



REEF
CASINO TRUST

ARSN 093 156 293

Half Year Report

& FINANCIAL STATEMENTS

2010



REEF CASINO TRUST HALF YEAR REPORT 2010



Tamarind Restaurant (top), Pullman Guest Suite (left) and Diamond Room (right)

TABLE OF CONTENTS

| | |
|---|----|
| Chairman's Review | 2 |
| Directors' Report | 7 |
| Statement of Financial Position | 9 |
| Statement of Comprehensive Income | 10 |
| Statement of Changes in Equity | 11 |
| Statement of Cash Flows | 12 |
| Notes to the Financial Statements | 13 |
| Directors' Declaration | 20 |
| Independent Auditor's Report | 21 |
| Lead Auditor's Independence Declaration | 23 |
| Trust Directory | 24 |

Unit distribution
Six months to 30 June 2010
9.0 cents per unit tax deferred
Payment date 23 September 2010

CHAIRMAN'S REVIEW

Dear Unitholders

On behalf of the board of directors of Reef Corporate Services Limited, responsible entity of the Reef Casino Trust (the Trust), I present my review of the Reef Casino Trust for the six months ended 30 June 2010.

Key points

- Cairns' and the region's economy was weak throughout the first six months of this year
- The Queensland Government doubled our gaming machine tax rate from 10% to 20% from 1 July 2009
- Trust distributable profit to unitholders was 32.3% lower on a "like for like" basis (excluding the extra gaming machine tax)
- With the extra machine gaming tax, Trust distributable profit was \$3.25 million, 50.5% lower
- Operating costs at the Reef Hotel Casino and Trust costs were held under tight control and savings were made wherever possible
- Unit distribution of 9 cents per unit for the six months from 1 January to 30 June 2010

Trust distributable profit

On a "like for like" basis (without extra machine gaming tax), Trust distributable profit would have been \$4.44 million for the six months ended 30 June 2010. This compares with \$6.57 million in 2009 or 32.3% lower.

The Trust's performance in the 1st half of this year has been impacted by 2 main factors. Firstly, Cairns' and the region's economy was weak throughout the first six months of this year. Secondly, the gaming machine tax rate at the Reef Hotel Casino was doubled by the Queensland Government from 10% to 20% effective 1 July 2009.

This increase in the machine gaming tax had a negative impact on Trust distributable profit of \$1.19 million resulting in a reported Trust distributable profit of \$3.25 million.

Total revenue (comprising mainly of rental income from the Reef Hotel Casino) decreased by 19.2% (on a "like for like" basis).

Trust operating expenses were 7.1% lower.

| | 2010¹ | 2010² | 2009³ | |
|--|-------------------------|-------------------------|-------------------------|---------------|
| | \$'000 | \$'000 | \$'000 | |
| REVENUE | | | | |
| Rental revenue | 8,251 | 9,442 | 11,592 | -18.5% |
| Other revenue | 126 | 126 | 244 | |
| TOTAL REVENUE | 8,377 | 9,568 | 11,836 | -19.2% |
| EXPENSES | | | | |
| Operating | 2,715 | 2,715 | 2,923 | -7.1% |
| Depreciation and amortisation | 2,410 | 2,410 | 2,346 | |
| TOTAL EXPENSES | 5,125 | 5,125 | 5,269 | |
| PROFIT BEFORE FINANCE COSTS⁴ | | | | |
| ATTRIBUTABLE TO UNITHOLDERS | 3,252 | 4,443 | 6,567 | -32.3% |
| | | | | |
| Earnings per unit (cents) | 6.5 | 8.9 | 13.2 | |
| Distribution per unit (cents) | 9.0 | 9.0 | 11.0 | |

1 Reported results.

2 Like for like basis, excluding extra gaming tax net impact.

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

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

Unit distribution

The Trust has declared a distribution of 9 cents per unit for the six months ended 30 June 2010 and this will be paid on a tax deferred basis. The record date was 30 June 2010 and the payment to all unitholders will be made on 23 September 2010.

This distribution comprises 100% of the distributable net profit of the Trust for the period 1 January 2010 to 30 June 2010 (6.53 cents per unit) and a top up from the undistributed income account (2.47 cents per unit).

For the second half year, it is the Trust's intention to distribute 100% of its distributable profits. Depending on the actual results of the second half year and the financial and economic factors at the time, there is also the option to make additional distributions from the undistributed income account. Where possible, it is the Trust's intention to make additional distributions from the undistributed income account so that the second half year's distribution is as close to last year's distribution as possible.

