



REEF
CASINO TRUST

**CHAIRMAN'S ADDRESS TO THE ANNUAL GENERAL MEETING
REEF CASINO TRUST
27 MAY 2003**

Business as usual

As I have mentioned earlier, we are all saddened by the sudden death of the late Dr Thomas Jancik.

The permanent position of CEO is currently vacant. One of your directors, Frank McFadden, is temporarily acting in this position. Frank is also the CEO of Casinos Austria International Limited and held the post of CEO at the Reef Hotel Casino before his recent appointments. He is known by the Queensland Office of Gaming Regulation, management, staff and customers.

Frank is being supported by the hotel general manager and the casino general manager, both of whom are experienced senior managers. We can therefore assure all unitholders that it is very much "business as usual".

Your board of directors are working towards filling this vacancy on a permanent basis and we hope to announce new leadership arrangements in due course.

Special benefits for unitholders attending this AGM

We have again offered a special room rate of \$130 per night for the nights of 26, 27 & 28 May. This represents approximately 25% discount off the average room rate.

In addition, we invite unitholders to enjoy a buffet lunch in the Pacific Flavours Restaurant today for a special price of \$15.50 per head, a saving of \$9.50.

Free car parking to attend today's annual general meeting is once again offered in our basement car park. If you did not get a voucher at the time of registration, please ask for one at the end of the meeting at the registration desk just outside this room.

REEF CASINO TRUST
ABN 90 324 877

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Another strong operating result in 2002

On 4th March this year, The Trust announced its results for the financial year ended 31 December 2002. The printed annual report was sent to all unitholders on 28 March. As this annual report contains the details for the 2002 financial year, I do not intend to go through the same information but I will summarise the major highlights:

- Trust rental income of \$16.6 million, up 2.5%
- Net profit after tax of \$8.4 million, up 2%
- Unit distribution of 12 ¼ cents per unit tax deferred basis, level of distribution maintained
- Major complex lobby refurbishment completed on time and on budget
- Continued investment in the latest electronic gaming machines
- Renovation and repair of Conservatory and glass dome completed
- Repaid \$6 million of bank borrowings
- Successful implementation of responsible gambling code of conduct

Operating result so far in 2003

The Reef Casino Trust has performed well in the first four months of 2003, with bottom line net profit ahead of 2002.

Table games have shown an improved drop and hold compared to 2002. Gaming machine revenue has also improved with drop and hold being 7% and 6% above 2002 respectively.

These improvements can be partly attributed to the successful promotional activities undertaken by the complex.

It is particularly pleasing that these results are being achieved despite world tensions caused by the Iraq war and the SARS outbreak.

The rest of the year

There are a number of external factors which are not within our control and could affect our operation for the rest of the year but Cairns has proven to have a more resilient economy than many people think. It recovered strongly from a series of shocks such as :-

- ♦ The Asian crisis

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- ♦ September 11
- ♦ Ansett collapse
- ♦ The Bali bombing

so we should not be too negative.

SARS

Firstly, the SARS problem.

The full extent of the SARS problem is still not fully known or may not be fully felt. Our hotel has been impacted negatively due to airlines reducing capacity and frequency into Australia (including Cairns and Brisbane) across their network. This means fewer travellers. It has been reported that international passenger arrivals to Cairns in the second week of May were down 37% on the previous year. Our hotel occupancy is down slightly as is the average room rate. The electronic gaming machines are holding up well but the premium player market drawn from our Asian neighbours to the north has started to soften. Many of them are choosing not to travel. This will obviously have some impact.

Terrorist Threats

Secondly, the ongoing terrorist threat.

Although the Iraq war is over, it would appear the global terrorist threat remains and it is not clear when this might come to an end. Only a couple of weeks ago, new travel warnings covering a majority of the countries in the world were issued by the Australian government and others. The current situation is not encouraging travel other than on an essential basis. The impact of this is very similar to the impact of SARS on business in general.

Even though these two problems are outside our control, we have responded by controlling our internal environment, for example by keeping costs under control, and will continue to act in an anticipatory manner whenever possible.

New projects

In our historic Customs House, the food outlet has been leased out to Café China who are operating an Asian noodle bar. This expands and complements the other food and beverage offerings in the complex.

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As announced in March of this year, a brand new real wildlife experience is planned to open around October or November of this year at our hotel casino complex. The Cairns Rainforest DOME at the Reef Hotel Casino will be a major tourist attraction located in the roof top conservatory and will add an exciting new dimension to our objective of maintaining the Reef Hotel Casino as the best entertainment complex under one roof in Cairns. The Cairns Rainforest Dome will be operated by the company that already operates the successful award winning Rainforest Habitat in Port Douglas and will feature an abundance of colourful bird life, our unique koala bears, the endangered southern cassowary, and a live salt-water crocodile.

In May 2002 the refurbishment of the Pacific Flavour restaurant was completed and in September 2002 we opened the new Vertigo bar in the lobby.

With a proven track record, we have continued to invest still further in the latest electronic gaming machines so that we can offer the games our patrons enjoy and expect.

Conclusion

Let me now make some concluding remarks.

We are continuing our litigation against the builders of the conservatory glass dome to recover costs of renovations and repairs and damages.

Expectation of another unit distribution for first half year

In accordance with the Trust constitution, the Trust will be making an announcement of the expected rate of the next unit distribution around the middle of June for the six months ended 30 June 2003. Judging by performance so far this year, we expect the unit distribution to be maintained at last year's level of 6 cents per unit.

We are pleased with the strong operating performance of the Reef Casino Trust for the first 4 months of this year, particularly when the current economic conditions are weak in most major economies around the world.

There is an amount of economic uncertainty in the months ahead due to SARS and the on going terrorist threat. While we hope these will ease off sooner rather later, they are not within our control.

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Finally, I would like to thank my fellow directors, the partners of the operator, Casinos Austria and Accor, the management team and staff of the Trust and the Reef Hotel Casino, and last but not least our shareholders for their support during this past financial period.

Ladies and gentlemen, that concludes my address to the meeting.

Thank you.

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