

2005 ♦ Half Year Report

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REEF
CASINO TRUST

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Unit distribution

Six months to 30 June 2005 – 8.5 cents per unit tax deferred
 Payment date 23 September 2005

*Clockwise from left: Reef Casino Gaming Machines;
 Velvet Rope Showroom; Reef Casino Table Games*
*Back cover clockwise from left: Cairns Rainforest Dome;
 Sofitel Guest Suite; Tamarind Restaurant.*



Chairman's Review

Dear Unitholders,

On behalf of the Board of Reef Corporate Services Limited, I hereby present my half year review of the Reef Casino Trust (Trust) for the six months ended 30 June 2005.

The major highlights for the first half year were as follows.

- Underlying Trust operating profit and cash flows remained strong.
- The Trust declared a special distribution of 18 cents per unit, on a "tax deferred" basis paid on 29 July 2005.
- The Trust declared an increased interim distribution of 8.5 cents per unit, also on a "tax deferred" basis from out of the first half year profits. This is payable on 23 September 2005.

On the other hand, the legislative requirement for the Trust to adopt Australian Equivalents

to International Financial Reporting Standards (AIFRS) for the first time in the 30 June 2005 half year accounts has necessitated a not inconsiderable amount of management resources as well as legal, accounting and taxation advisory costs. Thankfully and hopefully, these will be one-off costs.

Underlying Trust profit remains strong

Due to the accounting impact (but no impact on the Trust's continuing generation of cash flows save for AIFRS implementation costs) of the first time adoption of AIFRS, the presentation of the Trust's profit statement for 2005 is different from that of 2004.

The following table highlights the main revenue and profit results of the respective first half years of 2004 and 2005 before the AIFRS adjustments.

Half Year Results

	2005 Before AIFRS \$'000	2004 Before AIFRS \$'000
Revenue		
Rental income	9,874	10,205
Other income	319	152
Total revenue	10,193	10,357
Total expenses	4,231	3,961
Underlying profit before AIFRS adjustments	5,962	6,396
Earnings per unit	12.0 cents	12.8 cents

Chairman's Review

Total Trust revenue was slightly lower (1.6%) than the same period last year. This was due to one-off restructuring costs incurred by the operator of The Reef Hotel Casino. Comments on the operations of The Reef Hotel Casino are set out below.

Recurring Trust operating costs were generally lower or held steady. In particular, borrowing costs were lower following a successful rate renegotiation with the Trust's lenders.

As mentioned earlier, a number of one-off costs were incurred in this first half at the Trust level. These are mainly expenses related to the adoption of AIFRS – asset valuation, legal, accounting and tax.

At the Trust's annual general meeting in May of this year, I informed unitholders that the Trust has decided not to pursue other hotel-casino opportunities for the time being because this would jeopardise the Trust's valuable tax benefits. Consequently, development costs incurred in investigating some possible hotel-casino opportunities were expensed in this period.

Special distribution of 18 cents per unit

At the annual general meeting of the Trust on 10 May 2005, the Trust announced a special distribution of 18 cents per unit on a "tax deferred" basis. This special distribution was paid on 29 July 2005. This special distribution reflects the growth in Trust profits and generation of cash flows over the last few years.

First half interim distribution increased to 8.5 cents

In addition to this special distribution, the Trust has also declared a first half year interim

distribution of 8.5 cents per unit payable on 23 September 2005. This payment is also on a "tax deferred" basis. This is 1.25 cents (or almost 20%) more than last year's interim distribution.

A more aggressive distribution policy means more cash income for unitholders

Since 1999, the Trust has had a track record of growing its unit distribution. In the next few years, the Trust intends to pursue a more aggressive unit distribution policy than before which will mean more cash income being distributed to unitholders.

Apart from profit, the actual distribution level would take into account other factors. These include capital investments for The Reef Hotel Casino complex located in Cairns, renewal and replacement of electronic gaming machines and other appropriate investments to drive up medium term revenue growth.

Trust balance sheet

The Trust balance sheet continues to be strong and healthy. The Trust's main asset, The Reef Hotel Casino complex, is in the accounts at \$132 million (revalued upwards as at June 2004). Total assets as at June 2005 stood at \$146 million.

The Trust's main liability is a bank loan which has been steadily reducing. At the end of the half year, the amount was \$17.75 million and is expected to be \$16.5 million at the end of the year.

Accounting Impact of AIFRS – but no impact on generation of cash flows

As all Australian companies and trusts must adopt AIFRS for financial years beginning on or after 1 January 2005, it is inevitable that

Chairman's Review

this adoption has impacted on the Trust's accounts. This also has the consequence of "distorting" the reported results.

The fact is that this has no impact on the Trust's continuing strong cash flows which is what really matters. Briefly the main accounting impacts are as follows.

In the income statement

- The Reef Hotel Casino complex building including the cost of the site lease (paid by the Trust prior to the complex's construction) is now required to be depreciated at a rate of approximately 2.2% per annum. Under the previous accounting rules, the building was an investment property and no building depreciation was required.

Up until 29 June 2005, the Trust Constitution provided for a specific "wind up" date for the Trust. On 29 June 2005 the Trust Constitution was amended such that there is now no specific "wind up" date. Consequently, for most of the period from 1 January 2005 to 30 June 2005, Trust profit had to be shown as a "financial cost" (due to unitholders) rather than as "profit". This has resulted in a reported Trust profit of nil under AIFRS.

From 1 July 2005 onwards, as the Trust Constitution provides for at least 50% of distributable profits to be distributed to unitholders, this portion of the distribution will be required to be shown above the net profit line as a "financial" cost rather than as a distribution of "profit".

