



REEF
CASINO TRUST



Annual Report

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Annual General Meeting

5 May 2009 at 2pm
Pullman Reef Hotel Casino
Urchins Lounge
35-41 Wharf Street
Cairns Qld Australia 4870

A notice of meeting and a proxy form
are included with this report.

Unit Distribution

Half year ended 31 December 2008

13.5 cents per unit tax deferred

Payment date 27 March 2009

Total for 2008 24 cents per unit tax deferred

Announcement Dates

Half year ended 30 June 2009

Estimated distribution mid June 2009

Results late August 2009

Half year ended 31 December 2009

Estimated distribution mid December 2009

Results late February 2010



Superior Customer Service

CHAIRMAN'S REVIEW

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 year ended 31 December 2008.

Key points

- Net distributable profit of \$12.2 million, up 21.2% (this is on an "operating" basis and before distributions to unitholders) compared to the same period last year.
- A 13.2% improvement in rental revenue resulting from a strong operating performance at The Reef Hotel Casino – this was achieved despite the onset of the global financial and economic crisis and a major downturn in tourism in Cairns and Far North Queensland.
- Second half year distributable profit was \$7.2 million while the first half year distributable profit was \$5.0 million.
- A second half year distribution to unit holders of 13.5 cents per unit, tax deferred, making a total unit distribution for the year of 24.0 cents per unit. The unit distribution for 2008 reflects the strong result posted by the Trust balanced by prudence given the current economic uncertainties.



Cairns' Premier Entertainment Complex

Trust distributable profit

The Trust reported a distributable profit of \$12.2 million for the twelve months ended 31 December 2008. This was a \$2.2 million or 21.2% improvement on \$10.0 million last year.

On a "like for like" basis, without the extra building and site lease depreciation and amortisation charge in 2008 due to the increase in value of The Reef Hotel Casino property (booked in June 2007 and affecting 2007 and 2008 years), the distributable profit would have been \$13.3 million which compares well with the record \$13.5 million profit achieved in 2006.

	2008 \$'000	2007 \$'000	
REVENUE			
Rental revenue	24,176	21,349	+13.2%
Other revenue	369	361	
TOTAL REVENUE	24,545	21,710	+13.1%
EXPENSES			
Operating	6,394	6,153	+3.9%
Depreciation and amortisation	5,975	5,509	+8.5%
TOTAL EXPENSES	12,369	11,662	
PROFIT BEFORE IMPAIRMENT REVERSAL AND FINANCE COSTS ¹			
ATTRIBUTABLE TO UNITHOLDERS	12,176	10,048	+21.2%
	Cents per unit 2008	Cents per unit 2007	
Earnings per unit ²	24.4	20.2	
Distribution per unit ³	24.0	29.0	

¹ "Finance costs" relate to 50% of distributable profit payable to unitholders

² Before unit distributions and reversal of impairment

³ In 2008, earnings of 0.4 cents per unit was added to the undistributed income account. In 2007, earnings of 8.8 cents per unit were paid in distributions from the undistributed income account.

Rental revenue from The Reef Hotel Casino improved 13.2% compared to last year following a strong overall operating performance at the complex. A more detailed analysis of the performance of The Reef Hotel Casino is provided below.

Trust operating costs were well controlled and showed an increase of 3.9% reflecting mainly an increase in interest rates for most of the year. External loans remained the same at \$16.5 million.

Depreciation and amortisation expenses have increased due to the higher building depreciation charge and amortisation on site lease as a result of the increase in the value of The Reef Hotel Casino property as at 30 June 2007. Otherwise depreciation and amortisation expenses were relatively stable.

Unit distribution

The Trust has declared a distribution of 13.5 cents per unit for the six months ended 31 December 2008. Together with the first half year distribution of 10.5 cents per unit, the distribution for the year was 24 cents per unit or \$12.0 million in total.

The second half year unit distribution was based on 100% of the expected second half year profit. As the final profit was better than expected, the excess has been transferred to the undistributed income account and carried forward to future periods. As the distributable net profit for the second half year was higher than the same period in the previous year, no distribution will be made from the undistributed income account.

For future periods, the Trust expects to continue to distribute 100% of distributable profits. The Trust also plans to continue to distribute from the "undistributed income" account. Following this distribution, the balance in the "undistributed income" account is \$3.1 million.

Balance sheet, bank loan

The balance sheet as at 31 December 2008 remains robust and stable compared to 31 December 2007.

The Trust's current interest only loan facility with the Bank of Queensland remains unchanged at \$16.5 million. It was renewed in September 2007 for a term of 5 years. The whole loan amount is a non current liability in the balance sheet. The Trust also has an overdraft facility of \$2 million with the same bank which has not been used to date.

As our gearing stands at just 9.3%, the Trust is well positioned in terms of funding needs and does not see the need to raise additional capital.



Electronic Gaming Machines



Weddings at Pullman Reef Hotel Casino

Review of trading at Reef Hotel Casino, Cairns

General economic factors – Cairns and North Queensland

Despite the onset of the financial and economic crisis and a major downturn in tourism in Cairns and Far North Queensland, The Reef Hotel Casino reported a record result in 2008. Set against the difficulties and uncertainties presented by the global crisis, this is an outstanding performance.

