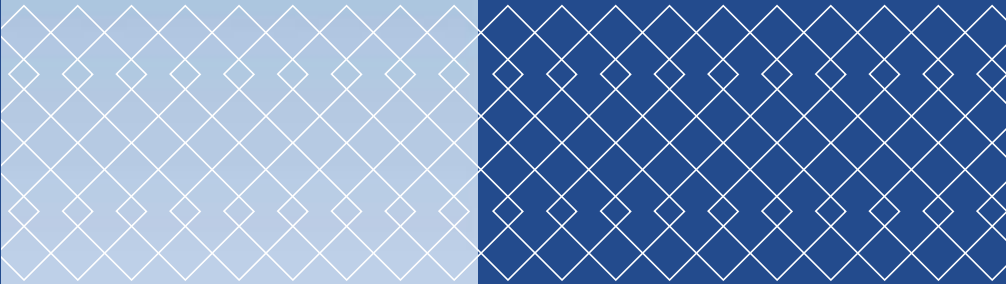


Half Year Report **2006**

ARSN 093 156 293



REEF
CASINO TRUST

CAIRNS' BIGGEST AND PREMIER ENTERTAINMENT COMPLEX



Casino Electronic Gaming Machines [top] and [bottom from left] Sofitel Guest Suite, Casino Table Games, Vertigo Entertainment

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Unit distribution
Six months to 30 June 2006
15.5 cents per unit tax deferred
Payment date 15 September 2006



CHAIRMAN'S REVIEW

Dear Unitholders,

On behalf of the Board of Reef Corporate Services Limited, responsible entity of the Reef Casino Trust (Trust), I hereby present my half year Chairman's Review for the six months ended 30 June 2006.

First half year highlights

- A record net profit up 50%
- Total revenue (mainly rental revenue) up 18%
- Unit distribution to unitholders of 15.5 cents up 80%
- Trust 'operating' costs remain well under control 10% lower

Half year results¹

	2006 \$'000	2005 \$'000	
REVENUE			
Rental revenue	11,853	9,874	
Other revenue	211	319	
TOTAL REVENUE	12,064	10,193	+ 18.4%
EXPENSES			
Operating	2,867	3,147	- 9.9%
Depreciation and amortisation	2,400	2,505	
TOTAL EXPENSES	5,267	5,652	
PROFIT BEFORE 'FINANCE COSTS' ² ATTRIBUTABLE TO UNITHOLDERS	6,797	4,541	+ 49.7%
	Cents per unit	Cents per unit	
Earnings per unit ³	13.6	9.1	
Distribution per unit	15.5	8.5	+ 79.5%

¹ all on Australian equivalents to International Financial Reporting Standards (AIFRS) basis

² 'finance costs' relate to 50% of distributable profit payable to unitholders in 2006 (2005: 100%)

³ before unit distributions



CHAIRMAN'S REVIEW

Trust revenue for the first half grew by over 18% as a result of strong operating performance at the Reef Hotel Casino in Cairns. The Reef Hotel Casino complex is the Trust's main asset and the Trust derives rental revenue from the ownership of this asset.

Overall, Trust operating expenses were well controlled during the first half. It was pleasing to record an almost 10% reduction in operating costs which were partly assisted by the absence of 'one-off' costs (restructuring and adoption of AIFRS). Close to half of total operating expenses relate to depreciation and amortisation charges. These expenses are 'non cash' items and relate to the Trust's property and the casino site lease/licence.

Trust EBITDA (earnings before interest, tax, depreciation and amortisation) was \$9.8 million, up 26.3%.

Unit distribution of 15.5 cents, up 80%

The Trust declared a first half year unit distribution of 15.5 cents per unit. Compared to the first half of last year, this is 80% higher. In accordance with the new 'higher level' cash distribution policy of the Trust, this distribution comprised the following components:-

	Cents per unit	Total amount \$
'Normal' distribution of 100% of distributable profits	13.6	6.8 million
From the 'undistributed income' account	1.9	0.9 million
TOTAL	15.5	7.7 million

Once again, this distribution is payable to all unitholders on a 'tax deferred' basis.