In the balance sheet

- As a result of the liability to distribute at least 50% of the distributable profits, 50%

of issued units in the Trust are required under the new rules to be classified as "loans" from unitholders.

While the Board of the Responsible Entity does not necessarily agree with all aspects of the AIFRS requirements, we are obliged to adopt these legislated changes. Further information regarding these adjustments are contained in the notes to the accounts.

The Reef Hotel Casino

The first half year saw The Reef Hotel Casino further consolidate its position as the "biggest show in Cairns".

- The Reef Casino successfully optimised its casino opening hours and restructured rosters and staffing levels. The benefits are already being realised.
- The new Velvet Rope showroom and nightclub successfully staged its first cabaret style show on 29 July 2005, adding another major entertainment element to The Reef Hotel Casino complex. This new venue and show is the only entertainment of its kind in North Queensland.
- The Reef Casino also launched a new premium player program aimed at the North Asian market including Japan and mainland China.
- The complex implemented a new program of major promotions and entertainment across the complex in conjunction with major casino promotions.

This can be viewed against a number of economic factors.

- High fuel prices affecting the Cairns region general economy.

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- Consumer interest rate hike in the first quarter
- Some uncertainty as to global general economic and security climate

The Reef Hotel Casino complex attracted almost 610,000 visitors in the half year ended 30 June 2005, up 2.7%.

Electronic gaming turnover grew by 1.7% while main floor table gaming activity also grew by 8.2%. However, lower activity was recorded for "rated" table play.

Japanese in bound tourist arrivals to Australia and Cairns have declined in the first half year. The Reef Casino also experienced a softening of Japanese gaming activity. "Rated" Japanese players were fewer in number and consequently lower activity was recorded.

However, the Reef Casino's new premium player program is aimed at developing the Japanese and emerging China market over the next few years.

The Sofitel hotel accommodation occupancy was up slightly but average room rate improved by 6.5%.

Conference, food and beverage revenue posted gains over the same period last year.

In summary, the underlying net result remained solid during a period of further development, expansion and positioning of The Reef Hotel Casino complex as the major entertainment complex in Cairns.

Casino management is hopeful that these initiatives will soon start to grow the revenue base and are aimed at the Asian premium players who are increasing their patronage at the casino.

Expectations for the full year

We again expect that rental income in the second half will reflect the high season of Cairns and North Queensland. Consistent with this seasonality, July has been the strongest performing month so far this year.

The operator of The Reef Hotel Casino will be aiming to grow the business further with a targeted focus on electronic gaming and also to hopefully develop and realise the potential of the premium player market from North Asia.

The Trust should benefit from the work and costs incurred in the first half year by having already made the transition to AIFRS. Most of these one-off Trust costs are not expected to recur.

Although under the new accounting standards (AIFRS), the Trust has reported a lower profit in its financial statements for the first half year, the underlying profit for this period has remained strong.

For the full year, the new accounting standards will continue to apply and affect the financial statements. However, the underlying profit for the full year is expected to be at least equal to or better than 2004.

Finally, the Trust hopes to deliver on the more aggressive distribution policy to the benefit of all unitholders.



Ben Macdonald
Chairman

Reef Corporate Services Limited
Responsible Entity of Reef Casino Trust

Directors' Report

The Directors of Reef Corporate Services Limited, ABN 66 057 599 621, the responsible entity of Reef Casino Trust present their half year report together with the interim financial report of the Trust for the half year ended 30 June 2005 and the auditor's report thereon.

Responsible Entity

The Directors of Reef Corporate Services Limited during or since the end of the half year are:

Name	Period of directorship
Mr Benjamin W Macdonald (Chairman)	Director since 20 September 1995
Hon Keith De Lacy	Director since 1 December 1999
Mr Julian Hercus	Director since 31 October 2000
Mr Paul Herzfeld	Director since 23 February 2005
Mr Michael Issenberg	Director since 21 January 2002
Mr Kim Mooney	Director since 21 January 2002
Mr Allan Tan	Alternate director since 10 July 1997 (alternate for Mr Macdonald)
Mr Ronald John Hickey	Alternate director since 25 March 2003 (alternate for Mr Issenberg and Mr Mooney)
Mr Josef Leutgeb	Alternate director since 23 February 2005 (alternate for Mr Herzfeld)

Review of operations

The review of operations is contained in the Chairman's Review on pages 1 to 4.

Distribution

The distribution of \$3.98 million (8 cents per unit tax deferred) in respect of the six month period ended 31 December 2004 as reported in the 2004 annual report was paid on 29 March 2005.

The Directors have declared a distribution of \$4.23 million (8.5 cents per unit tax deferred) in respect of the six month period ended 30 June 2005 to be paid on 23 September 2005 (refer note 10). The distribution in respect of the six month period ended 30 June 2004 was 7.25 cents per unit tax deferred.

In addition a special distribution of \$8.96 million (18 cents per unit tax deferred) was declared on 10 May 2005 and paid on 29 July 2005 (refer note 10).

Directors' Report

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

The lead auditor's independence declaration is set out on page 7 and forms part of the directors' report for the half year ended 30 June 2005.