The Australian dollar was strong for most of the year and this has affected in-bound tourism into Cairns. Although the value of the Australian dollar has since fallen it is likely to take time for this to grow tourist numbers into Cairns. Consequently and continuing on a trend, there were fewer Japanese tourist arrivals into Cairns and Far North Queensland this year.

Interstate and intrastate tourism remained flat with high fuel prices, interest rate and inflationary worries impacting the first half of the year and then in the second half year, a lack of consumer confidence due to global uncertainties eroded the impact of lower fuel prices and interest rates.

Reef Hotel Casino complex

Despite weaker economic fundamentals mentioned above, the casino still recorded over 1.2 million visitations, just 4.2% fewer visitations than last year. The weak Japanese market is largely responsible for this reduction in visitations.

Underpinning the relative strength of our casino visitations was our continued focus on marketing and promotional efforts and an ongoing complimentary live entertainment program throughout the complex. The complex's biggest ever major promotion "Five Star Drive" with 5 premium cars given away over 6 weeks in November/December 2008 was particularly well received by patrons. Tight control over costs was also a feature.

With a full program of marketing, promotional and entertainment activities, management continues to position The Reef Hotel Casino complex as the "must see, must visit" venue in Cairns.

Casino operations

Both casino table games and electronic gaming machines posted improvement over the same period last year. On average, table games and electronic gaming machines account for roughly one third and two thirds respectively, of total casino gross gaming revenues over the last few years, and this mix remains relatively stable.

Table games

Table games gross gaming revenue increased by 22.3%. Both the "grind" (main floor) segment and the premium player segment performed strongly.

"Grind" (main floor) play – Despite lower visitations, both drop and win were up on last year.

Premium play – The Casino experienced a much better win rate on its premium play than last year with a similar "turnover" (amount of bets). Short term fluctuations in win rate are not unusual. This year the win rate was better than "theoretical" whereas last year our premium players were lucky and we recorded less revenue than anticipated based on theoretical/statistical levels.

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. Our baccarat and blackjack tournaments, dinners and lucky draws and promotions during the year were successful in attracting players.

During Chinese New Year in 2008, a dozen special air charters from Guangzhou, Macau and Hong Kong, China brought in a considerable number of mainland Chinese visitors into Cairns and many of them visited our casino as "walk ins". The number of special charters at this time of the year was double the number of previous years and for the first time, Cairns received flights from mainland China and Macau.

Electronic gaming machines

Gross gaming revenue increased by 3.5% while "handle" (a measure of activity) increased by 10.8%.

The casino continued to invest in new electronic machine games including the installation of a new 10 station Vegas Star electronic roulette. The linked jackpot offering a \$100,000 starting jackpot which is the biggest on offer in Cairns was won three times in 2008 partly reflecting the popularity of this new product.

A range of new and other popular promotions were held during the year aimed specifically at patrons who are Reef Club members.

Hotel and other non casino operations

The hotel within the complex was re branded as the "Pullman Reef Hotel Casino" from 1 December 2008. The Pullman is a 5 star, upscale international brand within the Accor Group with an emphasis on I.T. connectivity and conference business.

Largely as a result of the downturn in Japanese tourists, hotel room accommodation revenue decreased by 8.0% compared to the same period last year with our average rate softening slightly. However, we continued to lead the five star market in Cairns for revenue per available room. The hotel won the best luxury hotel category in the Queensland Australian Hotels Association 2008 annual awards.

While we continue to actively develop alternate replacement markets including the in house residential conference market leveraging off the Pullman brand we are also focussed on restructuring and managing costs efficiently.

The Reef Hotel Casino offers an array of food and beverage options and this plays an integral part in the overall success of the complex. Food and beverage revenues have increased slightly despite the impact of refurbishment of the Flinders Bar & Grill, located in the casino. Management initiatives to lift margins by adjusting the overall pricing structure while making sure that input costs including labour are kept under tight control were successful with second half profits exceeding the same period last year.

Capital projects at The Reef Hotel Casino

During the second half the Trust committed approximately \$3 million fully funded from internal cash flows to further enhancement and refurbishment of The Reef Hotel Casino property.

The casino complex entrance in Wharf Street was reopened in December 2008 creating a more exciting visual street presence, a new driveway, water feature, lighting and signage with awnings to be completed in early 2009. Work on the complex entrance in Abbot St commenced in January 2009 and will contain signage and awning design features that complement the Wharf St entrance.

Chairman's Review

The popular Flinders Bar and Grill located in the casino was refurbished re-opening in the casino in mid December 2008 providing a better and faster service to our casino patrons through increased seating and a larger food preparation area.

The exterior of The Reef Hotel Casino building was completely repainted in 2008 and an on going maintenance repainting program has been put in place for the next 5 years.

The hotel's swimming pool was completely rebuilt to rectify a leaking problem and now offers a deeper pool plus new tiling around the poolside area.

Gaming machine revenue tax

On 9 December 2008, the Queensland Government announced a proposal to increase taxes on gaming machine revenue at The Reef Hotel Casino from 10% to 20% from 1 July 2009. This is an unwelcomed business impost at a time of much uncertainty in financial and economic conditions.

The Trust is very disappointed with the Queensland Government's proposal particularly as various government acts and agreements with the state government were to provide for certainty of gaming taxes.

Legislation in respect of the Government's proposal is yet to be enacted.