Following this distribution, the balance in the 'undistributed income' account is 17.2 cents per unit or \$8.6 million in total.

It remains the Trust's policy to make unit distributions from the 'undistributed income' account on a relatively even basis over 4 years commencing on 1 January 2006. Based on operating performance and cash flows to date, it is the Trust's intention to make another and slightly higher payment from the 'undistributed income' account in the second half year.

The following table shows the unit distributions made by the Trust for the first half in recent years.

	2006 Cents/unit	2005 Cents/unit	2004 Cents/unit
First half	15.5	8.5	7.25



CHAIRMAN'S REVIEW

Trust balance sheet continues to be strong

Compared to the balance sheet as at 31 December 2005, the main change is the increase in assets (mainly cash and cash equivalents) reflecting the strong operating performance of the Trust over the first half year.

Otherwise, all key balance sheet components and indicators remain healthy and strong.

Board of Reef Corporate Services Limited (RCS) strengthened

The Board of RCS was strengthened by the appointment of two directors on 28 March 2006.

Mr David Baffsky, a director appointed by Accor, is the Chairman of Accor Asia Pacific. Accor Asia Pacific is the second largest substantial unitholder of the Reef Casino Trust and is the biggest hotel operator in Australia.

Mr Allan Tan, a director appointed by Casinos Austria International, is the CEO of the Reef Hotel Casino. Casinos Austria International is the largest substantial unitholder of the Reef Casino Trust and operates casinos around the world.

Both new directors have considerable hotel, casino and corporate experience and your board looks forward to working closely with them.

A Review of the Reef Hotel Casino

During the first half year, the Reef Hotel Casino recorded good to strong growth in all key business areas. This was achieved against an increasingly challenging economic environment.

Below are some of its key performance indicators:-

Growth over the previous half year	
Visitations	+ 6.7%
Table games	
'Drop' ¹	+ 32.3%
Revenue	+ 41.8%
Slots	
Turnover	+ 7.3%
Revenue	+ 2.5%
Hotel room revenue	+ 1.8%
Food revenue	+ 14.7%
Beverage revenue	+ 23.3%

¹ 'Drop' is the amount of money exchanged for gaming chips. Adjusted for estimated 'double counting' – chips bought, not wagered, redeemed and bought again

General economic background

In the first half year, international arrivals at Cairns airport showed signs of slowing down slightly. However, domestic arrivals increased. A key source of overseas tourist arrivals, the Japanese market, softened Australia-wide but to a lesser extent in Cairns.

The Far North Queensland region experienced Cyclone Larry and its impact. Fortunately for Cairns, the eye of the cyclone missed the city but nonetheless caused substantial damage to the area surrounding Innisfail, to the south of Cairns.

Australian interest rate hikes and rising fuel prices also added to the challenging economic background.

Major success factors

Despite the relatively challenging economic conditions faced by the Reef Hotel Casino, it performed strongly and continued to grow each of its major business areas. This is clearly illustrated by the key performance indicators in the table above.



CHAIRMAN'S REVIEW

During the course of the first half year, management has been successful in implementing an array of initiatives to drive business growth, which have achieved outstanding results.

Some of the major success factors include the following:-

- Committing additional resources and effort into marketing and promotions including in-casino and complex-wide activities.
- Enhancement of the complex entertainment program including resident bands, special acts, cabaret type shows, 'headline' shows and special DJs in the nightclub – apart from the cabaret show and the nightclub, all entertainment is offered on a complimentary basis.
- Superior customer care for all our guests including members of our loyalty program, the Reef Club, premium players and local patrons.
- Continued development of the casino's premium player program by expanding its reach.
- Productivity gains by redesigning processes and improving the way we do things.