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 interim financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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



Ben Macdonald
Director



Keith De Lacy
Director

Brisbane
23 August 2005



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 half year ended 30 June 2005 there have been:

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

KPMG

Jillian Richards
Partner

Brisbane
23 August 2005

Income Statement

For the half year ended 30 June 2005

	Note	June 2005 \$'000	June 2004 \$'000
Revenue			
Rental income		9,874	10,205
Reversal of impairment	16	-	2,102
Other income	4	319	152
Total revenue		10,193	12,459
Expenses			
Depreciation and amortisation	5	(2,505)	(2,301)
Property outgoings		(454)	(392)
Rates and taxes		(273)	(261)
Responsible entity fees		(513)	(521)
Repairs and maintenance		(499)	(440)
Legal and consulting fees		(188)	(72)
Insurance		(183)	(202)
Other expenses from ordinary activities		(347)	(317)
Total expenses		(4,962)	(4,506)
Profit before finance costs			
Finance costs attributable to unitholders	17	(4,541)	-
Interest expense		(690)	(805)
Total finance costs		(5,231)	(805)
Profit after finance costs		-	7,148
Basic and diluted earnings per unit (cents)	15	-	14.4
Profit before finance costs attributable to unitholders, reversal of impairment, building depreciation and site lease amortisation		5,962	6,396
Earnings per unit before finance costs attributable to unitholders, reversal of impairment, building depreciation and site lease amortisation (cents)	15	12.0	12.8
Distributions			
<i>For the income period:</i>			
Issued units - equity portion	10	1,963	3,611
Issued units - liability portion	10	2,270	-
		4,233	3,611
<i>Special distribution</i>	10	8,964	-
		13,197	3,611

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

Balance Sheet

As at 30 June 2005

	Note	30 June 2005 \$'000	31 Dec 2004 \$'000
ASSETS			
Cash and cash equivalents		10,709	10,165
Receivables		2,018	1,873
Site lease - rental in advance	7	661	661
Total Current Assets		13,388	12,699
Receivables		750	750
Property, plant and equipment	6	90,512	92,059
Site lease - rental in advance	7	41,323	41,654
Total Non-current Assets		132,585	134,463
Total Assets		145,973	147,162
LIABILITIES			
Payables	8	3,218	1,444
Provision for special distribution		8,964	-
Interest bearing liabilities		2,500	2,500
Total Current Liabilities		14,682	3,944
Interest bearing liabilities		15,250	16,500
Issued units - liability portion	9	85,051	-
Total Non-current Liabilities		100,301	16,500
Total Liabilities		114,983	20,444
EQUITY			
Issued units - equity portion	9	85,051	170,102
Distribution account	10	1,963	3,984
Undistributed income		7,312	15,968
Asset revaluation reserve		21,767	21,767
Accumulated losses		(85,103)	(85,103)
Total Equity		30,990	126,718
Total Equity and Liabilities		145,973	147,162
Memorandum note - issued units			
Issued units - liability portion	9	85,051	-
Issued units - equity portion	9	85,051	170,102
		170,102	170,102

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

Cash Flow Statement

For the half year ended 30 June 2005

	Note	June 2005 \$'000	June 2004 \$'000
Cash Flows from Operating Activities			
Cash receipts in the course of operations		9,839	10,241
Cash payments in the course of operations		(2,637)	(2,347)
Interest received		304	100
Interest and other finance charges paid		(698)	(817)
Net cash provided by operating activities		6,808	7,177
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(1,041)	(757)
Proceeds from disposal of non-current assets		11	2
Net cash used in investing activities		(1,030)	(755)
Cash Flows from Financing Activities			
Repayment of borrowings		(1,250)	(1,250)
Distributions paid		(3,984)	(3,611)
Net cash used in financing activities		(5,234)	(4,861)
Net increase in cash held		544	1,561
Cash at the beginning of the financial period		10,165	4,122
Cash at the end of the financial period	12	10,709	5,683

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

Statement of Changes in Equity

For the half year ended 30 June 2005

	Issued units	Distrib- ution account	Undist- ributed income	Asset revalu- ation reserve	Accum- ulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1 January 2004	170,102	3,611	10,138	17,516	(87,035)	114,332
Net profit from ordinary activities	-	-	-	-	7,148	7,148
Distributions paid	-	(3,611)	-	-	-	(3,611)
Transfer to undistributed income	-	-	2,785	-	(2,785)	-
Transfer to distribution account	-	3,611	-	-	(3,611)	-
Revaluation of property, plant and equipment	-	-	-	4,251	-	4,251
30 June 2004	170,102	3,611	12,923	21,767	(86,283)	122,120
1 January 2005	170,102	3,984	15,968	21,767	(85,103)	126,718
Adjustment on adoption of AASB 132 (note 17)	(170,102)	(3,984)	(15,968)	(21,767)	85,103	(126,718)
Adjustment on change of trust constitution (note 17)	85,051	-	15,968	21,767	(80,562)	42,224
Net profit from ordinary activities before distributions (30 June 05)	-	-	-	-	-	-
Transfer to undistributed income	-	-	308	-	(308)	-
Special distribution from undistributed income (note 10)	-	8,964	(8,964)	-	-	-
Transfer to provision (note 10)	-	(8,964)	-	-	-	(8,964)
Transfer to distribution account (note 10)	-	4,233	-	-	(4,233)	-
Transfer to accrued liabilities (note 10)	-	(2,270)	-	-	-	(2,270)
30 June 2005	85,051	1,963	7,312	21,767	(85,103)	30,990

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

Notes to the Financial Statements

For the half year ended 30 June 2005

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, 31 May 2000, 8 August 2001, 14 April 2004 and 29 June 2005.

2. Statement of Significant Accounting Policies

(a) Basis of preparation

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting*, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The interim financial report does not include all the information required for a full annual financial report.

