Half Year Report **2007**

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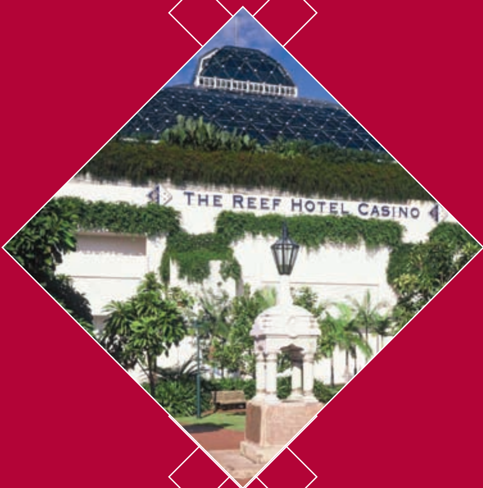

REEF
CASINO TRUST

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Unit distribution
Six months to 30 June 2007
15.5 cents per unit tax deferred

Payment date 21 September 2007

Casino Electronic Gaming Machines (left) and (right from top) Casino Table Games and Vertigo Entertainment

Dear Unitholders,

On behalf of the board of directors of Reef Corporate Services Limited, responsible entity of Reef Casino Trust (Trust), I present my review of the Reef Casino Trust for the six months ended 30 June 2007.

Key points

- Reef Hotel Casino complex property independently revalued at $171 million, an increase of $42.5 million
- Net profit of $4.7 million – includes impairment reversal $2.8 million and finance costs attributable to unit holders of $1.96 million
- Distributable profit of $3.9 million, down from $6.8 million last year
- A first half distribution to unit holders of 15.5 cents per unit, tax deferred, unchanged from last year

Property valuation of Reef Hotel Casino complex

The increase in the valuation of the Reef Hotel Casino complex is a positive outcome for the Trust. The Trust's balance sheet has strengthened considerably as a result.

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

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

Trust distributable profit

The Trust reported a distributable profit of $3.9 million for the six months ended 30 June 2007, compared to $6.8 million last year which was a record first half year profit for the Trust.

Half year results	**2007 $'000**	**2006 $'000**	
REVENUE			
Rental revenue	**9,333**	11,853	**-21.3%**
Other revenue	**195**	211	
TOTAL REVENUE	**9,528**	12,064	**-21.0%**
EXPENSES			
Operating	**3,055**	2,867	**+6.6%**
Depreciation and amortisation	**2,555**	2,400	
TOTAL EXPENSES	**5,610**	5,267	
PROFIT BEFORE IMPAIRMENT REVERSAL AND FINANCE COSTS[1] ATTRIBUTABLE TO UNITHOLDERS	**3,918**	6,797	**-42.4%**
	cents per unit	**cents per unit**	
Earnings per unit[2]	**7.9**	13.6	
Distribution per unit	**15.5**	15.5	

1 "finance costs" relate to 50% of distributable profit payable to unitholders. 2 Before unit distributions and reversal of impairment.

The main reason for the lower Trust profit is that Trust rental income was $2.5 million (21.3%) lower. On the cost side, as a result of the increase in value of the Reef Hotel Casino property, responsible entity fees for the first half year have increased by $147,000. Depreciation and amortisation was marginally up by $155,000. Otherwise, Trust costs were well controlled.

The lower Trust rental income was mainly due to the Reef Hotel Casino experiencing a much lower than expected win rate on its premium play despite recording an increase in business as measured by player "drop" (money exchanged from gaming chips) and "turnover" (amount of bets). This factor when combined with a better than expected win rate last year has resulted in an overall impact on rental income of around $2.1 million.

The smoking ban introduced by the Queensland government in July 2006 continued to have a negative impact on the casino's electronic gaming machine revenues. The impact on rental income was $360,000.

A more detailed analysis is provided below.

Unit distribution

As I have mentioned above, we can see that the lower Trust net operating profit was not due primarily to less business or turnover at the Reef Hotel Casino but due mainly to a much lower than expected win rate on the casino's premium play. Over time short term fluctuations as have recently occurred, can be expected to flatten out and the win rate should be expected to revert back to normalised levels.

Taking this into account, the board of the responsible entity has declared a first half year unit distribution of 15.5 cents per unit on a tax deferred basis, unchanged from last year. The record date was 29 June 2007 and payment to all unit holders will be made on 21 September 2007.

This unit distribution has been sourced as follows.

