mr Herzfeld



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 2009 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 Josef Leutgeb (alternate for Mr Herzfeld)
Ms Louise Daley (alternate for Mr Issenberg and Mr Mooney)

Mr Ronald John Hickey was an alternate director for Mr Baffsky, Mr Issenberg and Mr Mooney until his resignation on 7 May 2009. Ms Louise Daley was appointed alternate director for Mr Issenberg and Mr Mooney on 25 June 2009.

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 \$6.72 million (13.5 cents per unit tax deferred) in respect of the six month period ended 31 December 2008 as reported in the 2008 annual report was paid on 27 March 2009.

The distribution of \$5.48 million (11.0 cents per unit tax deferred) in respect of the six month period ended 30 June 2009 was paid on 25 September 2009 (note 18).

The directors have declared a distribution of \$6.47 million (13.0 cents per unit tax deferred) in respect of the six month period ended 31 December 2009 to be paid on 26 March 2010.

Significant changes in the state of affairs

Increase in tax on gaming machine revenue

On 16 June 2009, the Queensland Government introduced a bill, which has now been legislated, to increase the tax rate applicable to electronic gaming machine revenues from 10% to 20% effective 1 July 2009. As a result, the rental revenue for this financial year has reduced by \$1.3 million. The full year impact will be approximately \$2.5 million.

Other significant changes

There were no other significant changes in the state of affairs of the Trust that occurred during the financial year under review.

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 22 February 2010, the board of directors of the Responsible Entity, Reef Corporate Services Limited, declared a 13 cent per unit distribution payable on 26 March 2010. This distribution totals \$6,474,135.

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 36,701,044 units at 31 December 2009 (2008: 36,494,968 units). The total number of units on issue in 2008 and 2009 was 49,801,036.

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 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 (as defined in the Trust Constitution), 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:

	Dec 2009	Dec 2008
	\$	\$
Responsible Entity fees	1,096,562	1,294,027
Reimbursement of trust expenses	55,040	41,999

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:

	Number of units held		Number of units held
Mr Benjamin W Macdonald	263,750	Mr Michael Issenberg	221,000
Hon Keith De Lacy	5,000	Mr Kim Mooney	122,583
Mr Julian Hercus	250,000	Mr Allan Tan	—
Mr Paul Herzfeld	—	Mr Josef Leutgeb	—
Mr David Baffsky	—	Ms Louise Daley	—

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 Audit and Risk 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.

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), Queensland Cotton Holdings Ltd (Chairman) and FKP 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).

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 company Macarthur Coal Limited, Cubbie Group Ltd and Nimrod Resources. He retired as Chairman of Queensland Sugar Ltd on 31 December 2008. He is also a Director of Queensland Energy Resources.

Keith is Vice President of the Queensland Division of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management.

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.

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.

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 50 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".

In 2007 Mr Baffsky was appointed to the Federal Government's Northern Australia Land and Water Taskforce and the Prime Minister's Community Business Partnership. In 2008 he joined the Board of Singapore Airport Terminal Services Limited. In 2009 he was appointed Chairman of Ariadne Australia Limited and joined the Board of Sydney Olympic Park Authority.

Michael Issenberg

Non-executive director; director since 21 January 2002.

Mr Issenberg is Chairman and Chief Operating Officer of Accor Asia Pacific and has been with Accor for more than 15 years. He has responsibility and oversight for Accor's full range of business interests in the Asia Pacific region and is also a member of the Global Executive Committee.

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 Sydney, Bangkok and Singapore offices.

Mr Mooney is a Certified Practising Accountant, holding qualifications in Business, Hospitality and Arts Administration. He is a director of The Music Board of the Australia Council and all Accor Asia Pacific entities.

Allan Tan

Executive director; director since 28 March 2006.

Alternate for Mr Macdonald; alternate director since 10 July 1997.

Mr Tan is the CEO of The Reef Hotel Casino and Executive Director of Casinos Austria International – Australia, Asia Pacific. He 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 and Regional Manager (Australia, Asia Pacific) for Casinos Austria Group.

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.

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. 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.

Louise Daley

Alternate for Mr Issenberg and Mr Mooney; alternate director since 25 June 2009

Louise Daley, CFO Pacific for Accor Asia Pacific, joined Accor in 1993 and has worked in a number of finance roles in Australia and Asia.

Ms Daley has over 20 years experience in the hotel industry, gained through a number of hotel operators, both domestic and international. She holds a Diploma in Hospitality and Catering Management, a Bachelor of Business (Accounting), Certificate in Applied Finance and Investment and is a Certified Practising Accountant.

Units on issue

Units on issue and movements in issued units are detailed in note 17 to the financial statements.

Assets

The Trust had total assets of \$115,031,000 as at 31 December 2009 (2008: \$120,011,000 restated). 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 45 and forms part of the directors' report for the year ended 31 December 2009.

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 have been rounded off to the nearest thousand dollars, unless otherwise stated.



Ben Macdonald
Director



Keith De Lacy
Director

Brisbane
22 February 2010

STATEMENT OF FINANCIAL POSITION

as at 31 December 2009

	Note	Dec 2009 \$'000	Dec 2008 restated* \$'000	As at 1 Jan 2008 restated* \$'000
ASSETS				
Cash and cash equivalents	20	3,491	6,587	4,199
Receivables	10	1,795	2,047	1,921
Site lease – rental in advance	13	706	706	706
TOTAL CURRENT ASSETS		5,992	9,340	6,826
Receivables	10	750	750	750
Property, plant and equipment	11	67,201	68,140	67,807
Intangible assets	12	129	115	160
Site lease – rental in advance	13	40,959	41,666	42,372
TOTAL NON-CURRENT ASSETS		109,039	110,671	111,089
TOTAL ASSETS		115,031	120,011	117,915
LIABILITIES				
Payables	14	4,619	6,028	4,907
TOTAL CURRENT LIABILITIES		4,619	6,028	4,907
Loans and borrowings	15	11,500	16,500	16,500
Deferred income	16	90	51	39
Issued units – liability portion	17	85,051	85,051	85,051
TOTAL NON-CURRENT LIABILITIES		96,641	101,062	101,590
TOTAL LIABILITIES		101,260	107,630	106,497
EQUITY				
Issued units – equity portion	17	85,051	85,051	85,051
Distribution account	18	3,348	2,824	3,344
Undistributed income		7,215	6,349	4,866
Accumulated losses		(81,843)	(81,843)	(81,843)
TOTAL EQUITY		13,771	12,381	11,418
TOTAL EQUITY AND LIABILITIES		115,031	120,011	117,915
MEMORANDUM NOTE – ISSUED UNITS				
Issued units – liability portion		85,051	85,051	85,051
Issued units – equity portion		85,051	85,051	85,051
		170,102	170,102	170,102

* refer note 2(e) for details regarding the change in accounting policy.