The preparation of an interim financial report in conformity with AASB 134: *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

This interim financial report has been prepared on the basis of Australian equivalents to International Financial Reporting Standards ("AIFRS") in issue that are effective or available for early adoption at the Trust's first AIFRS annual reporting date, 31 December 2005. Based on these AIFRSs, the Board of Directors have made assumptions about the accounting policies expected to be adopted (accounting policies) when the first AIFRS annual financial report is prepared for the year ended 31 December 2005.

The Australian Accounting Standards and UIG Interpretations that will be effective or available for voluntary early adoption in the annual financial statements for the period ended 31 December 2005 are still subject to change therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first AIFRS financial statements are prepared at 31 December 2005.

The interim financial report is to be read in conjunction with the most recent annual financial report, however, the basis of its preparation is different from that of the most recent annual financial report due to the first time adoption of AIFRSs. This report must also be read in conjunction with any public announcements made by Reef Casino Trust during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

(i) Statement of compliance

International Financial Reporting Standards ("IFRSs") form the basis of Australian Accounting Standards adopted by the AASB, being AIFRS. The interim financial report of the Trust also complies with IFRSs and interpretations adopted by the International Accounting Standards Board.

Notes to the Financial Statements

For the half year ended 30 June 2005

2. Statement of Significant Accounting Policies (continued)

(ii) Application of AASB 1: First Time Adoption of AIFRS

This is the Trust's first financial report prepared in accordance with AIFRS and AASB 1: *First Time Adoption of AIFRS* has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the Trust is provided in note 16. This note includes reconciliations of equity and profit or loss for comparative periods reported under Australian Generally Accepted Accounting Principles (AGAAP) to those reported for those periods under AIFRSs.

Financial statements of the Trust until 31 December 2004 had been prepared in accordance with AGAAP. AGAAP differs in certain respects from AIFRS. When preparing the Trust's interim financial report for the half year ended 30 June 2005, management has amended certain accounting policies applied in the AGAAP financial statements to comply with AIFRS. With the exception of AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement* relating to financial instruments, the accounting policies have been consistently applied to all periods presented and the comparative figures were restated to reflect these adjustments. The Trust has elected to apply the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 January 2005.

(iii) Historical cost convention

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

(iv) Presentation currency

The financial report is presented in Australian dollars.

(v) Authorised for issue

The interim financial report was authorised for issue by the directors of the responsible entity on 23 August 2005.

(b) Property, plant and equipment

(i) Owned assets

Buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

(ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Notes to the Financial Statements

For the half year ended 30 June 2005

2. Statement of Significant Accounting Policies (continued)

(b) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is charged to the income statement 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 in the current and comparative periods are as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Trust policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(iv) Revaluations

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

The Trust is required to assess the fair value of property, plant and equipment on an annual basis and determine whether there is any impairment (note 2(e)). However, an appraisal by a professional qualified valuer is only required if the fair value of an asset is materially different from the carrying value.

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

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

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

Notes to the Financial Statements

For the half year ended 30 June 2005

2. Statement of Significant Accounting Policies (continued)

(b) Property, plant and equipment (continued)

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

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

(c) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of receivables.

(d) Cash and cash equivalents

Cash and cash equivalents include cash balances, call deposits and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(e) Impairment

The carrying amounts of the Trust's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

(i) Calculation of recoverable amount

The recoverable amount of other assets is the greater of their fair value and value in use. 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Notes to the Financial Statements

For the half year ended 30 June 2005

2. Statement of Significant Accounting Policies (continued)

(e) Impairment (continued)

(i) Reversals of impairment

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) Issued units

(i) From 1 January 2004 to 31 December 2004

The Trust has elected to apply the exemption available under AASB 1: *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement* only from 1 January 2005. The Trust has applied AGAAP to the comparative information and therefore all issued units are classified as equity and distributions have been treated as equity.

Adjustments on the transition date of 1 January 2005 to comply with AASB 132 and AASB 139 are set out in note 17.

(ii) From 1 January 2005

The Trust had a fixed termination date creating a contractual obligation to unitholders. The Trust Constitution was amended on 29 June 2005 and the fixed termination date was removed.

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

The total distribution for an income period is determined in accordance with the Trust Constitution. From 29 June 2005, 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. Prior to 29 June 2005, the change in net assets attributable to unitholders is shown as a finance cost.

(g) Interest-bearing borrowings

Interest-bearing borrowings are recognised at cost less attributable transaction costs.

Notes to the Financial Statements

For the half year ended 30 June 2005

2. Statement of Significant Accounting Policies (continued)

(h) Trade and other payables

Trade and other payables are stated at cost.

(i) Revenue

Rent revenue is brought to account when earned and, if not received at balance date, is reflected in the balance sheet of the Trust as a receivable. Rent is determined in accordance with the lease agreements and is calculated based on the performance of the lessee.

Interest income is recognised in the income statement as it accrues, using the effective interest method.

(j) Expenses

All expenses are recognised in the income statement on an accrual basis.

(i) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, distributions, and changes in net assets attributable to unitholders. From 29 June 2005 (date the Trust Constitution was changed - see note 17), that portion of each distribution representing 50% of net income is classified as a liability (refer note 2(f)).

(k) Foreign exchange gains and losses

Included in the foreign exchange gain amount are net foreign exchange gains on monetary financial assets other than those classified at fair value.

(l) Loans and receivables

Loans and receivables are non derivative financial assets that are not quoted in an active market. The Trust has no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after balance sheet date which are classified as non-current assets and are included within receivables in the balance sheet.