Source	Cents per unit	Total amount $
"Normal" distribution of 100% of distributable profits	7.8	3.9 million
From the "undistributed profit" account	7.7	3.8 million
Total	**15.5**	**7.7 million**

Following this distribution, the balance in the "undistributed income" account is $3.5 million.

The Trust expects to revert back to a generally even distribution from out of the "undistributed income" account in the coming financial periods.

First half unit distributions in recent years were as follows:-

	2007 Cents per unit	2006 Cents per unit	2005 Cents per unit
First half	15.5	15.5	8.5

Bank loan

On 22 August 2007 the directors accepted an offer from the Bank of Queensland to extend the current interest only facility for another 5 years. The total balance of $16,500,000 becomes a non-current liability.

Review of trading at Reef Hotel Casino, Cairns

General economic factors – Cairns and North Queensland

There were two main factors affecting the leisure and tourism industry in Cairns and Far North Queensland.

- Strong Australian dollar

The strong Australian dollar has had a negative impact on in-bound tourism into Cairns generally. Cairns Airport has reported lower international arrivals (down 13.3%, July 06 – May 07 compared to July 05 – May 06, source: Cairns Port Authority) with Japanese arrivals down fairly significantly. Japan is one of the most, if not the most important international sources of tourists into Cairns and Far North Queensland.

The strong Australian dollar has also resulted in more Australians travelling overseas for holidays rather than to North Queensland.

- Queensland government smoking ban

First introduced in July 2006, this has continued to have a negative impact on the casino's electronic gaming machine revenues.

Reef Hotel Casino complex

Despite weaker economic fundamentals, the casino recorded just 3.7% fewer visitations than last year.

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

The Reef Hotel Casino conferencing and banqueting facilities were boosted by the launch of a brand new suite of rooms. Called Urchins, it has been well received by our clients.

Improvements were made to our designated outdoor smoking areas with better protection from sun and rain for our gaming patrons.

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

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

Hotel operations

Our Sofitel room accommodation posted an increase in revenues of 1.8% reflecting gains in both occupancy and rate. Food revenues increased by 4.2% while beverage revenues increased by 7.4%.

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

Overall, hotel operations contributed a useful $0.2 million or 23.8% more towards Trust rental income.

Casino operations

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

Electronic gaming machines

The one main factor that has impacted on the casino's electronic gaming machines revenues has been the Queensland government's smoking ban introduced in July 2006.

In the first six months of this year, our gaming machine revenues recorded a 3.3% decrease compared to last year.

Overall, we compare well with an industry wide (excluding casinos) decline of 7.4% for the year ended 30 June 2007 (source: Queensland Office of Gaming Regulation). Over the same period, our revenues declined by just 3%. We believe that management's anticipatory action and marketing and promotional efforts have paid off.

After reaching a low point in the first quarter of this year, there are some encouraging signs that the worst is over for the Reef Casino and that we will start to put growth back into electronic gaming machines revenues over the course of the next 12 months.

Table games

Accounting for around 25% of table games (based on player "drop"), our premium play continued to show growth in the first half with both player "drop" and "turnover" increasing by 11% and 68% respectively. These key performance indicators point to a continuing strong business that has grown further in the first half of this year.

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

The impact of this on rental contributions is about $2.1 million which largely explains the difference between the Trust's results this first half year and last year.

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

Accounting for 75% of table games (based on player "drop"), grind table games action (non premium play) on the main casino floor is very much tourist driven and reflects casino visitations and as such was slightly weaker to flat as compared to last year. Different from premium play, grind action produces a steadier win rate as its gross gaming revenues are derived from a larger number of players wagering smaller average bets.

Second half year

The tourism industry in Cairns and Far North Queensland is expected to remain flat in the next 12 months. In bound tourist arrivals from Japan in particular are expected to continue to be under pressure and to soften further.

As for the smoking ban, it appears the worst is behind us and there are some encouraging signs that we will be able to build growth back into our electronic gaming machine revenues in the second half of this year. We are pleased with our relative resilience and performance in the first year since the introduction of the smoking ban as compared to the rest of the industry in Queensland.

With premium play, it is not unreasonable to expect an improvement in the win rate on player turnover moving forward, so long as we continue to maintain and develop our business in the future. We managed to grow this competitive market in the first half year which augurs well for the future.

The next six months will still be challenging but overall, the board of the responsible entity expects the Trust's results in the second half to be similar to the same period last year.

Ben Macdonald
Chairman
Reef Corporate Services Limited
Responsible Entity of Reef Casino Trust

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 2007 and the audit report thereon.