Visitations

More than ever before, the Reef Hotel Casino is the biggest year round show in Cairns. We are pleased with a 6.7% increase in visitations to the casino. We expect to tap further into the tourist market while maintaining the high repeat visitations amongst our locals.

Our source of visitations is still about 50% local, 25% domestic and 25% overseas. The two most important overseas countries are Japan and China (including Hong Kong).

The Reef Hotel Casino is the biggest and premier entertainment venue north of Brisbane. It offers

an international class casino, a 5 star luxury hotel, a range of cafes and restaurants – from family restaurants to fine dining experience, all offering value for money – conference and meeting facilities, cabaret in the showroom, live entertainment in the show lounge, a choice of bars, a night club, a sports arena to watch events on two big screens plus the only wildlife park located in an urban centre.

Table games

Accounting for roughly a third of all gaming contributions, table games posted strong growth in the first half year. Revenues were up 41.8% on the back of increased activity ('Drop' up 32.3%) and solid 'hold' or 'win' percentage as compared to theoretical or the statistical average.

Both the premium and 'grind/main floor' segments improved on the same period last year. For premium play in particular, slightly better than 'theoretical' 'hold/win' percentage was recorded.

Launched in July last year, the casino's new-look and more competitive premium player program has been steadily developed and marketed to key target markets, with growing acceptance resulting in increased gaming activity.

Improved levels of customer care and specific marketing efforts (such as hosts with language skills, cultural appreciation training for staff and the complex offering a range of attractions and activities) have enabled the casino to increase gaming activity at the tables on the 'main floor'.

Electronic gaming machines/slots

By far the largest business area at the Reef Hotel Casino, slots turnover (a measure of gaming activity) grew by 7.3%. Revenue also grew by 2.5%, reflecting a higher rate of jackpots paid to patrons than expected.



CHAIRMAN'S REVIEW

A number of new initiatives has been added to an already extensive program of customer care directed at our slots patrons.

These include Movie Tuesday in the upper level of the casino (along with complimentary popcorn), increased number of Reef Club functions and further investment in the latest gaming machines that our patrons want. In addition, the complex's guest services desk, which offers Reef Casino merchandise for sale, multi-lingual assistance on casino games and general assistance to our guests, geared up following the appointment of a manager with gaming experience.

Non gaming businesses

The Reef Hotel Casino's hotel accommodation, food and beverage operations are extensive. They are important profit contributors in their own right but more importantly they contribute in large measure to the overall success of the casino business.

The Sofitel Reef Casino Cairns continues to be the leader in the luxury market in Cairns. Total room revenue grew by 1.8% despite increased utilisation by casino patrons who are either on a complimentary or special rate basis.

Food revenue grew by 14.7% as the restaurants and cafés continue to offer better and innovative menus and improved customer service.

Beverage revenue posted a 23.3% growth rate. The success of the main casino bars can be attributed to the hosting of regular sports events in the Casino's Sportz Arena and quick and efficient service to gaming and other patrons in the casino.

The success of the main complex bar is underpinned by a full program of live entertainment throughout the year, all on a complimentary basis.

Community service

The Reef Hotel Casino donated \$35,000 to the Cyclone Larry Premier's Disaster Relief Fund and it also set up a community chest in the Casino to help raise donations for victims of the disaster.

Expectations for the full year

A number of key economic and political factors could have an impact on the Reef Hotel Casino and consequently on the Trust in the second half.

New government smoking laws

From 1 July 2006, together with all public places in Queensland, the Reef Hotel Casino has become non smoking except for Club Privé, its premium player gaming room. Management had prepared for this new law well in advance. Major elements of its smoking strategy are as follows:-

- The successful development and opening of four designated outdoor smoking areas (DOSAs), two located in the casino, one in the main complex public area plus one for staff. The investment for these DOSAs was about \$750,000.
- Implementation of a program of information and education of the new law for both patrons and staff
- Special in-casino promotions designed to minimise any negative impact on our business
- Ultimately, management hopes to position the Reef Hotel Casino as the 'Best Venue in Cairns for Smokers and Non-Smokers alike'

Early indications suggest that, while there is some pressure on our business in general as a result of the new smoking law, the impact to date is not severe. Management will continue to closely monitor the situation and respond accordingly to achieve the best possible outcome.