(m) Income tax

Under current income tax legislation, the Trust is not subject to income tax, provided that the taxable income is able to be fully distributed to unit holders each year, and any taxable capital gain derived from the sale of an asset is fully distributed to unit holders. Tax allowances for building and plant and equipment depreciation are distributed in the form of tax deferred benefits.

(n) Goods and services tax

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



Notes to the Financial Statements

For the half year ended 30 June 2005

2. Statement of Significant Accounting Policies (continued)

(n) Goods and services tax (continued)

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 statement of financial position.

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. Revision of Estimates

Revision of useful lives of plant and equipment

During the year the estimated total useful lives of plant and equipment were revised. The net effect of the changes in the current half year was a decrease in depreciation expense of approximately \$230,000, with a corresponding increase in depreciation expense in future periods. It is impracticable to estimate the timing of the effect on future depreciation charges.

	June 2005 \$'000	June 2004 \$'000
4. Other Income		
Interest received and receivable	297	146
Net gain on disposal of plant and equipment	7	2
Other income	15	4
	319	152

5. Expenses

Net profit includes the following specific expenses:

Depreciation

Building	1,090	1,036
Plant and equipment	1,084	951
	2,174	1,987

Amortisation

Site lease - rental in advance	331	314
	2,505	2,301

Notes to the Financial Statements

For the half year ended 30 June 2005

**June
2005
\$'000** **Dec
2004
\$'000**

6. Property, Plant and Equipment

Reef Hotel Casino

Building and integral plant – at fair value ⁽ⁱ⁾	86,266	86,266
Less: Accumulated depreciation	(2,179)	(1,090)
	84,087	85,176
Plant and equipment – at cost	47,597	47,078
Less: Accumulated depreciation	(41,172)	(40,195)
	6,425	6,883
Total property, plant and equipment	90,512	92,059

⁽ⁱ⁾ An independent valuation of the Trust's interest in the Reef Hotel Casino Complex was carried out by Colliers International Consultancy and Valuation Pty Limited as at 30 June 2004 on the basis of current market value. The Trust's interest in the complex, which comprises the building, site lease and plant and equipment, was valued at \$135 million (with no residual value). The site lease is classified as a prepayment (note 7).

**June
2005
\$'000** **June
2004
\$'000**

Capital expenditure commitments

Contracted but not provided for and payable:

Not longer than one year	643	917
--------------------------	------------	-----

Acquisitions and Disposals

During the six months ended 30 June 2005, the Trust acquired assets with a cost of \$630,772 (six months ended 30 June 2004: \$947,910). Assets with a net book value of \$3,590 were disposed of during the six months ended 30 June 2005 (six months ended 30 June 2004: \$91), resulting in a gain on disposal of \$7,217 (six months ended 30 June 2004: gain of \$1,771).



Notes to the Financial Statements

For the half year ended 30 June 2005

	June 2005 \$'000	Dec 2004 \$'000
7. Site Lease – Rental in Advance		
Original cost	53,000	53,000
Less: Accumulated impairment	(4,675)	(4,675)
Less: Accumulated amortisation	(6,341)	(6,010)
	41,984	42,315
Site lease as shown in the financial statements:		
<i>Current</i>	661	661
<i>Non-current</i>	41,323	41,654
Total site lease - rental in advance	41,984	42,315

The remaining term of the site lease is 63 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.

8. Payables

Current

Trade creditors and accruals - unsecured	948	1,444
Accrued distributions (note 10)	2,270	-
	3,218	1,444

9. Issued Units

49,801,036 (December 2004: 49,801,036) units		
Issued units - equity portion	85,051	170,102
Issued units - liability portion	85,051	-
	170,102	170,102

The number of issued units includes 740,000 (December 2004: 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.

Transition to AASB 132 and 139

The Trust has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 January 2005. For further information, refer to note 2(f) and note 17.

Notes to the Financial Statements

For the half year ended 30 June 2005

10. Distributions

Distributable income

The Trust Constitution requires calculation of distributable income for each half yearly period commencing either on the first day of January or July and the amount transferred to a distribution account on the last day of such period. As the Trust must distribute at least 50% of net income for the period, this 50% is classified as a liability, and transferred from the distribution account to accrued liabilities on the balance sheet (note 8).

The proposed distribution was declared on 23 August 2005, and accounted for as follows:

	June 2005 \$'000	Dec 2004 \$'000
Distribution Account (refer to Statement of Changes in Equity)		
Balance relating to Issued Units - equity portion	1,963	3,984
Accrued Distribution (payables - note 8)		
Balance relating to Issued Units - liability portion	2,270	-
Total of distribution accounts	4,233	3,984

		Cents per unit	Total \$'000	Date of Payment
Total distributions paid or proposed by the Trust since June 2004 are:				
Paid	six months ended June 2004	7.25	3,611	24/09/04
Paid	six months ended December 2004	8.00	3,984	29/03/05
Declared	special distribution	18.00	8,964	29/07/05
<i>Proposed</i>	<i>six months ended June 2005</i>	8.50	4,233	23/09/05

All distributions are "tax deferred" in accordance with the Income Tax Assessment Act 1997. The special distribution represents a transfer from the undistributed income account to the distribution account.

11. Segment Information

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

Notes to the Financial Statements

For the half year ended 30 June 2005

12. Note to the Statement of Cash Flows

Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	June 2005 \$'000	June 2004 \$'000
Cash	1,609	2,063
Deposits at call	9,100	3,620
	10,709	5,683

13. Related Party Information

There has been no change to the related party transactions disclosed in the most recent annual financial report.

14. Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets.

15. Earnings Per Unit

	June 2005	June 2004
Basic and diluted earnings per unit (cents)	-	14.4 ⁽ⁱ⁾

⁽ⁱ⁾ Includes reversal of impairment (4.2 cents per unit), otherwise 10.1 cents per unit.