The statement of financial position is to be read in conjunction with the accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

	Note	Dec 2009 \$'000	Dec 2008 restated* \$'000
REVENUE AND OTHER INCOME			
Revenue	6	23,294	24,541
Other income	7	133	4
TOTAL REVENUE AND OTHER INCOME		23,427	24,545
EXPENSES			
Depreciation and amortisation	8	4,790	4,716
Property outgoing		1,049	1,080
Rates and taxes		645	594
Responsible Entity fees		1,097	1,292
Repairs and maintenance		913	1,023
Insurance		330	323
Other expenses from ordinary activities		768	735
TOTAL EXPENSES		9,592	9,763
RESULTS FROM OPERATING ACTIVITIES		13,835	14,782
Finance costs attributable to unitholders			
Interest expense on financial liabilities measured at amortised cost		1,018	1,347
TOTAL FINANCE COSTS		9	7,427
PROFIT FOR THE YEAR		6,408	6,718
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		—	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6,408	6,718
Basic and diluted earnings per unit (cents)	24	25.7	27.0
MEMORANDUM NOTE			
Profit before finance costs attributable to unitholders		12,817	13,435

* refer note 2(e) for details regarding the change in accounting policy.

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

	Issued units	Distribution account	Undistributed income	Asset revaluation surplus	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1 JANUARY 2008	85,051	3,657	2,876	61,452	(82,333)	70,703
Effects of change in accounting policy*	—	(313)	1,990	(61,452)	490	(59,285)
1 JANUARY 2008 restated*	85,051	3,344	4,866	—	(81,843)	11,418
Total comprehensive income for the period	—	—	—	—	6,718	6,718
Transfer to distribution account	—	5,235	—	—	(5,235)	—
Transfer to undistributed income	—	—	1,483	—	(1,483)	—
Distributions paid	—	(5,755)	—	—	—	(5,755)
31 DECEMBER 2008*	85,051	2,824	6,349	—	(81,843)	12,381
1 JANUARY 2009	85,051	2,824	6,349	—	(81,843)	12,381
Total comprehensive income for the period	—	—	—	—	6,408	6,408
Transfer to distribution account	—	5,542	—	—	(5,542)	—
Transfer to undistributed income	—	—	866	—	(866)	—
Distributions paid	—	(5,018)	—	—	—	(5,018)
31 DECEMBER 2009	85,051	3,348	7,215	—	(81,843)	13,771

* refer note 2(e) for details regarding the change in accounting policy.

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

STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

	Note	Dec 2009 \$'000	Dec 2008 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		25,596	26,548
Cash payments in the course of operations		(7,419)	(7,427)
Interest received		327	293
Interest and other finance costs paid		(1,045)	(1,356)
NET CASH FROM OPERATING ACTIVITIES	20(b)	17,459	18,058
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(3,486)	(3,722)
Proceeds from disposal of property, plant and equipment		132	4
NET CASH FROM INVESTING ACTIVITIES		(3,354)	(3,718)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(5,000)	—
Distributions paid (equity portion and liability portion)		(12,201)	(11,952)
NET CASH FROM FINANCING ACTIVITIES		(17,201)	(11,952)
Net increase/(decrease) in cash held		(3,096)	2,388
Cash and cash equivalents at 1 January		6,587	4,199
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	20(a)	3,491	6,587

The statement of cash flows is to be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

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 board of directors of the Responsible Entity on 22 February 2010.

(b) Basis of measurement

The financial report is prepared on the historical cost basis.

(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.

(e) Changes in accounting policies

(i) Accounting for buildings and integral plant

Effective 1 January 2009 building and integral plant are measured at cost (based on deemed cost at IFRS transition date of 1 January 2004). Previously, building and integral plant (the 'building') was shown at fair value based on an allocation of the casino complex's periodic external independent valuations to the building, less subsequent depreciation. As the independent valuation of the casino complex did not assign separate values to the building, site lease, licences and plant and equipment, the Trust previously allocated the valuation after deducting the carrying value of plant and equipment, proportionately to the site lease and licences (up to a maximum of their amortised costs) and building based on their written down values prior to the revaluations.

Cash flows from the individual components of The Reef Hotel Casino complex are integrally linked. Accordingly, the directors consider the change in accounting policy from fair value to cost provides more reliable and relevant information about the individual components of the casino complex recognised in the financial statements as there are no longer significant judgements required to allocate the overall value of the complex.

2. Basis of preparation (cont)

(e) Changes in accounting policies (cont)

(i) Accounting for buildings and integral plant (cont)

When considering the Trust's previous accounting policy for the valuation of the building, the directors were concerned the significant judgement required to allocate the independent valuation for the complex to the individual components of the complex may have overstated the value of the building in prior years. However, the directors consider it impracticable to determine, and retrospectively adjust for, any possible overstatement. As the change in accounting policy to cost has been recognised retrospectively and comparatives have been restated, any possible overstatement of buildings in prior years is included within the total adjustment set out below. The change in accounting policy had the following impact on the financial statements:

31 December 2008

- Decrease in depreciation and amortisation expense for the year ended 31 December 2008 of \$1,259,000
- Decrease in property, plant and equipment at 31 December 2008 of \$57,713,000
- Decrease in asset revaluation reserve at 31 December 2008 of \$61,452,000
- Decrease in accumulated losses at 31 December 2008 of \$490,000
- Increase in undistributed income at 31 December 2008 of \$3,249,000
- Increase in accrued distributions at 31 December 2008 of \$314,000
- Decrease in distribution account at 31 December 2008 of \$314,000

The net impact of the change in accounting policy on the Trust's profit for the year ended 31 December 2008 was an increase of \$630,000.