CHAIRMAN'S REVIEW

General political and economic factors

A number of factors have the potential to affect our business in the second half, including high fuel prices, upward pressure on domestic interest rates and the Middle East Crisis. These factors are largely outside our control.

Mitigating factors and management strategy

On the other hand, the high tourist season in Cairns has commenced. The second half year is traditionally the higher season compared to the first half year.

The Cairns Convention Centre has reported stronger activity for the second half compared to the first half.

Cairns' weather has stabilised after one of the wettest first half years.

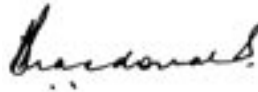
Management therefore hopes to exploit these positive factors and build on the strong momentum of the first half year to continue to deliver a strong result in the second half through a number of key initiatives.

- Continue to execute its smoking management plan
- Roll out a number of major in-casino and complex wide promotions and live entertainment
- Further development of the premium player program
- More fine tuning of customer care

Despite a relatively challenging economic environment in the first half, the Trust's performance has been exceptional.

Although it will be difficult to achieve the growth rate in profits of the first half year in the second half, nonetheless, the Trust still expects to post a strong result for the full year. An expectation that the second half year would be at least as good as last year is not unreasonable.

In summary, the strength of the actual full year's result will depend on how the positive and negative factors highlighted above pan out in the second half.



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 2006 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 David Baffsky	Director since 28 March 2006
Mr Michael Issenberg	Director since 21 January 2002
Mr Kim Mooney	Director since 21 January 2002
Mr Allan Tan	Director since 28 March 2006 Alternate director since 10 July 1997 (alternate for Mr Macdonald)
Mr Ronald John Hickey	Alternate director since 25 March 2003 (alternate for Mr Baffsky, 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 6.

Distribution

The distribution of \$5.2 million (10.5 cents per unit tax deferred) in respect of the six month period ended 31 December 2005 as reported in the 2005 annual report, was paid on 24 March 2006.

The Directors have declared a distribution of \$7.72 million (15.5 cents per unit tax deferred) in respect of the six month period ended 30 June 2006, to be paid on 15 September 2006 (refer note 8). The distribution in respect of the six month period ended 30 June 2005 was 8.5 cents per unit tax deferred.



DIRECTORS' REPORT

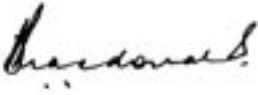
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 25 and forms part of the directors' report for the half year ended 30 June 2006.

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

Brisbane
22 August 2006



Keith De Lacy
Director



INCOME STATEMENT

For the half year ended 30 June 2006

	Note	30 June 2006 \$'000	30 June 2005 \$'000
REVENUE AND OTHER INCOME			
Revenue	3	12,062	10,184
Other income		2	9
TOTAL REVENUE AND OTHER INCOME		12,064	10,193
EXPENSES			
Depreciation and amortisation	4	(2,400)	(2,505)
Property outgoings		(484)	(454)
Rates and taxes		(290)	(273)
Responsible Entity fees		(494)	(513)
Repairs and maintenance		(525)	(499)
Legal and consulting fees		(20)	(188)
Insurance		(175)	(183)
Other expenses from ordinary activities		(303)	(347)
TOTAL EXPENSES		(4,691)	(4,962)
RESULTS FROM OPERATING ACTIVITIES		7,373	5,231
Finance costs attributable to unitholders	2(e)	(3,399)	(4,541)
Interest expense		(576)	(690)
TOTAL FINANCE COSTS		(3,975)	(5,231)
PROFIT AFTER FINANCE COSTS		3,398	–
Basic and diluted earnings per unit (cents)	12	13.6	–
Profit before finance costs attributable to unitholders		6,797	4,541