Trust balance sheet

The Trust's cash flows remain positive and the balance sheet remains healthy. The Trust continues to have adequate working capital. The Trust's interest only loan facility remains unchanged at \$16.5 million with the current term not maturing until September 2012. As at 30 June 2010, the Trust has drawn down \$12.75 million. The Trust also has an overdraft facility of \$2 million which it has not used to date.

Gaming machine tax

As the increased machine gaming tax rate was effective 1 July 2009, the first half year just ended was the first such reporting period that has been impacted by this tax increase.

The extra gaming machine tax imposed by the Queensland Government was \$1.25 million for the first half year.

Review of trading performance and strategy at Reef Hotel Casino

Cairns' economy

Cairns' and the region's economy was very weak in the first six months of this year with the local unemployment rate hovering around 10% throughout the period.

- The traditional low season coincided with some exceptionally wet weather
- There was a hiatus in government stimulus spending – cash, first time home buyers, business investment incentives
- Soft inbound tourism into Cairns and a subdued construction sector
- The high Australian dollar continued to provide a dampening effect on tourism

Overall for the Reef Hotel Casino, the weak Cairns' economy has resulted in the complex's casino and hotel operations revenues being softer than the same period last year. This time last year, the complex put in an exceptionally strong performance.

Management successfully pursued a strategy designed to keep the complex operations profitable in the face of one of the worst economic downturns in Cairns. Briefly, the strategy incorporated the following main elements.

1. To protect the bottom line of the complex operations
2. The approach to operating costs and investments was careful, prudent and conservative. We have cut or deferred non essential expenditure as much as possible.
3. To position our business for a return to growth in the second half of this year and more dynamic growth particularly in the next 2 years by:
 - Repositioning food and beverage within the complex
 - Marketing to known local and regional players via Reef Club, the casino's loyalty club
 - Aggressively marketing to the PNG premium player market
 - Further developing our China and Asian strategy
 - Maintaining a low cost base

Complex visitations

A decrease of 9.5% was recorded compared to the same period last year and reflected soft tourism in Cairns.

Casino operations

Overall casino revenues were 8.5% lower. Rentals to the Trust were 16.4% lower ("like for like") basis. Wherever possible, operating costs were saved but certain costs are of a fixed nature and are at the core of maintaining a proper functioning international standard casino operation.

- Table games business activity as measured by drop was 11.8% lower; the premium segment held up well but the grind or main floor segment reflected soft tourism in Cairns
- Hold percentage was similar to last year
- Electronic gaming machine business activity as measured by handle was 8.1% lower but revenues were lower by just 6.3%. Our performance is ahead of the region's comparable metered win figures of the club and hotel industry as reported by the government
- The hold percentage improved compared to last year

Hotel/non-gaming operations

Rentals paid to the Trust were 43.6% lower compared to last year and reflected one of the softest periods experienced by tourism in Cairns in recent years. Cost recovery efforts were good but as with the casino, certain fixed costs are at the core of maintaining a proper functioning 5 star hotel operation.

- Room revenues were just 3.6% lower which is relatively better than the market as a whole
- Food and beverage contributions were 26% lower and reflected the weaker casino visitations in the period

Capital expenditure

Consistent with management's overall strategy in the first half year, capital expenditure was tightly controlled. A special project was the commitment of around \$550,000 to re position the complex's food and beverage offerings. Specifically, renovation works were completed to introduce Café China as a major tenant of the complex involving both front of house and back of house works (mainly kitchens). Tamarind Restaurant was also refurbished and this venue now also provides the Pullman hotel breakfast.

Outlook for rest of year

Management's strategy for the rest of this year has at its core the achievement of success by ensuring that the Reef Hotel Casino remains the best in the industry in North Queensland.

As I have mentioned in the Trust annual general meeting in May, overall, we hope that the Cairns' economy will recover as the year progresses and into next year and that the effects of the global financial crisis will disappear over time. Our outlook for the Reef Hotel Casino remains slightly positive.

- There is evidence that Cairns' and the regional economy would improve progressively in the second half year with tourism improving generally as more flights come on stream from Japan, Hong Kong, PNG, New Zealand and Australian domestic cities
- There is an expectation that the mainland China market would continue to grow
- The regional areas such as the Tablelands, Mt Isa and Port Moresby continue to be strong in terms of their economies
- The high Australian dollar continues to provide a dampening effect though

Already, there are signs that our trading is gradually improving as we progress through the second half of the year. Our trading in July has been very satisfactory.