The Trust is reviewing and assessing the impact of the Government's proposal and is making submissions to the Queensland Government and also seeking legal advice.

Due to the uncertainty of the outcome in relation to this matter at the current time we have not made any adjustment against the carrying value of The Reef Hotel Casino building and site lease at 31 December 2008. We will consider this matter and the need for an independent valuation at a later date when the full implications of the Government's taxation proposal are clearer.



The New Flinders Bar & Grill

Outlook for 2009

Due to the on going global financial and economic crisis, trading conditions for the Trust are likely to be challenging and uncertain; therefore it is difficult to forecast the likely performance for the Trust.

While the Japanese market is likely to remain tough, the Tropical Tourism North Queensland organisation expects that there are some growth markets for Cairns in the next 12 months including mainland China while domestic tourism is expected to remain somewhat resilient. Cairns continues to rank at, or near the top of population growth cities in Australia in percentage terms. Tourism industry initiatives to encourage Australians to holiday at home may assist.

The lower Australian dollar, lower interest rates and lower fuel prices would usually provide for a more favourable tourism outlook. However, in the current economic climate the tourism industry in Cairns and Far North Queensland is expected to remain flat for 2009.

The Trust's tax losses are steadily being applied against profits and we think that these tax losses would be used up around 2010. This would then pave the way for the Trust to expand without jeopardising the valuable benefits of the tax losses. In this regard, the Trust will be on the look out should there be any suitable opportunities.

The Reef Casino remains the main driver of profits at The Reef Hotel Casino complex. Some growth in gross gaming revenues especially from electronic gaming machines may still be possible, to hopefully more than offset rising input costs. Hotel room operations could face continuing pressure on both occupancy and rate. Otherwise, if we are able to at least maintain all other business activities at close to 2008 levels, then this would be a satisfactory outcome.



Ben Macdonald

Chairman

Reef Corporate Services Limited

Responsible Entity of Reef Casino Trust



Reef Conference Room

DIRECTORS' REPORT



Mr Ben Macdonald
Non-executive Chairman



Hon Keith De Lacy
Non-executive Director
Chairman of Compliance,
Audit & Risk Committee



Mr Julian Hercus
Non-executive Director



Mr Paul Herzfeld
Non-executive Director



Mr David Baffsky
Non-executive Director



Mr Michael Issenberg
Non-executive Director



Mr Kim Mooney
Non-executive Director



Mr Allan Tan
Executive Director,
CEO Reef Hotel Casino



Mr R John Hickey
Alt Director for Mr Baffsky,
Mr Issenberg & Mr Mooney



Mr Josef Leutgeb
Alt Director
for Mr Herzfeld

The directors of Reef Corporate Services Limited, ABN 66 057 599 621, the Responsible Entity of Reef Casino Trust (the Trust) present their report together with the financial report of the Trust for the year ended 31 December 2008 and the auditor's report thereon.

Responsible Entity

The directors of Reef Corporate Services Limited during the financial year until the date of this report are:

Mr Benjamin W Macdonald (Chairman)

Hon Ke ith De Lacy

Mr Julian Hercus

Mr Paul Herzfeld

Mr David Baffsky

Mr Michael Issenberg

Mr Kim Mooney

Mr Allan Tan (Director and alternate for Mr Macdonald)

Mr R John Hickey (alternate for Mr Baffsky, Mr Issenberg and Mr Mooney)

Mr Josef Leutgeb (alternate for Mr Herzfeld)

Principal activities

The Trust is the owner and lessor of The Reef Hotel Casino complex which is located in Cairns, North Queensland, Australia.

Review and results of operations

The review and results of operations is contained in the Chairman's Review commencing on page 1.

Distributions

Distributions are paid on a half yearly basis.

The distribution of \$6.72 million (13.5 cents per unit tax deferred) in respect of the six month period ended 31 December 2007 as reported in the 2007 annual report was paid on 27 March 2008.

The distribution of \$5.23 million (10.5 cents per unit tax deferred) in respect of the six month period ended 30 June 2008 was paid on 26 September 2008 (refer note 15).

The directors have declared a distribution of \$6.72 million (13.5 cents per unit tax deferred) in respect of the six month period ended 31 December 2008 to be paid on 27 March 2009.

Significant changes in the state of affairs

Proposed increase in tax on gaming machine revenue

On 9 December 2008, the Queensland Government announced a proposal to increase taxes on gaming machine revenue at The Reef Hotel Casino from 10% to 20% from 1 July 2009.

The Trust is very disappointed with the Queensland Government's proposal particularly as various government acts and agreements with the state government were to provide for certainty of gaming taxes. An increase in the taxes on gaming machine revenue from 10% to 20% would have a direct impact on rent receivable by the Trust from the lessee of approximately \$3 million per annum which is around 25% of the Trust's profit before finance costs attributable to unitholders for 2008.

Legislation in respect of the Government's proposal is yet to be enacted.

The Trust is reviewing and assessing the impact of the Government's proposal and is making submissions to the Queensland Government and also seeking legal advice.

The impact on the future cash flows used in determining the valuation of the Reef Hotel Casino complex is therefore uncertain. The worst case is a potential negative impact on profit before finance costs attributable to unitholders from 1 July 2009 of approximately \$3 million per annum with the carrying value of the complex reducing by up to \$22 million.