The change in accounting policy had a positive impact of 2.6 cents per security on basic and diluted earnings per share for the year ended 31 December 2008.

1 January 2008

- Decrease in property, plant and equipment at 1 January 2008 of \$58,972,000
- Decrease in asset revaluation reserve at 1 January 2008 of \$61,452,000
- Decrease in accumulated losses at 1 January 2008 of \$490,000
- Increase in undistributed income at 1 January 2008 of \$1,990,000
- Increase in accrued distributions at 1 January 2008 of \$313,000
- Decrease in distribution account at 1 January 2008 of \$313,000

It is impracticable to quantify the effects of the change in the accounting policy on the current year as an independent valuation of the individual components of the casino complex has not been obtained.

(ii) Operating segments

As of 1 January 2009 the Trust determines and presents operating segments based on the information that internally is provided to the board. This change in accounting policy is due to the adoption of AASB 8 Operating Segments. Previously operating segments were determined and presented in accordance with AASB 114 Segment Reporting. Adoption of AASB 8 did not have any effect on the financial position or performance of the Trust, however it has caused the Trust to revise its segment reporting.

(iii) Presentation of financial statements

The Trust applies revised AASB 101 *Presentation of Financial Statements (2007)*, which became effective 1 January 2009. As a result, the Trust presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. The change in accounting policy only impacts presentation aspects.

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 assets

The Trust initially recognises trade and other receivables and cash and cash equivalents on the date that they are originated.

The Trust derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Trust is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Trust has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. 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 statement of cash flows.

(ii) Non-derivative financial liabilities

The Trust initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Trust becomes a party to the contractual provisions of the instrument. The Trust derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Trust has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables.

Such financial liabilities are recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

(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. The liability component is measured at amortised cost using the effective interest method. 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.

3. Significant accounting policies (cont)

(b) Site lease – rental in advance

The Trust paid \$53 million to the Queensland Government by way of a lump sum prepayment of the rental payable for the term of the lease for the site on which The Reef Hotel Casino complex is situated. This payment is accounted for as a prepayment of rent which is being amortised over the life of the lease.

(c) Property, plant and equipment

(i) Recognition and measurement

Buildings, integral plant, and plant and equipment are measured at cost or deemed cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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 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 each annual reporting date.

(d) 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 calculated over the cost of the asset, less its residual value.

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

Amortisation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(e) Impairment

(i) Financial assets (including receivables)

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.

3. Significant accounting policies (cont)

(e) Impairment (cont)

(i) Financial assets (including receivables) (cont)

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Trust on terms that the Trust would not consider otherwise, indications that a debtor will enter bankruptcy.

The Trust considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Trust uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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. Losses are recognised in profit or loss and reflected in an allowance account against receivables.

(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.

(f) 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.

3. Significant accounting policies (cont)

(g) Revenue

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).

(h) 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.

(i) Finance income and finance costs

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

Finance costs comprise interest expense on borrowings calculated using the effective interest method, and the portion of distributions comprising 50% of net income (note 3(a)(iii)).

(j) 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 (as defined in the Trust Constitution), 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.

(k) 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 unitholders each year. Tax allowances for building and plant and equipment depreciation are distributed in the form of tax deferred benefits.

At 31 December 2009, carried forward losses available to offset future assessable income of the Trust amounted to \$10 million (2008: \$21 million).

(l) 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 Australian Taxation Office (ATO). 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.

3. Significant accounting policies (cont)

(m) 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.

(n) Segment reporting

An operating segment is a component of the Trust that engages in business activities from which it may earn revenues and incur expenses. The Trust determines and presents operating segments based on the information that internally is provided to the board.

(o) 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 2009, but have not been applied in preparing this financial report.

Application date 1 January 2010

- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments are not expected to have a significant impact on the financial statements.

Application date 1 January 2013

- AASB 9 *Financial Instruments*, published on 7 December 2009, is part of phase I of the IASB's comprehensive project to replace IAS 39. It deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements of AASB 139 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised costs and fair value. The standard eliminates the existing AASB 139 categories of held to maturity, available for sale and loans and receivables. The Trust has not evaluated the potential effect of this standard. Given the nature of the Trust's operations, this standard is not expected to have a significant impact on the Trust's financial statements.

4. Determination of fair values

A number of the Trust's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment, site lease and licences

The Trust Constitution requires the Trust to obtain independent valuations of the complex at least once during every 3 years. The valuation is used for disclosure purposes, and also assists the Trust in determining whether there is any impairment of the cash generating unit (note 3(e)(ii)).

4. Determination of fair values (cont)

(i) Property, plant and equipment, site lease and licences (cont)

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

it 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.

(ii) Current receivables

Due to the short-term nature of the Trust's current receivables, their carrying value is assumed to approximate their fair value.

(iii) Non-current receivables

The fair value of the Trust's non-current receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(iv) Current payables

Due to the short-term nature of the Trust's current payables, their carrying value is assumed to approximate their fair value.

(v) Loans and borrowings

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Financial risk management

The Trust has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, and market risk.

This note presents information about the Trust's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and its management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The board has overall responsibility for the establishment and oversight of the risk management framework. The board has established a Compliance, Audit and Risk Committee, with responsibilities including the review of risk management policies and reports. The committee reports regularly to the board on its activities.

Credit risk

Credit risk is the risk of financial loss to the Trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Trust's receivables from customers. There is a significant concentration of credit risk in so far as the Trust receives rental income from one complex, The Reef Hotel Casino.

5. Financial risk management (cont)

Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Trust's approach to managing liquidity is to use cash flow management and forecasts to ensure there is enough cash to meet liabilities when due. In addition to maintaining sufficient liquid assets to meet short-term payments, at balance date, the Trust has \$7 million (2008: \$2 million) of unused credit facilities available for its immediate use.

Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Trust's income. The Trust manages 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.

Capital management

The Trust policy is to maintain the current level of issued units (\$170,102,000; 2008: \$170,102,000) plus an interest only loan facility (\$16,500,000; 2008: \$16,500,000). Should new funding be required for enhancement or for investment in new opportunities the Trust will consider an appropriate balance of new equity and/or debt funding. Should surplus funds arise, some repayment of debt will also be considered.

The board sets the level of distributions to unitholders taking into account the requirements of the Trust Constitution which require that the Trust must distribute at least 50% of net distributable income for each half yearly period commencing either on the first day of January or July. 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.

	Dec 2009	Dec 2008 restated
	\$'000	\$'000
6. Revenue		
REVENUE		
<i>Rental</i>		
Base rent	934	896
Contingent rent	22,011	23,280
	22,945	24,176
<i>Interest received and receivable from</i>		
Other persons	223	242
Related parties	68	84
	291	326
<i>Other revenue</i>		
Sundry	58	39
	23,294	24,541

7. Other income

Net gain on disposal of plant and equipment	128	—
Government grants	5	4
	133	4

8. Expenses

Net profit includes the following specific expenses:

<i>Depreciation</i>		
Building	1,730	1,662
Plant and equipment	2,286	2,268
	4,016	3,930
<i>Amortisation</i>		
Computer software	67	80
Site lease – rental in advance	707	706
	774	786
	4,790	4,716
Net loss on disposal of plant and equipment	—	31

Dec 2009	Dec 2008 restated
\$'000	\$'000

9. Finance income and expense

Recognised in profit or loss

Interest income on bank deposits	223	242
Interest income on loans and receivables	68	84
FINANCE INCOME	291	326
Interest expense on financial liabilities measured at amortised cost	(1,018)	(1,347)
Finance costs attributable to unitholders	(6,409)	(6,717)
FINANCE EXPENSE	(7,427)	(8,064)
NET FINANCE INCOME AND EXPENSE	(7,136)	(7,738)

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	291	326
Total interest expense on financial liabilities	(7,427)	(8,064)

10. Receivables

CURRENT

Rent receivable from lessee	1,749	1,974
Other debtors	46	73
	1,795	2,047

NON-CURRENT

Loans to lessee, bearing an interest rate of 9.64% (2008: 9.89%)	750	750
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	Building & Integral Plant \$'000	Plant & Equipment \$'000	Total \$'000
11. Property, plant and equipment			
AT 1 JANUARY 2008*			
At cost or deemed cost	66,802	51,406	118,208
Accumulated depreciation	(6,568)	(43,833)	(50,401)
Net carrying amount	60,234	7,573	67,807
YEAR ENDED 31 DECEMBER 2008*			
Opening net carrying amount	60,234	7,573	67,807
Additions	2,137	2,161	4,298
Disposals	(19)	(16)	(35)
Depreciation charge	(1,662)	(2,268)	(3,930)
Closing net carrying amount	60,690	7,450	68,140
AT 31 DECEMBER 2008*			
At cost or deemed cost	68,919	52,080	120,999
Accumulated depreciation	(8,229)	(44,630)	(52,859)
Net carrying amount	60,690	7,450	68,140
YEAR ENDED 31 DECEMBER 2009			
Opening net carrying amount	60,690	7,450	68,140
Additions	382	2,699	3,081
Disposals	—	(4)	(4)
Depreciation charge	(1,730)	(2,286)	(4,016)
Closing net carrying amount	59,342	7,859	67,201
AT 31 DECEMBER 2009			
At cost or deemed cost	69,301	54,424	123,725
Accumulated depreciation	(9,959)	(46,565)	(56,524)
Net carrying amount	59,342	7,859	67,201

* restated, refer note 2(e) for details regarding the change in accounting policy.

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 2009. The Trust's interest in the complex, which is considered to be a cash generating unit, comprises the building, site lease, casino licence and plant and equipment. The complex was valued at \$143 million (with no residual value). The site lease is classified as a prepayment (note 13). The casino licence has an amortised cost of nil (2008: nil).

	Dec 2009	Dec 2008 restated
	\$'000	\$'000

11. Property, plant and equipment (cont)

Capital expenditure commitments

Contracted but not provided for and payable:

Not longer than one year	315	924
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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	958	934
Between one and five years	3,830	3,736
More than five years	1,037	1,946
	5,825	6,616

The casino, hotel and ancillary facilities leases to the lessee 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.

12. Intangible assets

COMPUTER SOFTWARE

AT 1 JANUARY

At cost	463	428
Accumulated depreciation	(348)	(268)
Net carrying amount	115	160

YEAR ENDED 31 DECEMBER

Opening net carrying amount	115	160
Additions	81	35
Amortisation charge	(67)	(80)
Closing net carrying amount	129	115

AT 31 DECEMBER

At cost	544	463
Accumulated depreciation	(415)	(348)
Net carrying amount	129	115

	Dec 2009	Dec 2008 restated
	\$'000	\$'000
13. Site lease – rental in advance		
Original cost	53,000	53,000
Less: Accumulated amortisation	(11,335)	(10,628)
	41,665	42,372
Site lease as shown in the financial statements:		
<i>Current</i>	706	706
<i>Non-current</i>	40,959	41,666
Total site lease – rental in advance	41,665	42,372

At 31 December 2009, the remaining term of the site lease was 59 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.

14. Payables

CURRENT		
Trade creditors and accruals – unsecured	1,493	2,129
Accrued distributions (note 18)	3,126	3,899
	4,619	6,028

15. 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 25.

	Nominal Interest rate	Year of maturity		
NON-CURRENT				
Bank loan – Bank of Queensland Limited	7.52%	2012	11,500	16,500

The nominal interest rate for 2008 was 6.97%.

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% (2008: 7.99%) for \$8,250,000 and at a fixed margin over Bank of Queensland's cost of funds for \$3,250,000 (2008: \$8,250,000).