As the Trust's revenues are the rentals paid by the Reef Hotel Casino, its results will reflect the performance of the Reef Hotel Casino. Trust costs are under control and are expected to remain stable this year.



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 2010 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) |
| Ms Louise Daley | Director since 23 March 2010 |
| | Alternate Director since 25 June 2009 (alternate for Mr Mooney) |
| Mr Josef Leutgeb | Alternate Director since 23 February 2005 (alternate for Mr Herzfeld) |
| Mr Simon McGrath | Alternate Director since 23 March 2010 (alternate for Mr Issenberg) |

Mr David Baffsky was a director until his resignation on 11 March 2010.

Review of operations

The review of operations is contained in the Chairman's Review on pages 2 to 6.

Distribution

The distribution of \$6.47 million (13.0 cents per unit tax deferred) in respect of the six month period ended 31 December 2009 as reported in the 2009 annual report was paid on 26 March 2010.

The Directors have declared a distribution of \$4.48 million (9.0 cents per unit tax deferred) in respect of the six month period ended 30 June 2010 to be paid on 23 September 2010 (refer note 10). The distribution in respect of the six month period ended 30 June 2009 was 11.0 cents per unit tax deferred.

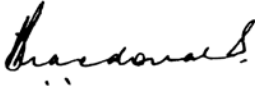
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

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 2010.

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
17 August 2010

STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

| | Note | 30 June 2010 \$'000 | 31 Dec 2009 \$'000 |
|---------------------------------------|------|---------------------------|--------------------------|
| ASSETS | | | |
| Cash and cash equivalents | | 2,783 | 3,491 |
| Receivables | | 1,807 | 1,795 |
| Site lease – rental in advance | 8 | 707 | 706 |
| TOTAL CURRENT ASSETS | | 5,297 | 5,992 |
| Receivables | | 750 | 750 |
| Property, plant and equipment | 6 | 66,116 | 67,201 |
| Intangible assets | 7 | 104 | 129 |
| Site lease – rental in advance | 8 | 40,604 | 40,959 |
| TOTAL NON-CURRENT ASSETS | | 107,574 | 109,039 |
| TOTAL ASSETS | | 112,871 | 115,031 |
| LIABILITIES | | | |
| Payables | 9 | 2,935 | 4,619 |
| TOTAL CURRENT LIABILITIES | | 2,935 | 4,619 |
| Loans and borrowings | | 12,750 | 11,500 |
| Deferred income | | 86 | 90 |
| Issued units – liability portion | | 85,051 | 85,051 |
| TOTAL NON-CURRENT LIABILITIES | | 97,887 | 96,641 |
| TOTAL LIABILITIES | | 100,822 | 101,260 |
| EQUITY | | | |
| Issued units – equity portion | | 85,051 | 85,051 |
| Distribution account | 10 | 2,856 | 3,348 |
| Undistributed income | | 5,985 | 7,215 |
| Accumulated losses | | (81,843) | (81,843) |
| TOTAL EQUITY | | 12,049 | 13,771 |
| TOTAL EQUITY AND LIABILITIES | | 112,871 | 115,031 |
| 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 statement of financial position is to be read in conjunction with the accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME

for the half year ended 30 June 2010

| | Note | 30 June 2010 | 30 June 2009 |
|--|------|-----------------|---------------------------------|
| | | \$'000 | restated ¹ \$'000 |
| REVENUE AND OTHER INCOME | | | |
| Revenue | 4 | 8,373 | 11,770 |
| Other income | 4 | 4 | 66 |
| TOTAL REVENUE AND OTHER INCOME | | 8,377 | 11,836 |
| EXPENSES | | | |
| Depreciation and amortisation | 5 | 2,410 | 2,346 |
| Property outgoing | | 494 | 515 |
| Rates and taxes | | 333 | 309 |
| Responsible Entity fees | | 555 | 550 |
| Repairs and maintenance | | 310 | 469 |
| Insurance | | 157 | 164 |
| Other expenses from ordinary activities | | 408 | 393 |
| TOTAL EXPENSES | | 4,667 | 4,746 |
| RESULTS FROM OPERATING ACTIVITIES | | 3,710 | 7,090 |
| Finance costs attributable to unitholders | | 1,626 | 3,283 |
| Interest expense on financial liabilities measured at amortised cost | | 458 | 523 |
| TOTAL FINANCE COSTS | | 2,084 | 3,806 |
| PROFIT FOR THE PERIOD | | 1,626 | 3,284 |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD | | — | — |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 1,626 | 3,284 |
| Basic and diluted earnings per unit (cents) | 14 | 6.5 | 13.2 |
| MEMORANDUM NOTE | | | |
| Profit before finance costs attributable to unitholders | | 3,252 | 6,567 |

¹ Refer note 3 for details .