The impact of a reduction in the carrying value affects two components – the building and the site lease.

The downward valuation of the building would be up to \$16.2 million and this would reverse previous upward valuations and be charged to the asset revaluation reserve which has a balance at 31 December 2008 of \$61.5 million. There would be no impact on the income statement.

The downward valuation of the site lease would reduce profit before finance costs attributable to unitholders by up to \$5.8 million but this would not affect distributable profit.

The Trust is presently unable to predict the outcome of its submissions to the Queensland Government, and accordingly, the extent of any impact of the Government's ultimate decision in this regard on the Trust's future cashflows and the carrying values of its building and site lease. Due to the uncertainty of the outcome in relation to this matter at the current time no adjustment has been made against the carrying value of The Reef Hotel Casino building and site lease at 31 December 2008. This matter will be considered, along with the need for an independent valuation at a later date when the full implications of the Government's taxation proposal are clearer.

Other significant changes

There were no other significant changes in the state of affairs of the Trust that occurred during the financial year under review.

Environmental regulation

The Trust's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Responsible Entity believes that the Trust has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Trust.

Events subsequent to balance date

On 17 February 2009, the board of directors of the Responsible Entity, Reef Corporate Services Limited, declared a 13.5 cent per unit distribution payable on 27 March 2009. This distribution totals \$6,723,140.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Trust, the results of those operations, or the state of affairs of the Trust, in future financial years.

Interests of the Responsible Entity

Reef Corporate Services Limited holds no units either directly or indirectly in Reef Casino Trust. Associates of the Responsible Entity hold 36,494,968 units (total number of units on issue in 2007 and 2008 was 49,801,036) at 31 December 2008 (2007: 36,529,577 units).

Responsible Entity's remuneration

In accordance with the Trust Constitution, Reef Corporate Services Limited is entitled to receive:

- (i) Half yearly fees calculated as 0.375% of the value of net assets of the Trust as at the last day of the half year period just completed, paid quarterly, plus
- (ii) Half yearly fees calculated as the greater of \$37,500 and a fee calculated on a sliding scale by reference to the value of gross assets, payable within two months of the end of each half yearly period.

Reef Corporate Services Limited is also entitled to reimbursement of Trust expenses incurred on behalf of the Trust.

Set out below are the fees paid or payable by the Trust to the Responsible Entity during the year:

	Dec 2008 \$	Dec 2007 \$
Responsible Entity fees	1,292,027	1,294,178
Reimbursement of trust expenses	41,999	60,878

Directors' interests

The relevant interests of each director of Reef Corporate Services Limited in the unit capital of the Trust at the date of this report are set out below:

Number of units held		Number of units held	
Mr Benjamin W Macdonald	263,750	Mr Michael Issenberg	221,000
Hon Keith De Lacy	5,000	Mr Kim Mooney	122,583
Mr Julian Hercus	250,000	Mr Allan Tan	—
Mr Paul Herzfeld	—	Mr John Hickey	100,000
Mr David Baffsky	—	Mr Josef Leutgeb	—

Likely developments

The Trust will continue as owner and lessor of The Reef Hotel Casino complex located in Cairns. The Trust will also consider appropriate opportunities similar to its current investment in The Reef Hotel Casino complex.

Indemnities and insurance premiums for officers or auditors

Indemnification

Under the Trust Constitution, Compliance Audit and Risk Committee members are entitled to be indemnified out of the trust fund in respect of liabilities incurred in good faith through acting as a member of the Compliance Committee in successfully defending proceedings against them. The Responsible Entity is also entitled to be indemnified out of the trust fund in accordance with the Trust Constitution. Since the end of the previous financial year, the Trust has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer of the Responsible Entity or an auditor of the Trust.

Insurance premiums

During the financial year the Trust has paid premiums to insure current and former directors and officers of the Responsible Entity against liabilities arising as a result of work performed in their capacity as directors or officers of the Responsible Entity.

The insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Information on directors

Ben Macdonald AM – Non-executive Chairman; director since 20 September 1995.

Mr Macdonald was born in Brisbane and educated at Geelong Grammar School Victoria. He joined Macdonald Hamilton & Co Ltd in 1952, retiring in 1985 as joint Managing Director of the company.

Since 1985, he has served as a director of a number of Australian public companies, some of which were Perpetual Trustees Australia Ltd (Chairman), AMP Society (Australia board), CSR Limited, Placer Pacific Ltd, Allgas Energy Ltd, Bank of Queensland Ltd (Deputy Chairman), Casinos Austria International Limited (Chairman), and Queensland Cotton Holdings Ltd (Chairman). He was founding director and deputy Chairman of Brisbane's first FM radio station (Four Triple M Ltd).

He served as the Honorary Consul for Uruguay in Queensland and served on the Committee of the Royal Automobile Club of Queensland and the Salvation Army (Brisbane Division).

For service to business and commerce through executive roles with a range of investment, banking and a gricultural organisations, and to the community as a supporter of charitable and sporting bodies, Ben has been awarded an AM.

His current directorships include AP Eagers Ltd (Chairman), and FKP Ltd (Chairman up to 12 February 2009).

Keith De Lacy AM – Non-executive independent director; director since 1 December 1999.