	Dec 2009 \$'000	Dec 2008 restated \$'000
16. Deferred income		
Government grant	90	51

17. Issued units

49,801,036 (December 2008: 49,801,036) units		
Issued units – equity portion	85,051	85,051
Issued units – liability portion	85,051	85,051
	170,102	170,102

The number of issued units includes 740,000 (December 2008: 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.

18. 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 statement of financial position (note 14).

The proposed distribution for the six months ended 31 December 2009 was declared on 22 February 2010, and accounted for as follows:

DISTRIBUTION ACCOUNT (refer to statement of changes in equity)		
Balance relating to issued units – equity portion	3,348	2,824
ACCRUED DISTRIBUTION (payables – note 14)		
Balance relating to issued units – liability portion	3,126	3,899
TOTAL OF DISTRIBUTION ACCOUNTS	6,474	6,723

	Dec 2009		Dec 2008	
	Total \$'000	Cents per unit	Total \$'000	Cents per unit
<i>Distributions paid and payable</i>				
Half year ended 30 June paid September	5,478	11.00	5,229	10.50
Half year ended 31 December paid/payable March	6,474	13.00	6,723	13.50
	11,952	24.00	11,952	24.00

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

Dec 2009	Dec 2008 restated
\$'000	\$'000

19. Segment information

The Trust has a single operating segment. Revenue from external customers is derived from the rental of The Reef Hotel Casino complex, which is made up of the following components:

RENTAL INCOME		
Casino operations	20,562	21,591
Hotel and other non casino operations	2,383	2,585
	22,945	24,176

Rental income is received from the lessee of the complex, Casinos Austria International (Cairns) Pty Ltd, which is the Trust's only customer. All revenue received and non-current assets held are located in one geographical area – Australia.

20. (a) Cash and cash equivalents

Cash (held in interest bearing accounts, at call)	2,491	1,087
Bank short term deposits	1,000	5,500
	3,491	6,587

20. (b) Reconciliation of cash flows from operating activities

PROFIT FOR THE YEAR	6,408	6,718
ADJUSTMENTS FOR:		
Loss/(profit) on sale of property, plant and equipment	(128)	31
Finance costs attributable to unitholders	6,409	6,717
Depreciation and amortisation	4,790	4,716
NET CASH FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	17,479	18,182
Changes in operating assets and liabilities		
(Increase)/decrease in receivables and other assets	253	(126)
(Increase)/decrease in payables	(312)	(10)
Increase/(decrease) in deferred income	39	12
NET CASH FROM OPERATING ACTIVITIES	17,459	18,058

21. 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.

Key Management Personnel

	Short-term Salary & Fees \$	Post-employment Superannuation Benefits \$	Total \$
2009			
Non-executive directors			
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 (resigned 07/05/2009)	—	—	—
Josef Leutgeb	—	—	—
Louise Daley (appointed 25/06/2009)	—	—	—
Executive director			
Allan Tan (Chief Executive Officer - Operator)	70,842	—	70,842
Executive			
Alison Galligan (Company Secretary)	83,733	—	83,733
Total	327,575	8,820	336,395
2008			
Non-executive directors			
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 director			
Allan Tan (Chief Executive Officer - Operator)	59,543	—	59,543
Executive			
Alison Galligan (Company Secretary)	82,259	—	82,259
Total	314,802	8,820	323,622

21. Related party information (cont)

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 has no employees and pays no amounts directly to executives. The amounts disclosed above have been reimbursed by the Trust to Casinos Austria International Limited, the employer of executives involved in the management of the Trust. 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.

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
Including directors who left the board during the year			
Benjamin Macdonald	263,750	—	263,750
Keith De Lacy	5,000	—	5,000
Julian Hercus	250,000	—	250,000
Paul Herzfeld	—	—	—
David Baffsky	—	—	—
Michael Issenberg	221,000	—	221,000
Kim Mooney	122,583	—	122,583
Allan Tan	—	—	—
Josef Leutgeb	—	—	—
John Hickey (resigned 07/05/2009)	100,000	—	100,000
Louise Daley (appointed 25/06/2009)	—	—	—

Responsible Entity's remuneration

	Transaction value		Balance outstanding	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008
	\$	\$	\$	\$
Fees paid or payable by the Trust to Reef Corporate Services Limited during the year				
Responsible Entity fee	1,096,562	1,292,027	546,235	647,091
Reimbursement of trust expenses	55,040	41,999	—	—

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

21. Related party information (cont)

Other related parties

- Casinos Austria International Limited and Accor Casino Investments (Australia) Pty Limited jointly own the lessee.
- 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) is incorporated in Austria and directly owns 11.37% 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.

	Transaction value		Balance outstanding	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008
	\$	\$	\$	\$
Aggregate amounts brought to account in relation to transactions with other related parties:				
Rental income received from lessee	22,945,386	24,175,089	1,742,509	1,967,768
Interest on loan to lessee	67,905	83,604	6,141	6,300
Operating expenses paid by the Trust to the lessee and entities related to the Responsible Entity	2,167,959	2,386,202	166,406	268,826
Management fee to lessee	155,458	155,754	38,864	38,938
Distribution paid or payable	8,601,291	8,527,832	4,659,032	4,796,906
Aggregate amounts receivable/payable with related parties at balance date:				
Current receivables			1,748,650	1,974,068
Non-current receivables			750,000	750,000
Current payables			751,505	954,856
Accrued distribution			2,303,437	2,864,812

All of the above transactions were conducted under normal commercial terms and conditions, and where applicable, in accordance with lease agreements.

Controlling entity

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

22. Remuneration of auditors

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

	Dec 2009	Dec 2008
	\$	\$
<i>KPMG</i>		
Audit of statutory financial reports	56,304	49,950
Other assurance services	18,110	17,400
	74,414	67,350

23. Contingent liabilities and contingent assets

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

24. Earnings per unit

	Dec 2009	Dec 2008 restated
Basic and diluted earnings per unit (cents)	25.7	27.0
<i>Weighted average number of units (equity portion) for the year</i> (note 3(a) and note 17)	24,900,518	24,900,518
	\$'000	\$'000
Profit for the year	6,408	6,718

25. Financial instruments

Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Trust's most significant customer, Casinos Austria International (Cairns) Pty Ltd, accounts for \$2,499,000 of the receivables carrying amount at 31 December 2009 (2008: \$2,724,000).