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



STATEMENT OF CHANGES IN EQUITY

For the half year ended 30 June 2006

	Issued units	Distribution account	Undistributed income	Asset revaluation reserve	Accum- ulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1 JANUARY 2005	170,102	3,984	15,968	21,767	(85,103)	126,718
Adjustment on adoption of AASB 132	(170,102)	(3,984)	(15,968)	(21,767)	85,103	(126,718)
Adjustment on change of trust constitution	85,051	–	15,968	21,767	(80,562)	42,224
Net profit	–	–	–	–	–	–
Transfer to undistributed income	–	–	308	–	(308)	–
Special distribution from undistributed income (note 8)	–	8,964	(8,964)	–	–	–
Transfer to distribution account (note 8)	–	(7,001)	–	–	(4,233)	(11,234)
30 JUNE 2005	85,051	1,963	7,312	21,767	(85,103)	30,990
1 JANUARY 2006	85,051	1,533	9,475	21,767	(85,103)	32,723
Net profit	–	–	–	–	3,398	3,398
Distributions paid	–	(1,533)	–	–	–	(1,533)
Transfer from undistributed income	–	922	(922)	–	–	–
Transfer to distribution account (note 8)	–	3,398	–	–	(3,398)	–
30 JUNE 2006	85,051	4,320	8,553	21,767	(85,103)	34,588

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



BALANCE SHEET

As at 30 June 2006

	Note	30 June 2006 \$'000	31 Dec 2005 \$'000
ASSETS			
Cash and cash equivalents		8,064	5,929
Receivables		1,589	1,405
Site lease – rental in advance	6	661	661
TOTAL CURRENT ASSETS		10,314	7,995
Receivables		750	750
Property, plant and equipment	5	89,237	89,293
Site lease – rental in advance	6	40,662	40,993
TOTAL NON-CURRENT ASSETS		130,649	131,036
TOTAL ASSETS		140,963	139,031
LIABILITIES			
Payables	7	4,824	4,757
Interest bearing liabilities		–	2,500
TOTAL CURRENT LIABILITIES		4,824	7,257
Interest bearing liabilities		16,500	14,000
Issued units – liability portion		85,051	85,051
TOTAL NON-CURRENT LIABILITIES		101,551	99,051
TOTAL LIABILITIES		106,375	106,308
EQUITY			
Issued units – equity portion		85,051	85,051
Distribution account	8	4,320	1,533
Undistributed income		8,553	9,475
Asset revaluation reserve		21,767	21,767
Accumulated losses		(85,103)	(85,103)
TOTAL EQUITY		34,588	32,723
TOTAL EQUITY AND LIABILITIES		140,963	139,031
MEMORANDUM NOTE – ISSUED UNITS			
Issued units – liability portion		85,051	85,051
Issued units – equity portion		85,051	85,051
		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 2006

	30 June 2006 \$'000	30 June 2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	13,018	9,839
Cash payments in the course of operations	(3,705)	(2,637)
Interest received	206	304
Interest and other finance charges paid	(574)	(698)
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,945	6,808
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(1,583)	(1,041)
Proceeds from disposal of non-current assets	2	11
NET CASH USED IN INVESTING ACTIVITIES	(1,581)	(1,030)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	–	(1,250)
Distributions paid	(5,229)	(3,984)
NET CASH USED IN FINANCING ACTIVITIES	(5,229)	(5,234)
NET INCREASE IN CASH HELD	2,135	544
Cash at the beginning of the financial period	5,929	10,165
CASH AT THE END OF THE FINANCIAL PERIOD	8,064	10,709

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



NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2006

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

(i) Statement of compliance

The half year financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001. The half year financial report also complies with IFRSs and interpretations adopted by the International Accounting Standards Board.

The half year report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Trust as at and for the year ended 31 December 2005.