Keith De Lacy was born in Cairns and still lives there with his family. He was the State Member for Cairns for fifteen years and Treasurer of Queensland from 1989 to 1996.

He is currently Chairman of listed companies Macarthur Coal Limited and Trinity Group. He is also Chairman of Cubbie Group Ltd, and recently retired from Queensland Sugar Ltd on 31 December 2008 and Global Sugar Alliance on 10 February 2009.

For services to the community Keith has been awarded an AM, the Centenary Medal, honorary doctorates from both James Cook University (HonDLitt) and Central Queensland University (DUniv), and the Gatton Gold medal from the University of Queensland. He is both a Fellow and Vice President of the Queensland division of the Australian Institute of Company Directors.

His novel *Blood Stains the Wattle* was published by CQU Press in November 2002.

Julian Hercus – Non-executive independent director; director since 31 October 2000.

Julian Hercus is a consultant in aviation, marketing and tourism. He also has interests in several private and public companies.

He worked at Qantas Airways for 28 years and was Deputy Chief Executive Commercial for the four years prior to his retirement.

Julian holds a Bachelor of Science Degree from the University of NSW and has attended the Advanced Management Program at Harvard University. He is a Fellow of the Australian Institute of Company Directors.

Paul Herzfeld – Non-executive director; director since 23 February 2005.

Mr Herzfeld joined Casinos Austria AG in 1975 and was appointed member of the board of the group's parent company in 2001. He became Deputy Director General in 2006. In his position as CEO of Casinos Austria International Holding GmbH which he has held since 1997, Mr Herzfeld manages the group's extensive international activities with more than 60 casinos on all continents. Mr Herzfeld holds a Masters Degree in Commercial Studies from Vienna University of Economics and Business Administration.

David Baffsky AO – Non-executive director; director since 28 March 2006.

Mr Baffsky is currently the Honorary Chairman of Accor Asia Pacific, which is the largest hotel management company in the Asia Pacific region. He is a director of Tourism Asset Holdings Limited (TAHL), Australia's largest hotel owning company, and was a founding director and is a Life Member of the Tourism Task Force.

In June 2001, Mr Baffsky was made an Officer in the General Division of the Order of Australia (AO). The award was made for his "service to tourism, particularly in relation to industry development, service provision and employment generation, and to the community through medical research, humanitarian relief and social welfare organisations". In 2004, Mr Baffsky was awarded "Asia Pacific Hotelier of the Year".

In 2007 Mr Baffsky was appointed to the Federal Government's Northern Australia Land and Water Taskforce and the Prime Minister's Community Business Partnership. In 2008 he joined the Board of Singapore Airport Terminal Services Limited. In 2009 he was appointed Chairman of Ariadne Australia Limited.

Michael Issenberg – Non-executive director; director since 21 January 2002.

Mr Issenberg is Chairman and Chief Operating Officer of Accor Asia Pacific and has been with Accor for more than 14 years. He has responsibility and oversight for Accor's full range of business interests in the Asia Pacific region and is also a member of the Global Executive Committee.

Prior to joining Accor Asia Pacific, Mr Issenberg spent five years as Chief Executive Officer, Hotels for Mirvac Limited. This was following a successful career at Westin Hotels and Resorts, Laventhol & Horwath and Horwath & Horwath Services Pty Limited in San Francisco and Sydney. He came to Accor with an impressive background in the hotel industry.

Mr Issenberg also continues to be a keen supporter of Asia Pacific tourism development.

Kim Mooney – Non-executive director; director since 21 January 2002.

Mr Mooney is the Chief Financial Officer for Accor Asia Pacific and is responsible for over 200 hotels and a range of ancillary tourism services and operations.

He joined Accor in 1993 from Resort Hotels Management as the General Manager of Finance for Australia, New Zealand, South Pacific and Japan. Prior to this he held positions in Arts Administration in Europe, England and Australia.

In February 2003, he was appointed Chief Financial Officer – Asia Pacific, which is the position he currently holds. He works from both the regional head office in Sydney and the Asian head office in Singapore.

Mr Mooney is a Certified Practising Accountant, holding qualifications in Business, Hospitality and Arts Administration. He is a director of The Music Board of the Australia Council and all Accor Asia Pacific entities.

Allan Tan – Executive director; director since 28 March 2006.

Alternate for Mr Macdonald; alternate director since 10 July 1997.

Mr Tan joined Casinos Austria in 1995 as Chief Financial Officer and Company Secretary for Casinos Austria International Limited. Since this time, he has held several positions within the group, including Chief Financial Officer and Company Secretary for Reef Casino Trust; Regional Manager (Australia, Asia Pacific) for Casinos Austria Group; and since 16 August 2004, Chief Executive Officer for The Reef Hotel Casino.

He holds an honours degree in Commerce (Accounting) and is a member of the English & Welsh Institute of Chartered Accountants and a member of Chartered Secretaries Australia.

Mr Tan also holds a number of executive directorships within the Casinos Austria Group.

R John Hickey – Alternate for Mr Baffsky, Mr Issenberg and Mr Mooney

Alternate director since 25 March 2003.

Born in Sydney, Mr Hickey had a long and distinguished career in banking, being an Executive Director of several investment banks. Mr Hickey retired from banking in 1990 and joined Accor Asia Pacific in 1994 as Group General Manager, Banking and Finance.