Responsible Entity

The Directors of Reef Corporate Services Limited at any time 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 4.

Distribution

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

The 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 2007 to be paid on 21 September 2007 (refer note 10). The distribution in respect of the six month period ended 30 June 2006 was 15.5 cents per unit tax deferred.

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

The lead auditor's independence declaration is set out on page 23 and forms part of the directors' report for the half year ended 30 June 2007.

Rounding off

The trust is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the half year 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
22 August 2007

INCOME STATEMENT

For the half year ended 30 June 2007

	Note	30 June 2007 $'000	30 June 2006 $'000
REVENUE AND OTHER INCOME			
Revenue	4	**9,524**	12,062
Other income	4	**2,773**	2
TOTAL REVENUE AND OTHER INCOME		**12,297**	12,064
EXPENSES			
Depreciation and amortisation	5	**2,555**	2,400
Property outgoings		**466**	484
Rates and taxes		**292**	290
Responsible Entity fees		**641**	494
Repairs and maintenance		**539**	525
Legal and consulting fees		**65**	20
Insurance		**164**	175
Other expenses from ordinary activities		**294**	303
TOTAL EXPENSES		**5,016**	4,691
RESULTS FROM OPERATING ACTIVITIES		**7,281**	7,373
Finance costs attributable to unitholders	3(a)	**1,959**	3,399
Interest expense		**594**	576
TOTAL FINANCE COSTS		**2,553**	3,975
PROFIT FOR THE PERIOD		**4,728**	3,398
Basic and diluted earnings per unit (cents)	14	**19.0**	13.6
Profit before reversal of impairment and finance costs attributable to unitholders		**3,918**	6,797

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

STATEMENT OF CHANGES IN EQUITY

For the half year ended 30 June 2007

	Issued units $'000	Distribution account $'000	Undistributed income $'000	Asset revaluation reserve $'000	Accumulated losses $'000	Total $'000
1 JANUARY 2006	85,051	1,533	9,475	21,767	(85,103)	32,723
Profit for the period	–	–	–	–	3,398	3,398
Transfer to distribution account (note 10)	–	3,398	–	–	(3,398)	–
Transfer from undistributed income	–	922	(922)	–	–	–
Distributions paid	–	(1,533)	–	–	–	(1,533)
30 JUNE 2006	85,051	4,320	8,553	21,767	(85,103)	34,588
1 JANUARY 2007	85,051	4,625	7,270	21,767	(85,103)	33,610
Profit for the period	–		–	–	4,728	4,728
Transfer to distribution account (note 10)	–	1,959	–	–	(1,959)	–
Transfer from undistributed income	–	3,801	(3,801)	–	–	–
Distributions paid	–	(4,625)	–	–	–	(4,625)
Revaluation of property, plant and equipment	–	–	–	39,685	–	39,685
30 JUNE 2007	85,051	5,760	3,469	61,452	(82,334)	73,398

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

BALANCE SHEET

As at 30 June 2007

	Note	30 June 2007 $'000	31 Dec 2006 $'000
ASSETS			
Cash and cash equivalents		**4,922**	7,368
Receivables		**1,543**	2,151
Site lease – rental in advance	7	**706**	661
TOTAL CURRENT ASSETS		**7,171**	10,180
Receivables		**750**	750
Property, plant and equipment	6	**127,569**	88,496
Site lease – rental in advance	7	**42,725**	40,332
TOTAL NON-CURRENT ASSETS		**171,044**	129,578
TOTAL ASSETS		**178,215**	139,758
LIABILITIES			
Payables	8	**3,225**	4,555
Loans and borrowings	9	**16,500**	16,500
TOTAL CURRENT LIABILITIES		**19,725**	21,055
Deferred income		**41**	42
Issued units – liability portion		**85,051**	85,051
TOTAL NON-CURRENT LIABILITIES		**85,092**	85,093
TOTAL LIABILITIES		**104,817**	106,148
EQUITY			
Issued units – equity portion		**85,051**	85,051
Distribution account	10	**5,760**	4,625
Undistributed income		**3,469**	7,270
Asset revaluation reserve		**61,452**	21,767
Accumulated losses		**(82,334)**	(85,103)
TOTAL EQUITY		**73,398**	33,610
TOTAL EQUITY AND LIABILITIES		**178,215**	139,758
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 balance sheet is to be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