Weighted average number of units for the half year
(note 2(f) and note 17)

275,144 49,801,036

Profit for the half year

\$'000 **\$'000**

- 7,148

Earnings per unit before finance costs attributable to unitholders, reversal of impairment, building depreciation and site lease amortisation (cents)

12.0 12.8

Weighted average number of units for the half year

49,801,036 49,801,036

Profit for the half year before finance costs attributable to unitholders, reversal of impairment, building depreciation and site lease amortisation

\$'000 **\$'000**

5,962 6,396

Notes to the Financial Statements

For the half year ended 30 June 2005

16. Explanation of Transition to AIFRSs

As stated in significant accounting policies note 2(a), these are the Trust's first interim financial statements prepared in accordance with AIFRS. The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the half year ended 30 June 2005 and in restating the comparative information for the six months ended 30 June 2004, for the year ended 31 December 2004, and in the preparation of an opening AIFRS balance sheet at 1 January 2004 (the Trust's date of transition).

In preparing its opening AIFRS balance sheet, comparative information for the six months ended 30 June 2004 and comparative information for the year ended 31 December 2004, the Trust has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (AGAAP). An explanation of how the transition from AGAAP to AIFRS has affected the Trust's financial position, financial performance and cash flows is set out in the following tables and notes that accompany the tables.

(A) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

	AGAAP	Effect of transition to AIFRS	AIFRS	AGAAP	Effect of transition to AIFRS	AIFRS	AGAAP	Effect of transition to AIFRS	AIFRS
\$'000	1 January 2004			30 June 2004			31 December 2004		
Assets									
Cash and cash equivalents	4,122	-	4,122	5,683	-	5,683	10,165	-	10,165
Receivables	1,904	-	1,904	2,135	-	2,135	1,873	-	1,873
Site lease - rental in advance	a	-	628	628	-	661	661	-	661
Total current assets	6,026	628	6,654	7,818	661	8,479	12,038	661	12,699
Receivables	750	-	750	750	-	750	750	-	750
Investment property	a	103,022	(103,022)	-	128,911	(128,911)	-	128,911	(128,911)
Property, plant and equipment	a	6,095	83,047	89,142	6,089	86,266	92,355	6,883	85,176
Site lease - rental in advance	a	-	40,230	40,230	-	41,984	41,984	-	41,654
Total non-current assets	109,867	20,255	130,122	135,750	(661)	135,089	136,544	(2,081)	134,463
Total assets	115,893	20,883	136,776	143,568	-	143,568	148,582	(1,420)	147,162

Notes to the Financial Statements

For the half year ended 30 June 2005

16. Explanation of Transition to AIFRSs (continued)

(A) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS) (continued)

	AGAAP	Effect of transition to AIFRS	AIFRS	AGAAP	Effect of transition to AIFRS	AIFRS	AGAAP	Effect of transition to AIFRS	AIFRS
\$'000	1 January 2004			30 June 2004			31 December 2004		
Liabilities									
Payables	944	-	944	1,198	-	1,198	1,444	-	1,444
Interest-bearing liabilities	2,500	-	2,500	2,500	-	2,500	2,500	-	2,500
Total current liabilities	3,444	-	3,444	3,698	-	3,698	3,944	-	3,944
Interest-bearing liabilities	19,000	-	19,000	17,750	-	17,750	16,500	-	16,500
Total non-current liabilities	19,000	-	19,000	17,750	-	17,750	16,500	-	16,500
Total liabilities	22,444	-	22,444	21,448	-	21,448	20,444	-	20,444
Equity									
Issued units	170,102	-	170,102	170,102	-	170,102	170,102	-	170,102
Distribution account	3,611	-	3,611	3,611	-	3,611	3,984	-	3,984
Undistributed income	a 10,138	-	10,138	12,923	-	12,923	15,968	-	15,968
Asset revaluation reserve	a -	17,516	17,516	-	21,767	21,767	-	21,767	21,767
Accumulated losses	ab (90,402)	3,367	(87,035)	(64,516)	(21,767)	(86,283)	(61,916)	(23,187)	(85,103)
Total unitholders' funds	93,449	20,883	114,332	122,120	-	122,120	128,138	(1,420)	126,718
Total equity and liabilities	115,893	20,883	136,776	143,568	-	143,568	148,582	(1,420)	147,162

Notes to the Financial Statements

For the half year ended 30 June 2005

16. Explanation of Transition to AIFRSs (continued)

(B) Reconciliation of profit under AGAAP to profit under Australian equivalents to IFRSs (AIFRS)

	AGAAP	Effect of transition to AIFRS	AIFRS	AGAAP	Effect of transition to AIFRS	AIFRS
\$'000	For the six months ended 30 June 2004			For the year ended 31 December 2004		
Revenue						
Rent	10,205	-	10,205	21,640	-	21,640
Reversal of impairment	a -	2,102	2,102	-	2,102	2,102
Other revenues from ordinary activities	152	-	152	2,969	-	2,969
Reversal of previous write down of investment property	a 25,886	(25,886)	-	25,886	(25,886)	-
Total revenue	36,243	(23,784)	12,459	50,495	(23,784)	26,711
Less expenses						
Depreciation and amortisation	a (951)	(1,350)	(2,301)	(2,193)	(2,770)	(4,963)
Property outgoings	(392)	-	(392)	(829)	-	(829)
Rates and taxes	(261)	-	(261)	(527)	-	(527)
Responsible entity fees	(521)	-	(521)	(1,058)	-	(1,058)
Repairs and maintenance	(440)	-	(440)	(1,005)	-	(1,005)
Legal and consulting fees	(72)	-	(72)	(242)	-	(242)
Insurances	(202)	-	(202)	(410)	-	(410)
Other expenses from ordinary activities	(317)	-	(317)	(746)	-	(746)
Profit before finance costs	33,087	(25,134)	7,953	43,485	(26,554)	16,931
Interest expense	(805)	-	(805)	(1,574)	-	(1,574)
Profit after finance costs	32,282	(25,134)	7,148	41,911	(26,554)	15,357