Appointed as Managing Director of Tourism Asset Holdings Limited in 1999 when it was a publicly listed company, he served in that role until 2002 when the company was taken over and delisted.

He is currently General Manager Investments & Financing for Accor Asia Pacific located in Sydney.

Josef Leutgeb – Alternate for Mr Herzfeld; alternate director since 23 February 2005.

Mr Leutgeb has been Chief Financial Officer and member of the board of Casinos Austria International Holding GmbH since 1997 and member of the board of the parent company, Casinos Austria AG, since 2005. Prior to joining Casinos Austria in 1993, Mr Leutgeb worked for a large auditing firm. He is responsible for Financial Controlling, Accounting, Treasury, Due Diligence, optimizing shareholder value and sound financial development of the group. Mr Leutgeb holds a Masters Degree in Business Administration from Vienna University of Economics and Business Administration and is a member of the Austrian Chamber of Accountants.

Units on issue

Units on issue and movements in issued units are detailed in note 14 to the financial statements.

Assets

The Trust had total assets of \$177,724,000 as at 31 December 2008 (2007: \$176,887,000). The basis of valuation of the Trust's assets is disclosed in note 3 to the financial statements.

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

The lead auditor's independence declaration is set out on page 43 and forms part of the directors' report for the year ended 31 December 2008.

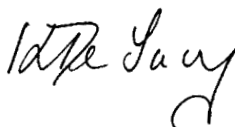
Rounding off

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 financial 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 February 2009

Balance Sheet

As at 31 December 2008

BALANCESHEET

	Note	Dec 2008 \$'000	Dec 2007 \$'000
ASSETS			
Cash and cash equivalents	17	6,587	4,199
Receivables	7	2,047	1,921
Site lease – rental in advance	10	706	706
TOTAL CURRENT ASSETS		9,340	6,826
Receivables	7	750	750
Property, plant and equipment	8	125,853	126,779
Intangible assets	9	115	160
Site lease – rental in advance	10	41,666	42,372
TOTAL NON-CURRENT ASSETS		168,384	170,061
TOTAL ASSETS		177,724	176,887
LIABILITIES			
Payables	11	5,714	4,594
TOTAL CURRENT LIABILITIES		5,714	4,594
Loans and borrowings	12	16,500	16,500
Deferred income	13	51	39
Issued units – liability portion	14	85,051	85,051
TOTAL NON-CURRENT LIABILITIES		101,602	101,590
TOTAL LIABILITIES		107,316	106,184
EQUITY			
Issued units – equity portion	14	85,051	85,051
Distribution account		3,138	3,657
Undistributed income		3,100	2,876
Asset revaluation reserve		61,452	61,452
Accumulated losses		(82,333)	(82,333)
TOTAL EQUITY		70,408	70,703
TOTAL EQUITY AND LIABILITIES		177,724	176,887
MEMORANDUM NOTE – ISSUED UNITS			
Issued units – liability portion		85,051	85,051
Issued units – equity portion		85,051	85,051
		170,102	170,102

INCOMESTATEMENT

	Note	Dec 2008 \$'000	Dec 2007 \$'000
REVENUE AND OTHER INCOME			
Revenue	4	24,541	21,702
Other income	4	4	2,777
TOTAL REVENUE AND OTHER INCOME		24,545	24,479
EXPENSES			
Depreciation and amortisation	5	5,975	5,509
Property outgoings		1,080	967
Rates and taxes		594	602
Responsible Entity fees	18	1,292	1,294
Repairs and maintenance		1,023	985
Insurance		323	327
Other expenses		735	741
TOTAL EXPENSES		11,022	10,425
PROFIT FROM OPERATING ACTIVITIES		13,523	14,054
Finance costs attributable to unitholders		6,088	5,024
Interest expense on financial liabilities measured at amortised cost		1,347	1,237
TOTAL FINANCE EXPENSES	6	7,435	6,261
PROFIT FOR THE YEAR		6,088	7,793
Basic and diluted earnings per unit (cents)	21	24.4	31.3
MEMORANDUM NOTE			
Profit before reversal of impairment (note 4) and finance costs attributable to unitholders		12,176	10,048

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

Statement of Changes in Equity
For the year ended 31 December 2008

STATEMENT OF CHANGES IN EQUITY

	Issued units	Distribution account	Undistributed income	Asset revaluation reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1 JANUARY 2007	85,051	4,625	7,270	21,767	(85,103)	33,610
Profit for the year	—	—	—	—	7,793	7,793
Transfer to distribution account	—	5,023	—	—	(5,023)	—
Revaluation of property, plant and equipment	—	—	—	39,685	—	39,685
Transfer from undistributed income	—	4,394	(4,394)	—	—	—
Distributions paid	—	(10,385)	—	—	—	(10,385)
31 DECEMBER 2007	85,051	3,657	2,876	61,452	(82,333)	70,703
1 JANUARY 2008	85,051	3,657	2,876	61,452	(82,333)	70,703
Profit for the year	—	—	—	—	6,088	6,088
Transfer to distribution account	—	5,864	—	—	(5,864)	—
Transfer from undistributed income	—	—	224	—	(224)	—
Distributions paid	—	(6,383)	—	—	—	(6,383)
31 DECEMBER 2008	85,051	3,138	3,100	61,452	(82,333)	70,408