There is no collateral held as security or any other credit enhancements (2008: nil). None of the Trust's receivables are past due, and therefore, no impairment required (2008: nil). There are no significant financial assets that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired (2008: nil).

25. Financial instruments (cont)

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	Over 5 years \$'000
31 DECEMBER 2009						
NON DERIVATIVE						
FINANCIAL LIABILITIES						
Trade creditors and accruals	1,493	(1,493)	(1,493)	—	—	—
Accrued distribution	3,126	(3,126)	(3,126)	—	—	—
Bank borrowings	11,500	(19,095)	(865)	(865)	(17,365)	—
Issued units – liability portion*	85,051	—	—	—	—	—
31 DECEMBER 2008						
NON DERIVATIVE						
FINANCIAL LIABILITIES						
Trade creditors and accruals	2,129	(2,129)	(2,129)	—	—	—
Accrued distribution	3,899	(3,899)	(3,899)	—	—	—
Bank borrowings	16,500	(21,100)	(1,150)	(1,150)	(18,800)	—
Issued units – liability portion*	85,051	—	—	—	—	—

* Future cash flows from the liability portion of issued units are dependent on the future income of the Trust (refer to note 3(a)(iii)). Finance costs attributable to unitholders for the year ended 31 December 2009 totalled \$6,409,000 (2008: \$6,717,000).

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Interest rate risk

At the reporting date the interest rate profile of the Trust's interest-bearing financial instruments was:

	Dec 2009 \$'000	Dec 2008 \$'000
<i>Fixed rate instruments</i>		
Financial liabilities	(8,250)	(8,250)
	(8,250)	(8,250)
<i>Variable rate instruments</i>		
Financial assets	4,241	7,337
Financial liabilities	(3,250)	(8,250)
	991	(913)

25. Financial instruments (cont)

Fair value sensitivity analysis for fixed rate instruments

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.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased or decreased the Trust's finance income by \$42,000 (2008: \$66,000), finance costs by \$37,000 (2008: \$74,000) and profit for the year by \$5,000 (2008: \$8,000).

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	31 December 2009		31 December 2008 restated	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<i>Assets carried at amortised cost</i>				
Cash and cash equivalents	3,491	3,491	6,587	6,587
Receivables	2,545	2,545	2,797	2,797
	6,036	6,036	9,384	9,384
<i>Liabilities carried at amortised cost</i>				
Payables	4,619	4,619	6,028	6,028
Loans and borrowings	11,500	11,583	16,500	16,779
Issued units – liability portion*	85,051	48,058	85,051	47,311
	101,170	64,260	107,579	70,118

* Fair value of issued units – liability portion is based on the quoted market price per unit at the reporting date.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows are as follows:

	2009	2008
Receivables	9.64%	9.89%
Loans and borrowings	6.60%	5.95%


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 that are contained on pages 16 to 41, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Trust's financial position as at 31 December 2009 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2; and
 - (c) 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 directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 31 December 2009.

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



Ben Macdonald
Director



Keith De Lacy
Director

Brisbane
22 February 2010

INDEPENDENT AUDITOR'S REPORT

to the unitholders or Reef Casino Trust



We have audited the accompanying financial report of Reef Casino Trust (the Trust), which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, and a summary of significant accounting policies and other explanatory notes and the directors' declaration set out on pages 16 to 42.

Directors' responsibility for the financial report

The directors of the Responsible Entity, Reef Corporate Services Limited, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Trust's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's 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 2009 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2; and
- (c) other mandatory professional reporting requirements in Australia.



KPMG



Graham Coonan
Partner

Cairns
22 February 2010

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 2009 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.

A handwritten signature in black ink, appearing to be 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to be 'Graham Coonan'.

Graham Coonan
Partner

Cairns
22 February 2010

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.

The following statement is by reference to the revised Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council in August 2007 and illustrates that 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 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 our website www.reefcasino.com.au/trust/home.htm

Principle1: Lay solid foundations for management and oversight

Reef Corporate Services Limited is jointly owned by Casinos Austria International Limited (CAIL) and Accor Casino Investments (Australia) Pty Ltd (Accor) 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 and management are set out in the board charter which is available on www.reefcasino.com.au/trust/home.htm

The board's role includes:

- Final approval of the strategic plans of the lessee
- Final approval of the annual budgets including capital expenditure of the Trust and lessee
- 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
- Considering the competencies of directors, board succession plans and board evaluations
- Reviewing the remuneration framework for directors

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

The board continuously reviews the performance of executive management. For the CEO, an annual review is done by the Chairman against agreed performance targets. For the Company Secretary an annual review is done by the CEO against agreed performance targets. The reviews for the year ended 31 December 2008 were conducted as described. The reviews for the year ended 31 December 2009 will be completed following the finalisation of the annual results for the Trust.

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 skills, experience and expertise 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 Responsible Entity 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 CAIL and Accor and requires directors to be appointed as follows:

- two directors appointed by the unitholders – Mr De Lacy and Mr Hercus, who are considered independent following review of their annual independence declarations against the criteria for independence set out in the board charter; and
- three directors appointed by CAIL – Mr Macdonald, Mr Herzfeld and Mr Tan, who are not considered independent; and

- three directors appointed by Accor – Mr Issenberg, Mr Mooney and Mr Baffsky, who are not considered independent.

Materiality is assessed on a case-by-case basis and having regard to each director's individual circumstances. No director is a professional adviser, supplier or customer of the Trust or Responsible Entity.

The board composition also reflects the majority ownership of the Trust by CAIL and Accor. A description of the structure of the board including appointment of directors is included in the board charter which is available on www.reefcasino.com.au/trust/home.htm

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

- the interests 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 interests of the members of the Company except to the extent those interests conflict 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 and the current composition does not affect the proper functioning of the board. It is complimented by the Compliance, Audit and Risk Committee which comprises a majority of independent directors.