For the half year ended 30 June 2007

	30 June 2007 $'000	30 June 2006 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	**11,146**	13,018
Cash payments in the course of operations	**(3,665)**	(3,705)
Interest received	**153**	206
Interest and other finance charges paid	**(593)**	(574)
NET CASH FROM OPERATING ACTIVITIES	**7,041**	8,945
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	**(1,521)**	(1,583)
Proceeds from disposal of non-current assets	**2**	2
NET CASH FROM INVESTING ACTIVITIES	**(1,519)**	(1,581)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions paid	**(7,968)**	(5,229)
NET CASH FROM FINANCING ACTIVITIES	**(7,968)**	(5,229)
Net (decrease)/increase in cash held	**(2,446)**	2,135
Cash and cash equivalents at 1 January	**7,368**	5,929
CASH AND CASH EQUIVALENTS AT 30 JUNE	**4,922**	8,064

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

For the half year ended 30 June 2007

1. THE TRUST

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

2. BASIS OF PREPARATION

(a) Statement of compliance

The half year financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. The half year financial report also complies with International Financial Reporting Standards (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 2006.

The half year financial report was authorised for issue by the directors of the Responsible Entity on 22 August 2007.

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

(b) Basis of measurement

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

(c) Presentation currency

The financial report is presented in Australian dollars.

(d) Use of estimates and judgements

The preparation of financial reports in conformity with Australian Accounting Standards (AASBs) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Trust in this half year financial report are the same as those applied by the Trust in its financial report as at and for the year ended 31 December 2006.

(a) Financial instruments

(i) Non-derivative financial instruments

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

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

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

For the half year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

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

(ii) Derivative financial instruments

The Trust holds no derivative financial instruments.

(iii) Compound financial instruments – issued units

Compound financial instruments issued by the Trust comprise issued units.

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

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

(b) Property, plant and equipment

(i) Recognition and measurement

Buildings and integral plant are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revaluation amount of the asset.

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Property, plant and equipment (continued)

(iv) Revaluations

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

The Trust is required to assess the fair value of property, plant and equipment on an annual basis and determine whether there is any impairment (note 3(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;

(iii) that the property will be reasonably exposed to that market;

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

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

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

(c) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

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

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

For the half year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Impairment (continued)

(i) Financial assets (continued)

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

(ii) Non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

For the half year ended 30 June 2007

4. REVENUE AND OTHER INCOME

	30 June 2007 $'000	30 June 2006 $'000
REVENUE		
Rental		
Base rent	**325**	325
Contingent rent	**9,008**	11,528
	9,333	11,853
Interest received and receivable from		
Other persons	**147**	164
Related parties	**37**	35
	184	199
Other revenue		
Sundry	**7**	10
	9,524	12,062

	30 June 2007 $'000	30 June 2006 $'000
OTHER INCOME		
Reversal of impairment of site lease	**2,769**	–
Net gain on disposal of plant and equipment	**2**	2
Government grant	**2**	–
	2,773	2

5. EXPENSES

Net profit includes the following specific expenses:

	30 June 2007 $'000	30 June 2006 $'000
Depreciation		
Building	**1,098**	1,090
Plant and equipment	**1,126**	979
	2,224	2,069
Amortisation		
Site lease – rental in advance	**331**	331
	2,555	2,400

For the half year ended 30 June 2007

	30 June 2007 $'000	31 Dec 2006 $'000

6. PROPERTY, PLANT AND EQUIPMENT

	30 June 2007 $'000	31 Dec 2006 $'000
Building and integral plant – at valuation	**120,664**	87,012
Less: Accumulated depreciation	**–**	(5,456)
	120,664	81,556
Plant and equipment – at cost	**50,507**	49,835
Less: Accumulated depreciation	**(43,602)**	(42,895)
	6,905	6,940
Total property, plant and equipment – net carrying amount	**127,569**	88,496

	30 June 2007 $'000	30 June 2006 $'000
CAPITAL EXPENDITURE COMMITMENTS		
Contracted but not provided for and payable:		
Not longer than one year	**593**	673

ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2007, the Trust acquired assets with a cost of $1,613,384 (six months ended 30 June 2006: $2,012,094). Assets with a net book value of $770 were disposed of during the six months ended 30 June 2007 (six months ended 30 June 2006: nil), resulting in a gain on disposal of $1,638 (six months ended 30 June 2006: gain of $1,768).

REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

An independent valuation of the Trust's interest in the Reef Hotel Casino Complex was carried out by Jones Lang LaSalle Hotels as at 30 June 2007. The Trust's interest in the complex, which comprises the building, site lease and plant and equipment, was valued at $171 million (with no residual value). The site lease is classified as a prepayment (note 7).