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

CASH FLOW STATEMENT

	Note	Dec 2008 \$'000	Dec 2007 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		26,548	23,834
Cash payments in the course of operations		(7,427)	(6,965)
Interest received		293	260
Interest and other finance charges paid		(1,356)	(1,223)
NET CASH FROM OPERATING ACTIVITIES	17(b)	18,058	15,906
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(3,722)	(3,394)
Proceeds from disposal of property, plant and equipment		4	6
NET CASH FROM INVESTING ACTIVITIES		(3,718)	(3,388)
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions paid (equity portion and liability portion)		(11,952)	(15,687)
NET CASH FROM FINANCING ACTIVITIES		(11,952)	(15,687)
Net increase/(decrease) in cash held		2,388	(3,169)
Cash and cash equivalents at 1 January		4,199	7,368
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	17(a)	6,587	4,199

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

NOTES TO THE FINANCIAL STATEMENTS

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 financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Trust complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the board of directors of the Responsible Entity on 17 February 2009.

(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) 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 that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 8 – valuation of property, plant and equipment.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(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.

3. Significant accounting policies (cont)

(a) Financial instruments (cont)

(i) Non-derivative financial instruments (cont)

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.

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.

Accounting for finance income and expense is discussed in note 3(h).

(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. The liability component is measured at amortised cost using the effective interest method. 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) Site lease – rental in advance

The Trust paid \$53 million to the Queensland Government by way of a lump sum prepayment of the rental payable for the term of the lease for the site on which the Reef Hotel Casino complex is situated. This payment is accounted for as a prepayment of rent which is being amortised over the life of the lease.

(c) 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 accumulated 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.

3. Significant accounting policies (cont)

(c) Property, plant and equipment (cont)

(i) Recognition and measurement (cont)

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

(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 each annual reporting date.

(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(e)).

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

it 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 amortised cost) and building based on their written down value prior to the valuation.

(d) Intangible assets

Items of software that are acquired by the Trust, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

3. Significant accounting policies (cont)

(d) Intangible assets (cont)

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the items of software from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- Software 4 years

(e) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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 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.

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.

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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the assets in the unit on a pro rata basis.

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.

3. Significant accounting policies (cont)

(f) Provisions

A provision is recognised if, as a result of a past event, the Trust has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(g) Revenue

(i) Rental income

Rent revenue is brought to account when earned and, if not received at reporting date, is reflected in the balance sheet as a receivable. Rent is determined in accordance with the lease agreements relating to The Reef Hotel Casino and is calculated based on the performance of the lessee (Casinos Austria International (Cairns) Pty Ltd).

(ii) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Trust will comply with the conditions associated with the grant. Grants that compensate the Trust for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Trust for the cost of an asset are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

(h) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss.

Finance expenses comprise interest expense on borrowings calculated using the effective interest method, and the portion of distributions comprising 50% of net income (refer to note 3(a)(iii)).

(i) Responsible Entity's fee

Under the Trust Constitution, the Responsible Entity is entitled to a fee amounting to:

- (i) Half yearly fees calculated as 0.375% of the value of net assets of the Trust (as defined in the Trust Constitution) as at the last day of the half year period just completed, paid quarterly, plus
- (ii) Half yearly fees calculated as the greater of \$37,500 and a fee calculated on a sliding scale by reference to the value of gross assets (as defined in the Trust Constitution), payable within two months of the end of each half yearly period.

The Responsible Entity is also entitled to reimbursement of Trust expenses incurred on behalf of the Trust.

(j) Income tax

Under current income tax legislation, the Trust is not subject to income tax, provided that the taxable income, including any taxable capital gains, is fully distributed to unit holders each year. Tax allowances for building and plant and equipment depreciation are distributed in the form of tax deferred benefits.

At 31 December 2008, carried forward losses available to offset future assessable income of the Trust amounted to \$21 million (2007: \$33 million).

(k) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

3. Significant accounting policies (cont)

(k) Goods and services tax (cont)

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(l) Earnings per unit

The Trust presents basic and diluted earnings per unit data for its issued units. Basic earnings per unit is calculated by dividing the profit or loss attributable to unitholders of the Trust by the weighted average number of the equity component of issued units outstanding during the period. Diluted earnings per unit is determined by adjusting the profit or loss attributable to unitholders and the weighted average number of the equity component of issued units outstanding for the effects of any dilutive potential units.

(m) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Trust in the period of initial application. They are available for early adoption at 31 December 2008, but have not been applied in preparing this financial report.

Application date 1 January 2009

- Revised AASB 101 *Presentation of Financial Statements* introduces the term total comprehensive income, which represents changes in equity during a period other than

those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. The Trust has not yet determined whether it will present a single statement or two separate statements.

- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. Currently the Trust presents segment information in respect of its business and geographical segments (see note 16). The Trust has not yet determined the potential effect of AASB 8.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 is not expected to have any impact on the financial statements.
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* and 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments are not expected to have a material impact on the financial statements.