The accounting policies applied by the Trust in this financial report are the same as those applied by the Trust in its financial report as at and for the year ended 31 December 2005.

(ii) Issued standards not early adopted

The following standards and amendments were available for early adoption but have not been applied by the Trust in these financial statements:

Application date 1 January 2007

- AASB 7 *Financial Instruments: Disclosure* (August 2005) replacing the presentation requirements of financial instruments in AASB 132.

- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) amending AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*.

The initial application of the above standards and amendments is expected to have a minimal impact on the financial results of the Trust as they are mostly concerned with disclosures or are not applicable to the Trust.

(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 financial report was authorised for issue by the directors of the Responsible Entity on 22 August 2006.



NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2006

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 where significant 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(c)). 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;



NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2006

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Property, plant and equipment (continued)

- (iii) that the property will be reasonably exposed to that market;
- (iv) that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued; and

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

As the valuation does not assign separate values to the building, site lease and plant and equipment the directors of the Responsible Entity 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 (refer note 5).

(c) 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.

(ii) 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.

(d) Issued units

AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement* apply to the Trust from 1 January 2005.

Prior to 29 June 2005, the Trust Constitution included 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.



NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2006

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Issued units (continued)

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.

(e) Expenses

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

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, and the portion of distribution comprising 50% of net income. From 1 January 2005 to 29 June 2005 (date the Trust Constitution was changed), all distributions and changes in net assets attributable to unitholders were included in net financing costs.



NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2006

3. REVENUE

	30 June 2006 \$'000	30 June 2005 \$'000
<i>Rental:</i>		
Base rent	325	325
Contingent rent	11,528	9,549
	11,853	9,874
<i>Interest received and receivable from:</i>		
Other persons	164	264
Related parties	35	33
	199	297
Other revenue	10	13
	12,062	10,184

4. EXPENSES

Net profit includes the following specific expenses:

<i>Depreciation</i>		
Building	1,090	1,090
Plant and equipment	979	1,084
	2,069	2,174
<i>Amortisation</i>		
Site lease – rental in advance	331	331
	2,400	2,505



NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2006

5. PROPERTY, PLANT AND EQUIPMENT

	30 June 2006 \$'000	31 Dec 2005 \$'000
REEF HOTEL CASINO		
Building and integral plant – at valuation ⁽ⁱ⁾	86,982	86,266
Less: Accumulated depreciation	(4,360)	(3,270)
	82,622	82,996
Plant and equipment – at cost		
Plant and equipment – at cost	48,884	48,140
Less: Accumulated depreciation	(42,269)	(41,843)
	6,615	6,297
Total property, plant and equipment	89,237	89,293

⁽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 6).

	30 June 2006 \$'000	30 June 2005 \$'000
CAPITAL EXPENDITURE COMMITMENTS		
Contracted but not provided for and payable:		
Not longer than one year	673	643

ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2006, the Trust acquired assets with a cost of \$2,012,094 (six months ended 30 June 2005: \$630,772). Assets with a net book value of nil were disposed of during the six months ended 30 June 2006 (six months ended 30 June 2005: \$3,590), resulting in a gain on disposal of \$1,768 (six months ended 30 June 2005: gain of \$7,217).



NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2006

6. SITE LEASE – RENTAL IN ADVANCE

	30 June 2006 \$'000	31 Dec 2005 \$'000
Original cost	53,000	53,000
Less: Accumulated amortisation and impairment	(11,677)	(11,346)
	41,323	41,654
Site lease as shown in the financial statements:		
<i>Current</i>	661	661
<i>Non-current</i>	40,662	40,993
Total site lease – rental in advance	41,323	41,654

The remaining term of the site lease is 62 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.

7. PAYABLES

CURRENT

Trade creditors and accruals – unsecured	1,425	1,061
Accrued distributions (note 8)	3,399	3,696
	4,824	4,757



NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2006

8. 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 7).