Each director is able to seek independent professional advice at the Trust's expense, with prior approval of 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 Responsible Entity does not comply with ASX Recommendation 2.2:

The chair should be an independent director. The Chairman, Mr Benjamin Macdonald is appointed as a director by CAIL 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.

The Trust has no Chief Executive Officer, although similar roles are carried out by the Chief Executive Officer of the lessee, Mr Allan Tan. These functions have always remained separate from the functions performed by the Chairman as are set out in the board charter.

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 Minister responsible for the administration of the Casino Control Act 1982 (Queensland). The Responsible Entity 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. Instead considering the competencies of directors, board succession plans and board evaluations is performed by the full board as set out in the board charter.

The board continuously reviews its performance. On an annual basis the Chairman leads a formal discussion during a board meeting on the performance of the board, the Compliance, Audit and Risk Committee and the directors. This was held on 26 November 2009.

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 3: Promote ethical and responsible decision making

Code of Conduct

The board has established a Code of Conduct which applies to all employees and directors of the Responsible Entity, the Trust and the lessee. The Code of Conduct is available at www.reefcasino.com.au/trust/home.htm The Code of Conduct includes the practices necessary to maintain confidence in the integrity of the Responsible Entity, the Trust and the operator and covers conflicts of interest, insider trading, confidentiality, privacy, treatment of others, political contributions and gambling at The Reef Hotel Casino. It also sets out the practices necessary to ensure compliance with legislation relevant to an employee's responsibilities. Employees are encouraged to report any actual or potential breaches of the code to management or the board without fear of retribution in accordance with the whistleblowers policy.

Unit trading policy

The board has established a unit trading policy which applies to Directors and Officers of Reef Corporate Services Limited and extends to senior managers of The Reef Hotel Casino and is available at www.reefcasino.com.au/trust/home.htm

The policy

- Prohibits trading whilst in possession of price sensitive information which is not generally available to the market.
- Requires prior discussion of any trade
- Provides that unless there are unusual circumstances, directors and officers should avoid seeking approval to 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.

Principle 4: Safeguard integrity in financial reporting

Compliance, Audit and Risk Committee

The board has established a Compliance, Audit and Risk Committee which complies with ASX Recommendation 4.2. with the following members:

	*Meetings Attended
Mr Keith De Lacy (Chair) Independent, non-executive director	4
Mr Julian Hercus Independent, non-executive director	4
Mr Kim Mooney Non-executive director	1
Mr R John Hickey Alternate for Mr Mooney until 7 May 2009	1
Ms Louise Daley Alterate for Mr Mooney from 7 July 2009	2

*4 meetings held during the year

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

The Committee charter is available from 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, as well as the Company's annual financial report and Australian Financial Services Licence (AFSL) audit requirements

- Reviewing the performance, independence and timing of rotation of the external auditor
- 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
- Performing the functions of a compliance committee identified in the Corporations Act and Compliance Plan
- Reviewing the risk management plan and policy and keeping the board informed of material business risks
- Reviewing reports from management on the effectiveness of the management of material business risks
- Reviewing the external audit reports and any findings in respect of any breaches or weaknesses in internal controls relating to the compliance plan, Trust bank account, AFSL and any other external audit reports relating to risk management and consider the adequacy of management's planned corrective action
- Considering the need for internal audit

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 Committee Charter includes procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners. The external auditor KPMG, has a process for rotating audit partners in accordance with the Corporations Act.

Principle 5: Make timely and balanced disclosure

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 www.reefcasino.com.au/trust/home.htm

The CEO has primary responsibility for making sure that the Responsible Entity complies with its disclosure obligations for the Trust. The Company Secretary is responsible for communications with the ASX.

Principle 6: Respect the rights of unitholders

The board has approved the following unitholder communications policy.

The board aims to ensure that the unitholders are informed of all major developments affecting the Trust's state of affairs.

Communication with unitholders occurs by a range of means:

- annual report and half year report available on the website, by email or by mail (on request);
- annual general meeting;
- website;
- through the unit registry (Computershare);
- ASX announcements; and
- other mail outs, eg. distribution statements, notice of meetings.

Annual general meeting

An Annual General Meeting (AGM) is convened each year, usually in May. The board encourages full participation of unitholders to ensure a high level of accountability.

A representative of the external auditor, KPMG, attends the AGM and is available to answer questions from unitholders concerning the audit. Transcripts of the Chairman's address are released to the ASX upon the commencement of the AGM.

Website

The website of the Trust is located at www.reefcasino.com.au/trust/home.htm

The website enables unitholders to obtain a range of information, and includes links to the unit registry and ASX as well as a copy of this Corporate Governance Statement.

Principle 7: Recognise and manage risk

The board has established a risk management policy for the oversight of material business risks which is available from www.reefcasino.com.au/trust/home.htm

The board has also adopted a risk management plan which sets out the detailed risk management process which is based on AS/NZS 4360: Risk Management and identifies the material business risks. The risk management plan has adopted the following risk categories:

- The Reef Hotel Casino complex
- Compliance risks, including the Australian Financial Services Licence (AFSL)
- Financial reporting risks

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, the Corporations Act, the AFSL and other material legislation and contracts. The compliance officers provide a written report to the Compliance, Audit and Risk Committee twice yearly regarding compliance with the plan. The external auditor, KPMG, conducts an annual audit of compliance with the compliance plan.

The board requires management to maintain risk registers and be responsible for ongoing identification, assessment, monitoring and management of risk and reporting to the board via the Compliance, Audit and Risk Committee on the effective management of the Responsible Entity's and Trust's material business risks by interim and final (coinciding with sign off of the annual financial statements) reports on the effectiveness of the Responsible Entity's management of the material business risks.

The board received and reviewed management's report on the effectiveness of the Responsible Entity's management of the material business risks for the year ended 31 December 2009.