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

For the half year ended 30 June 2007

	30 June 2007 $'000	31 Dec 2006 $'000

7. SITE LEASE – RENTAL IN ADVANCE

Original cost	**53,000**	53,000
Less: Accumulated amortisation and impairment [i]	**(9,569)**	(12,007)
	43,431	40,993
Site lease as shown in the financial statements:		
Current	**706**	661
Non-current	**42,725**	40,332
Total site lease – rental in advance	**43,431**	40,993

[i] Accumulated impairment as at 30 June 2007 is nil.

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

8. PAYABLES

CURRENT		
Trade creditors and accruals – unsecured	**1,266**	1,212
Accrued distributions (note 10)	**1,959**	3,343
	3,225	4,555

9. LOANS AND BORROWINGS

The bank loan of $16,500,000 matures in September 2007. As no agreement to refinance was completed before 30 June 2007 the facility is disclosed as a current liability at that date.

EVENTS SUBSEQUENT TO BALANCE DATE

On 22 August 2007 the directors accepted an offer from the Bank of Queensland to extend the current interest only facility for another 5 years. The total balance of $16,500,000 becomes a non-current liability.

For the half year ended 30 June 2007

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 22 August 2007, and accounted for as follows:

	30 June 2007 $'000	31 Dec 2006 $'000
DISTRIBUTION ACCOUNT (refer to Statement of Changes in Equity)		
Balance relating to issued units – equity portion	**5,760**	4,625
ACCRUED DISTRIBUTION (payables – note 8)		
Balance relating to issued units – liability portion	**1,959**	3,343
TOTAL OF DISTRIBUTION ACCOUNTS	**7,719**	7,968

	2007		2006	
	Total $'000	Cents per unit	Total $'000	Cents per unit
DISTRIBUTIONS PAID AND PAYABLE				
Half year ended 31 December				
paid March	**7,968**	**16.00**	5,229	10.50
Half year ended 30 June				
paid/payable September	**7,719**	**15.50**	7,719	15.50
	15,687	**31.50**	12,948	26.00

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

For the half year ended 30 June 2007

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.

12. RELATED PARTY INFORMATION

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

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets.

14. EARNINGS PER UNIT

	30 June 2007	30 June 2006
Basic and diluted earnings per unit (cents)	**19.0**[i]	13.6
Weighted average number of units for the half year (note 3(a))	**24,900,518**	24,900,518
	$'000	**$'000**
Profit for the half year	**4,728**	3,398

[i] Includes reversal of impairment (11.1 cents per unit), otherwise 7.9 cents per unit.

DIRECTORS' DECLARATION

In the opinion of the directors of Reef Corporate Services Limited, the Responsible Entity of Reef Casino Trust (the Trust):

(a) the financial statements and notes set out on pages 7 to 19 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 2007 and of its performance for the half year ended on that date; and

  (ii) complying with Australian 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
22 August 2007

KPMG

INDEPENDENT AUDIT REPORT

To the Unitholders of Reef Casino Trust

We have audited the accompanying interim financial report of Reef Casino Trust ("the Trust"), which comprises the income statement, statement of changes in equity, balance sheet, cash flow statement and a summary of significant accounting policies and other explanatory notes and the directors' declaration set out on pages 7 to 20 for the half year ended 30 June 2007.

Directors' responsibility for the financial report

The directors of the Responsible Entity, Reef Corporate Services Limited, are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Act 2001 and the provisions of the Trust Constitution dated 2 July 1993 (as amended). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

We performed these 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 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.

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

KPMG

INDEPENDENT AUDIT REPORT

To the Unitholders of Reef Casino Trust

Auditor's opinion

In our opinion, the interim 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 2007 and of its performance for the half year ended on that date; and

   (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(b) the provisions of the Trust Constitution dated 2 July 1993 (as amended).

KPMG

Graham Coonan
Partner

Cairns
22 August 2007

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 2007 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Graham Coonan
Partner

Cairns
22 August 2007

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

Compliance, Audit & Risk Committee of the Responsible Entity

Hon Keith De Lacy (Chairman)
Mr Julian Hercus
Mr Kim Mooney
Mr Ronald John Hickey
(alternate for Mr Mooney)

Solicitors to the Responsible Entity

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

Unit registry

Computershare Investor Services Pty Ltd
Level 19
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 Securities 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”

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 from 6pm everyday.

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 and dinner 6.30am - 10pm

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

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 with live music and entertainment.
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