Notes to the Financial Statements

For the half year ended 30 June 2005

16. Explanation of Transition to AIFRSs (continued)

(C) Reconciliation of cash flow statement for the year ended 31 December 2004

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

(D) Notes to the reconciliations

(a) Change in classification of investment property

Under AGAAP, the Reef Hotel Casino complex (comprising the building and the site lease) was classified as an Investment Property and carried at cost written down to recoverable amount where recoverable amount was lower than original cost. The Investment Property was not depreciated. Due to differences in the classification criteria, specifically the significant exposure of the Trust to the cash flows generated by the underlying operations of the complex via the rental formula, the complex does not meet the AIFRS definition of an investment property as defined in AASB 140: *Investment Property*. As a result:

- The building has been classified as a part of property, plant and equipment and the site lease has been classified as a prepayment under AIFRS.
- The Trust has elected to use the revaluation model to value the building in accordance with AASB 116: *Property, Plant and Equipment* from transition date, in accordance with an independent valuation as at 1 January 2004.
- The building is depreciated in accordance with AASB 116: *Property, Plant and Equipment*.
- The site lease is carried at cost less accumulated amortisation and impairment losses.

The effect of the above is:

(i) At date of transition to AIFRS: 1 January 2004

Investment Property decreased by \$103,022,000, building increased by \$83,047,000 and prepayments increased by \$40,858,000 (current portion \$628,000; non-current portion \$40,230,000). Retained earnings increased by \$3,367,000 and the asset revaluation reserve increased by \$17,516,000. At the date of transition the asset revaluation reserve has been determined based on a comparison of the revalued amount of the complex at that date with its deemed cost in accordance with AASB 1: *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards*.

(ii) At the end of the last half year reporting period under AGAAP: 30 June 2004

Investment Property decreased by \$128,911,000, building increased by \$86,266,000 and prepayments increased by \$42,645,000 (current portion \$661,000; non-current portion \$41,984,000). Retained earnings decreased by \$21,767,000 and the asset revaluation reserve increased by the same.

Notes to the Financial Statements

For the half year ended 30 June 2005

16. Explanation of Transition to AIFRSs (continued)

(iii) *At the end of the last reporting period under AGAAP: 31 December 2004*

Investment Property decreased by \$128,911,000, building increased by \$85,176,000 and prepayments increased by \$42,315,000 (current portion \$661,000; non-current portion \$41,984,000), net of depreciation and amortisation for the six months of \$1,420,000. Retained earnings decreased by \$23,187,000 and the asset revaluation reserve increased by \$21,767,000.

(iv) *For the half year ended 30 June 2004*

Depreciation and amortisation expense has increased by \$1,350,000. Reversal of previous write down of Investment Property under AGAAP decreased by \$25,886,000. Following an independent valuation of the complex at 30 June 2004 (as discussed in note 6), the impairment loss on the site lease reversed by \$2,102,000.

(v) *For the year ended 31 December 2004*

Depreciation and amortisation expense has increased by \$2,770,000. Reversal of previous write down of Investment Property under AGAAP decreased by \$25,886,000. Following an independent valuation of the complex at 30 June 2004 (as discussed in note 6), the impairment loss on the site lease reversed by \$2,102,000.

(b) The effect on retained earnings of the changes set out above are as follows:

	1 January 2004	6 months ended 30 June 2004	12 months ended 31 December 2004
	\$'000	\$'000	\$'000
Accumulated building depreciation and site lease amortisation at transition	(5,250)	(5,250)	(5,250)
Reversal of impairment at transition	8,617	8,617	8,617
Reversal of previous write down of investment property	-	(25,886)	(25,886)
Reversal of impairment	-	2,102	2,102
Depreciation and amortisation	-	(1,350)	(2,770)
Total adjustment attributable to unit holders	3,367	(21,767)	(23,187)

Notes to the Financial Statements

For the half year ended 30 June 2005

17. Changes in Accounting Policy

The Trust adopted AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement* from 1 January 2005. This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1: *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*, which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139.

The adoption of AASB 132 and AASB 139 has resulted in a change in the classification of issued units as explained in note 2(f).

The impact on the balance sheet in the comparative period is set out below as an adjustment to the balance sheet at 1 January 2005. The impact on the income statement of the comparative period would have been to increase finance costs and decrease profit for the period to nil. The distribution would also be reclassified from equity to accrued liabilities.