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

STATEMENT OF CHANGES IN EQUITY

for the half year ended 30 June 2010

| | Issued units \$'000 | Distribution account \$'000 | Undistributed income \$'000 | Accumulated losses \$'000 | Total \$'000 |
|---|---------------------------|-----------------------------------|-----------------------------------|---------------------------------|-----------------|
| 1 JANUARY 2009 RESTATED ¹ | 85,051 | 2,824 | 6,349 | (81,843) | 12,381 |
| Total comprehensive income for the period | — | — | — | 3,284 | 3,284 |
| Transfer to distribution account | — | 2,195 | — | (2,195) | — |
| Transfer to undistributed income | — | — | 1,089 | (1,089) | — |
| Distributions paid | — | (2,824) | — | — | (2,824) |
| 30 JUNE 2009 RESTATED ¹ | 85,051 | 2,195 | 7,438 | (81,843) | 12,841 |
| 1 JANUARY 2010 | 85,051 | 3,348 | 7,215 | (81,843) | 13,771 |
| Total comprehensive income for the period | — | — | — | 1,626 | 1,626 |
| Transfer to distribution account (note 10) | — | 1,626 | — | (1,626) | — |
| Transfer from undistributed income | — | 1,230 | (1,230) | — | — |
| Distributions paid | — | (3,348) | — | — | (3,348) |
| 30 JUNE 2010 | 85,051 | 2,856 | 5,985 | (81,843) | 12,049 |

¹ Refer note 3 for details .

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

STATEMENT OF CASH FLOWS

for the half year ended 30 June 2010

| | 30 June 2010 \$'000 | 30 June 2009 \$'000 |
|---|------------------------------------|------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts in the course of operations | 9,260 | 13,437 |
| Cash payments in the course of operations | (3,290) | (3,910) |
| Interest received | 93 | 170 |
| Interest and other finance costs paid | (452) | (539) |
| NET CASH FROM OPERATING ACTIVITIES | 5,611 | 9,158 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for property, plant and equipment | (1,097) | (2,081) |
| Proceeds from disposal of property, plant and equipment | 2 | 69 |
| NET CASH FROM INVESTING ACTIVITIES | (1,095) | (2,012) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowings | 1,250 | — |
| Distributions paid (equity portion and liability portion) | (6,474) | (6,723) |
| NET CASH FROM FINANCING ACTIVITIES | (5,224) | (6,723) |
| Net increase/(decrease) in cash held | (708) | 423 |
| Cash and cash equivalents at 1 January | 3,491 | 6,587 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 2,783 | 7,010 |

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

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 30 June 2010

1. THE TRUST

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

2. BASIS OF PREPARATION

(a) Statement of compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting*. It does not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements as at and for the year ended 31 December 2009.

The interim financial report was approved by the directors of the Responsible Entity on 17 August 2010.

(b) Basis of measurement

The financial report is prepared on the historical cost basis.

(c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Trust's functional currency.

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

(d) Use of estimates and judgements

The preparation of interim financial statements 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 expenses. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made in applying the Trust's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Trust in this interim financial report are the same as those applied by the Trust in its financial report as at and for the year ended 31 December 2009.

Restatement of prior year interim financial report

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

When considering the Trust's previous accounting policy for the valuation of the building, the directors were concerned the significant judgement required to allocate the independent valuations for the complex to the individual components of the complex may have overstated the value of the building in prior years. Cash flows from the individual components of The Reef Hotel Casino are integrally linked. Accordingly, the directors considered the change in accounting policy from fair value to cost provided more reliable and more relevant information about the individual components of the casino complex recognised in the financial statements as there are no longer significant judgements required to allocate the overall value of the complex and the individual components of the complex are now all measured at cost. Furthermore, the most relevant fair value being that of the casino complex as a whole has been and continues to be disclosed in the financial statements.