The proposed distribution was declared on 22 August 2006, and accounted for as follows:

	30 June 2006 \$'000	31 Dec 2005 \$'000
DISTRIBUTION ACCOUNT (refer to Statement of Changes in Equity)		
Balance relating to issued units – equity portion	4,320	1,533
ACCRUED DISTRIBUTION (payables – note 7)		
Balance relating to issued units – liability portion	3,399	3,696
TOTAL OF DISTRIBUTION ACCOUNTS	7,719	5,229

	Cents per unit	Total \$'000	Date of Payment
Total distributions paid or proposed by the Trust since 30 June 2005 are:			
Paid	18.00	8,964	29/07/05
Paid	8.50	4,233	23/09/05
Paid	10.50	5,229	24/03/06
<i>Proposed</i>	<i>15.50</i>	<i>7,719</i>	<i>15/09/06</i>

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



NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2006

9. 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.

10. RELATED PARTY INFORMATION

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

11. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets.

12. EARNINGS PER UNIT

	30 June 2006	30 June 2005
Basic and diluted earnings per unit (cents)	13.6	—
<i>Weighted average number of units for the half year (note 2(d))</i>	24,900,518	275,144
	\$'000	\$'000
<i>Profit for the half year</i>	3,398	—

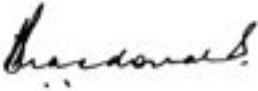


DIRECTORS' DECLARATION

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 9 to 21 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 2006 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

Brisbane
22 August 2006



Keith De Lacy
Director



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 9 to 22 for Reef Casino Trust (the Trust) for the half year ended 30 June 2006.

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.

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*, other mandatory financial reporting requirements in Australia and 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.

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





INDEPENDENT AUDIT REPORT

To the Unitholders of Reef Casino Trust

Audit opinion

In our opinion, the 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 2006 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *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

Graham Coonan
Partner

Cairns
22 August 2006





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 2006 there have been:

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

KPMG

Graham Coonan
Partner

Cairns
22 August 2006



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
Mr Michael Issenberg
Mr Kim Mooney
Mr Allan Tan

Alternate directors

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

Secretary of the Responsible Entity

Ms Alison Galligan

Audit committee of the Responsible Entity

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

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



TRUST DIRECTORY

Unit registry

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

Bankers

Bank of Queensland Limited
229 Elizabeth Street
BRISBANE QLD 4000

Auditors of the Trust

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

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
BRISBANE QLD 4000
Telephone: (07) 3211 3000
Facsimile: (07) 3211 4777

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”

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 540 gaming machines, 45 gambling tables, plus Club Privé, TAB and Keno. Open Monday - Thursday 10am - 3am, and Friday - Sunday 10am - 5am.



Sofitel Reef Casino Cairns

The Sofitel Reef Casino Cairns features 128 luxury guest rooms and suites each offering charm, elegance and tranquility. Their decor accentuates the feel and lifestyle of Tropical North Queensland. Sofitel facilities include swimming pool and spa, health club, shops and tour desk. A choice of five meeting and conference rooms to cater for functions of 10 to 500 people.



Tamarind

Indulge in the fusion of Asian and Western cuisine – a new and contemporary dining experience unique to Cairns. Open Monday - Saturday 6pm - 10.00pm.



Pacific Flavours Brasserie and Café Lounge

Tantalise your tastebuds with a lavish assortment of bread and soups, delicious hot and cold buffets and sumptuous desserts. Open daily for breakfast, lunch & dinner - 6.30am until 10pm.



Flinders Bar & Grill

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



Vertigo Bar and Lounge

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



Café China

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



Casino Sportz Arena

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



The Velvet Rope Showroom and Velvet Underground

The Velvet Rope features exciting stage shows. Open Monday to Saturday with shows starting at 8.30pm. Velvet Underground Nightclub open Friday and Saturday nights.



Cairns Wildlife Dome

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

CASINOS AUSTRIA INTERNATIONAL

SOFITEL REEF CASINO CAIRNS