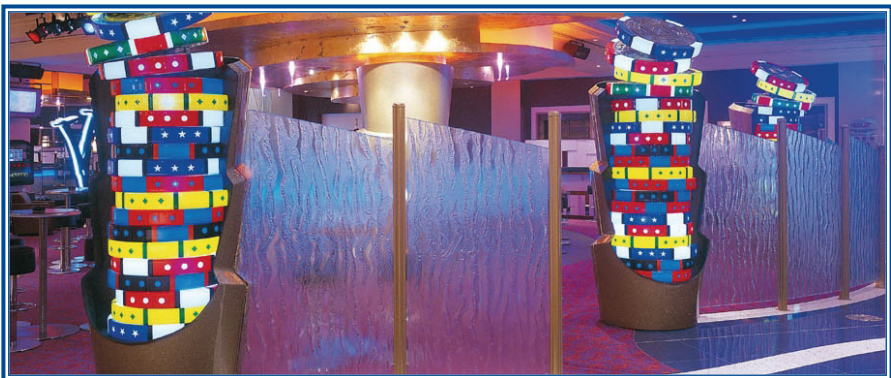
The board received the written assurance from the Chief Executive Officer of the lessee and the Company Secretary / Executive Manager Finance that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

Details of the directors' remuneration are set out in note 21 to the financial statements. The Trust pays directors fees only to non-executive directors who are not full time executives of Casinos Austria International 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 CAIL. The Trust reimburses a portion of the payroll related costs based on time spent on Trust management.

The Responsible Entity does not comply with ASX Recommendation 8.1: *The board should establish a remuneration committee.* 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 with the board charter (available on www.reefcasino.com.au/trust/home.htm) setting out the board's responsibility for reviewing the remuneration framework for directors. Independent advice is obtained, as needed, on the appropriateness of the directors' remuneration.

There are no equity based remuneration schemes in operation. No retirement benefits are payable to directors.



Vertigo Bar & Lounge

SECURITIES EXCHANGE INFORMATION

Substantial unitholders

Substantial unitholders as at 28 February 2010 are:

Unitholder	Number	%
Casinos Austria Group	20,916,908*	42.00
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 28 February 2010)

Range	Holders	Public Units	% Issued Capital
1 – 1,000	1,985	608,292	1.22
1,001 – 5,000	615	1,540,069	3.09
5,001 – 10,000	132	1,038,925	2.09
10,001 – 100,000	119	3,026,054	6.08
100,001 – and over	19	43,587,696	87.52
	2,870	49,801,036	100.00

The number of unitholders holding less than a marketable parcel of units (262 units) at 28 February 2010 was 1,106.

Restricted Founders units (as at 28 February 2010)

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%

Twenty largest unitholders of listed units (as at 28 February 2010)

Unitholder	Number of units	% of total units
Reef Casino Investments Pty Ltd	25,000,000	50.20
Casinos Austria International Holding GmbH	5,661,193	11.37
Casinos Austria International Limited	2,755,715	5.53
Accor Casino Investments (Australia) Pty Limited	2,421,803	4.86
RBC Dexia Investor Services Australia Nominees Pty Ltd <bkcust a/c>	2,064,727	4.15
Mr Gary Mauric	1,785,000	3.58
JP Morgan Nominees Australia Ltd	1,016,631	2.04
Mr Gary Mauric	395,000	0.79
Mr Frank McFadden	316,684	0.64
ANZ Nominees Limited <cash income a/c>	265,103	0.53
Greenwich Stud Pty Ltd	259,871	0.52
Julian Hercus & Associates Pty Ltd <super fund a/c>	250,000	0.50
Mrs Elspeth Macdonald	250,000	0.50
HSBC Custody Nominees (Australia) Limited	235,119	0.47
Mr Michael Issenberg	220,000	0.44
Mr Leslie Charles Smith	204,000	0.41
Cogent Nominees Pty Ltd	193,850	0.39
Mrs Rita Agata Mauric	150,000	0.30
Mr William Coates Gair & Mrs June Verna Gair	143,000	0.29
John Hickey Consultants Pty Ltd	100,000	0.20
	43,687,696	87.72

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

Directors of the Responsible Entity

Mr Benjamin W Macdonald (Chairman)
Hon Keith De Lacy
Mr Julian Hercus
Mr Paul Herzfeld
Mr David Baffsky (retired 11 March 2010)
Mr Michael Issenberg
Mr Kim Mooney
Mr Allan Tan

Alternate directors

Mr Allan Tan (alternate for Mr Macdonald)
Mr Josef Leutgeb (alternate for Mr Herzfeld)
Ms Louise Daley (alternate for Mr Issenberg
and Mr Mooney)

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
Ms Louise Daley (alternate for Mr Mooney)

Solicitors to the Responsible Entity

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

Unit registry

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

Bankers

Bank of Queensland Limited
259 Queen 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

MUST SEE MUST VISIT

Queensland's biggest and 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 530 gaming machines, 42 gambling tables, plus Club Privé, TAB and Keno. Open Monday – Thursday 9am - 3am and Friday – Sunday 9am - 5am.

Pullman Reef Hotel Casino

The Pullman Reef Hotel 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. Pullman facilities include swimming pool and spa, health club, shops and tour desk.



Indulge in the fusion of Asian and Western cuisine – a new and contemporary dining experience unique to Cairns.

Open daily 6pm - 10.30pm.



Start your day with a delicious 5 star breakfast buffet. Enjoy all day coffee, cakes & bar service until 4pm.



Choose from a great range of light meals, snacks and beverages. Great value – all meals \$12 and under.

Open during Casino operating hours.



Ultra modern bar with all your favourite drinks and cocktails. Great live entertainment on Tuesday through Sunday nights.

Open Tuesday to Sunday from 4pm until late.



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



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



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.



Night Club with live music and entertainment. Open Friday and Saturday nights until late. Monday to Saturday night enjoy "Xtreme Illusions", a spectacular live magic show.



Discover the rainforest in the heart of Cairns. A real wildlife experience! Open daily from 9am to 6pm



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.

MUST SEE MUST VISIT

Queensland's biggest and premier leisure & entertainment complex north of Brisbane



International Casino



Entertainment



Luxury Accommodation



Casino Table Games



Tamarind Restaurant

CASINOS AUSTRIA INTERNATIONAL