This change in accounting policy was made in the financial statements for the year ended 31 December 2009 and the comparatives for the year ended 31 December 2008 were restated. The impact on the financial statements was as set out in the 2009 annual report. Accordingly, the comparative information for the six months ended 30 June 2009 has also been restated in this interim financial report.

| | 30 June 2010 | 30 June 2009 restated |
|--|-----------------|-----------------------------|
| | \$'000 | \$'000 |
| 4. REVENUE AND OTHER INCOME | | |
| REVENUE | | |
| <i>Rental</i> | | |
| Base rent | 479 | 467 |
| Contingent rent | 7,772 | 11,125 |
| | 8,251 | 11,592 |
| <i>Interest received and receivable from</i> | | |
| Other persons | 56 | 119 |
| Related parties | 37 | 34 |
| | 93 | 153 |
| <i>Other revenue</i> | | |
| Sundry | 29 | 25 |
| | 8,373 | 11,770 |
| OTHER INCOME | | |
| Net gain on disposal of plant and equipment | — | 64 |
| Government grant | 4 | 2 |
| | 4 | 66 |

5. EXPENSES

Net loss includes the following specific expenses:

| | | |
|--------------------------------|--------------|-------|
| <i>Depreciation</i> | | |
| Building | 866 | 862 |
| Plant and equipment | 1,155 | 1,095 |
| | 2,021 | 1,957 |
| <i>Amortisation</i> | | |
| Computer software | 35 | 36 |
| Site lease – rental in advance | 354 | 353 |
| | 389 | 389 |
| | 2,410 | 2,346 |

| | 30 June 2010 \$'000 | 31 Dec 2009 \$'000 |
|---|------------------------------------|-----------------------------------|
| 6. PROPERTY, PLANT AND EQUIPMENT | | |
| Building and integral plant – at cost or deemed cost | 69,301 | 69,301 |
| Less: Accumulated depreciation | (10,825) | (9,959) |
| | 58,476 | 59,342 |
| Plant and equipment – at cost | 55,230 | 54,424 |
| Less: Accumulated depreciation | (47,590) | (46,565) |
| | 7,640 | 7,859 |
| Total property, plant and equipment – net carrying amount | 66,116 | 67,201 |

An independent valuation of the Trust's interest in The Reef Hotel Casino Complex was carried out by Jones Lang LaSalle Hotels as at 30 June 2009. The Trust's interest in the complex, which is considered to be a cash generating unit, comprises the building, site lease, casino licence and plant and equipment. The complex was valued at \$143 million (with no residual value). The site lease is classified as a prepayment (note 8). The casino licence has an amortised cost of nil (2009: nil).

Capital expenditure commitments

Contracted but not provided for and payable:

| | | |
|--------------------------|-----------|-----|
| Not longer than one year | 88 | 315 |
|--------------------------|-----------|-----|

Acquisitions and disposals

During the six months ended 30 June 2010, the Trust acquired property, plant and equipment with a cost of \$940,541 (six months ended 30 June 2009: \$1,308,259). Assets with a net book value of \$4,656 were disposed of during the six months ended 30 June 2010 (six months ended 30 June 2009: \$4,026), resulting in a net loss on disposal of \$2,155 (six months ended 30 June 2009: net gain of \$64,515).

| | 30 June 2010 \$'000 | 31 Dec 2009 \$'000 |
|---|------------------------------------|-----------------------------------|
| 7. INTANGIBLE ASSETS | | |
| Computer software – at cost | 554 | 544 |
| Less: Accumulated amortisation | (450) | (415) |
| Total intangible assets – net carrying amount | 104 | 129 |

8. SITE LEASE – RENTAL IN ADVANCE

| | | |
|--|-----------------|----------|
| Original cost | 53,000 | 53,000 |
| Less: Accumulated amortisation | (11,689) | (11,335) |
| | 41,311 | 41,665 |
| Site lease as shown in the financial statements: | | |
| <i>Current</i> | 707 | 706 |
| <i>Non-current</i> | 40,604 | 40,959 |
| Total site lease – rental in advance | 41,311 | 41,665 |

The remaining term of the site lease is 58 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.

9. PAYABLES

| | | |
|--|--------------|-------|
| CURRENT | | |
| Trade creditors and accruals – unsecured | 1,309 | 1,493 |
| Accrued distributions (note 10) | 1,626 | 3,126 |
| | 2,935 | 4,619 |

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 statement of financial position (note 9).