Impact on balance sheet if AASB 132 and AASB 139 were applied at 1 January 2005

Application of AASB 132 and AASB 139 prospectively from 1 January 2005

At 1 January 2005 - before Trust Constitution amendment

	AGAAP	Effect of transition to AIFRS	AIFRS
	\$'000	\$'000	\$'000
Issued units - liability portion	-	170,102	170,102
Issued units - equity portion	170,102	(170,102)	-
Undistributed income - liability portion	-	15,968	15,968
Undistributed income - equity portion	15,968	(15,968)	-
Asset revaluation reserve - liability portion	-	21,767	21,767
Asset revaluation reserve - equity portion	21,767	(21,767)	-
Accumulated losses - liability portion	-	(85,103)	(85,103)
Accumulated losses - equity portion	(85,103)	85,103	-
Distribution account	3,984	(3,984)	-
Accrued distributions	-	3,984	3,984

Notes to the Financial Statements

For the half year ended 30 June 2005

17. Changes in Accounting Policy (continued)

At 29 June 2005 - after Trust Constitution amendment

The Trust Constitution was amended on 29 June 2005 and the fixed termination date was removed. However, a contractual obligation to distribute at least 50% of the Trust income for any income period remains, resulting in 50% of the issued units classified as liabilities to represent future entitlements to distributions. The impact on the balance sheet is set out below.

	Balance at 28 June 2005	Effect of Trust Constitution amendment	Balance at 29 June 2005
	\$'000	\$'000	\$'000
Issued units - liability portion	170,102	(85,051)	85,051
Issued units - equity portion	-	85,051	85,051
Undistributed income - liability portion	15,968	(15,968)	-
Undistributed income - equity portion	-	15,968	15,968
Asset revaluation reserve - liability portion	21,767	(21,767)	-
Asset revaluation reserve - equity portion	-	21,767	21,767
Accumulated losses - liability portion	(80,562)	80,562	-
Accumulated losses - equity portion	-	(80,562)	(80,562)

Impact on income statement if AASB 132 and AASB 139 were applied at 1 January 2005

From 1 January 2005 to 29 June 2005 - before Trust Constitution amendment

Finance costs attributable to unitholders increased by \$4,541,000, representing the change in net assets attributable to unitholders.

From 30 June 2005 - after Trust Constitution amendment

Financing costs will be treated in accordance with note 2(j).

Directors' Declaration

In the opinion of the directors of Reef Corporate Services Limited, the responsible entity of Reef Casino Trust:

- (a) The financial statements and notes set out on pages 8 to 29 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Trust as at 30 June 2005 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.
- (b) There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



Ben Macdonald
Director



Keith De Lacy
Director

Brisbane
23 August 2005

Independent Audit Report to the Unitholders of Reef Casino Trust

Scope

The financial report and directors' responsibility

The interim financial report comprises the interim income statement, balance sheet, cash flow statement, accompanying notes to the financial statements, and the directors' declaration set out on pages 8 to 30 for Reef Casino Trust (the Trust) for the half year ended 30 June 2005.

The Directors of the responsible entity, Reef Corporate Services Limited, are responsible for the preparation and true and fair presentation of the interim financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the interim financial report. The Directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under Australian Accounting Standard AASB 1: *First Time Adoption of Australian Equivalents to International Financial Reporting Standards* and International Financial Reporting Standard IFRS1: *First Time Adoption of International Financial Reporting Standards*.

Audit approach

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

We performed procedures to assess whether in all material respects the interim financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 134: *Interim Financial Reporting*, and other mandatory financial reporting requirements in Australia and of the provisions of the Trust Constitution dated 2 July 1993 (as amended), a view which is consistent with our understanding of the Trust's financial position, and of its performance as represented by the results of its operations and cash flows.

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

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the interim financial report, and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.



Independent Audit Report to the Unitholders of Reef Casino Trust

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

Audit opinion

In our opinion, the half year 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 30 June 2005 and of its performance for the half year ended on that date; and
 - ii. complying with Accounting Standard AASB 134: *Interim Financial Reporting*, International Accounting Standard IAS 34: *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.
- (c) the provisions of the Trust Constitution dated 2 July 1993 (as amended).

KPMG

Jillian Richards

Partner

Brisbane

23 August 2005

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

Directors of the responsible entity

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

Alternate directors

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

Secretary of the responsible entity

Ms Alison Galligan

Audit committee of the responsible entity

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

Compliance committee of the responsible entity

Hon Keith De Lacy (Chairman)
Mr Julian Hercus
Mr Allan Tan

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 27 Central Plaza One
345 Queen Street
BRISBANE QLD 4000
Telephone: 1300 552 270

Bankers

Bank of Queensland Limited
229 Elizabeth Street
BRISBANE QLD 4000

Auditors of the Trust

KPMG
Level 30 Central Plaza One
345 Queen Street
BRISBANE QLD 4000

Stock exchange listing

Official list of the Australian
Stock Exchange Limited
Home Exchange: Brisbane

Sub-lessee of Reef Hotel

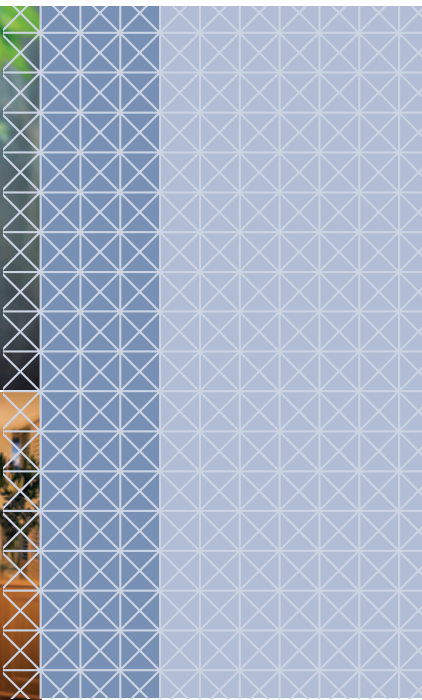
Casino Complex

Casinos Austria International
(Cairns) Pty Ltd
Level 1 Mercure Hotel
85-87 North Quay
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