The proposed distribution was declared on 17 August 2010 and accounted for as follows:

| | 30 June 2010 \$'000 | 31 Dec 2009 \$'000 |
|--|------------------------------------|-----------------------------------|
| Distribution account (refer to statement of changes in equity) | | |
| Balance relating to issued units – equity portion | 2,856 | 3,348 |
| Accrued distribution (payables – note 9) | | |
| Balance relating to issued units – liability portion | 1,626 | 3,126 |
| TOTAL OF DISTRIBUTION ACCOUNTS | 4,482 | 6,474 |

| | 2010 | | 2009 | |
|---------------------------------------|-------------------------|---------------------------|-------------------------|---------------------------|
| | Total \$'000 | Cents per unit | Total \$'000 | Cents per unit |
| DISTRIBUTIONS PAID AND PAYABLE | | | | |
| Half year ended 31 December | | | | |
| paid March | 6,474 | 13.00 | 6,723 | 13.50 |
| Half year ended 30 June | | | | |
| paid/payable September | 4,482 | 9.00 | 5,478 | 11.00 |
| | 10,956 | 22.00 | 12,201 | 24.50 |

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

11. SEGMENT INFORMATION

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

| | 30 June 2010 \$'000 | 30 June 2009 \$'000 |
|---------------------------------------|------------------------------------|------------------------------------|
| RENTAL INCOME | | |
| Casino operations | 7,746 | 10,697 |
| Hotel and other non casino operations | 505 | 895 |
| | 8,251 | 11,592 |

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

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 2010 | 30 June 2009 restated |
|--|-------------------------|--------------------------------------|
| Basic and diluted earnings per unit (cents) | 6.5 | 13.2 |
| Weighted average number of units at the end of the half year | 24,900,518 | 24,900,518 |
| | \$'000 | \$'000 |
| Profit for the period | 1,626 | 3,284 |

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 2010 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
17 August 2010



INDEPENDENT AUDITOR'S REPORT

to the unitholders of Reef Casino Trust

Report on the financial report

We have audited the accompanying interim financial report of Reef Casino Trust (the Trust), which comprises the statement of financial position as at 30 June 2010, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes one to 14 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration set out on pages 7 to 20.

Directors' responsibility for the financial report

The directors of the Responsible Entity, Reef Corporate Services Limited, are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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 interim 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 of the interim financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the interim financial report.

We performed the procedures to assess whether in all material respects the interim financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB 134 *Interim Financial Reporting* a true and fair 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.



INDEPENDENT AUDITOR'S REPORT

to the unitholders of Reef Casino Trust

Independence

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

Auditor's opinion

In our opinion the interim financial report of Reef Casino Trust is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the Trust's financial position as at 30 June 2010 and of their performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

A handwritten signature in black ink, appearing to be 'KPMG', written over a horizontal line.

KPMG

A handwritten signature in black ink, appearing to be 'Gerry Mier', written over a horizontal line.

Gerry Mier
Partner

Cairns
17 August 2010



LEAD AUDITOR'S INDEPENDENCE DECLARATION

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

I declare that, to the best of my knowledge and belief, during the half year ended 30 June 2010 there have been:

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

A handwritten signature in black ink, appearing to be 'KPMG', with a long horizontal line extending to the right.

KPMG

A handwritten signature in black ink, appearing to be 'Gerry Mier', with a circular scribble at the beginning and a long horizontal line extending to the right.

Gerry Mier
Partner

Cairns
17 August 2010

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 Michael Issenberg
Mr Kim Mooney
Mr Allan Tan
Ms Louise Daley

Alternate directors

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

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
Ms Louise Daley (alternate for Mr Mooney)

Solicitors to the Responsible Entity

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

Unit registry

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

Bankers

Bank of Queensland Limited
259 Queen Street
BRISBANE QLD 4000

Auditors of the Trust

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

Securities exchange listing

Official list of the Australian
Securities Exchange 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

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

CASINOS AUSTRIA INTERNATIONAL

Reef Casino

Try your luck at the tables and experience the thrills and excitement of international gaming or adjourn to one of our many bars for a well earned refreshment.

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



Pullman Reef Hotel Casino

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



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

Open daily 6pm - 10.30pm.



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



Multi award winning full scale Chinese restaurant offering traditional Chinese cuisine, yum cha and seafood. Open daily for lunch and dinner.



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



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

Open during Casino operating hours.



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



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



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

Open every day from 4pm until late.



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



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

CASINOS AUSTRIA INTERNATIONAL