	Dec 2008 \$'000	Dec 2007 \$'000
4. Revenue and other income		
REVENUE		
<i>Rental</i>		
Base rent	896	756
Contingent rent	23,280	20,593
	24,176	21,349
<i>Interest received and receivable from</i>		
Other persons	242	252
Related parties	84	75
	326	327
<i>Other revenue</i>		
Sundry	39	26
	24,541	21,702
OTHER INCOME		
Reversal of impairment of site lease	—	2,769
Net gain on disposal of plant and equipment	—	5
Government grants	4	3
	4	2,777

5. Expenses

Net profit includes the following specific expenses:

<i>Depreciation</i>		
Building	2,921	2,555
Plant and equipment	2,268	2,198
	5,189	4,753
<i>Amortisation</i>		
Computer software	80	72
Site lease – rental in advance	706	684
	786	756
	5,975	5,509

Dec	Dec
2008	2007
\$'000	\$'000

6. Finance income and expense

Recognised in profit or loss

Interest income on bank deposits	242	252
Interest income on loans and receivables	84	75
FINANCE INCOME	326	327
Interest expense on financial liabilities measured at amortised cost	(1,347)	(1,237)
Finance costs attributable to unitholders	(6,088)	(5,024)
FINANCE EXPENSE	(7,435)	(6,261)
NET FINANCE INCOME AND EXPENSE	(7,109)	(5,934)

The above financial income and expense include the following in respect of assets (liabilities) not at fair value through profit or loss:

Total interest income on financial assets	326	327
Total interest expense on financial liabilities	(7,435)	(6,261)

7. Receivables

CURRENT

Rent receivable from lessee	1,974	1,878
Other debtors	73	43
	2,047	1,921

NON-CURRENT

Loans to lessee, bearing an interest rate of 9.89% (2007: 10.10%)	750	750
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Notes to the Financial Statements

For the year ended 31 December 2008

	Building & Integral Plant \$'000	Plant & Equipment \$'000	Total \$'000
8. Property, plant and equipment			
AT 1 JANUARY 2007			
- Cost	—	49,378	49,378
- Valuation ⁽ⁱ⁾	87,012	—	87,012
Accumulated depreciation	(5,456)	(42,634)	(48,090)
Net carrying amount	81,556	6,744	88,300
YEAR ENDED 31 DECEMBER 2007			
Opening net carrying amount	81,556	6,744	88,300
Additions	520	3,028	3,548
Revaluation of property, plant and equipment	39,685	—	39,685
Disposals	—	(1)	(1)
Depreciation charge	(2,555)	(2,198)	(4,753)
Closing net carrying amount	119,206	7,573	126,779
AT 31 DECEMBER 2007			
- Cost	—	51,406	51,406
- Valuation ⁽ⁱ⁾	120,664	—	120,664
Accumulated depreciation	(1,458)	(43,833)	(45,291)
Net carrying amount	119,206	7,573	126,779
YEAR ENDED 31 DECEMBER 2008			
Opening net carrying amount	119,206	7,573	126,779
Additions	2,137	2,161	4,298
Disposals	(19)	(16)	(35)
Depreciation charge	(2,921)	(2,268)	(5,189)
Closing net carrying amount	118,403	7,450	125,853
AT 31 DECEMBER 2008			
- Cost	2,137	52,080	54,217
- Valuation ⁽ⁱ⁾	120,644	—	120,644
Accumulated depreciation	(4,378)	(44,630)	(49,008)
Net carrying amount	118,403	7,450	125,853

⁽ⁱ⁾ 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 10). The valuation approach utilised discounted cashflow methodology along with the equivalent yield and earnings multiple/capitalisation approaches. The resultant value was compared with the limited range of sales evidence in Australia and overseas. In arriving at the valuation consideration was given to the specific risks inherent in the net cash flows, including location, casino licence, growth rates, terms and conditions of leases and building condition.

8. Property, plant and equipment (cont)

Proposed increase in tax on gaming machine revenue

On 9 December 2008, the Queensland Government announced a proposal to increase taxes on gaming machine revenue at The Reef Hotel Casino from 10% to 20% from 1 July 2009.

The Trust is very disappointed with the Queensland Government's proposal particularly as various government acts and agreements with the state government were to provide for certainty of gaming taxes. An increase in the taxes on gaming machine revenue from 10% to 20% would have a direct impact on rent receivable by the Trust from the lessee of approximately \$3 million per annum which is around 25% of the Trust's profit before finance costs attributable to unitholders for 2008.

Legislation in respect of the Government's proposal is yet to be enacted.

The Trust is reviewing and assessing the impact of the Government's proposal and is making submissions to the Queensland Government and also seeking legal advice.

The impact on the future cash flows used in determining the valuation of the Reef Hotel Casino complex is therefore uncertain. The worst case is a potential negative impact on profit before finance costs attributable to unitholders from 1 July 2009 of approximately \$3 million per annum with the carrying value of the complex reducing by up to \$22 million.

The impact of a reduction in the carrying value affects two components – the building and the site lease.

The downward valuation of the building would be up to \$16.2 million and this would reverse previous upward valuations and be charged to the asset revaluation reserve which has a balance at 31 December 2008 of \$61.5 million. There would be no impact on the income statement.

The downward valuation of the site lease would reduce profit before finance costs attributable to unitholders by up to \$5.8 million but this would not affect distributable profit.

The Trust is presently unable to predict the outcome of its submissions to the Queensland Government, and accordingly, the extent of any impact of the Government's ultimate decision in this regard on the Trust's future cashflows and the carrying values of its building and site lease. Due to the uncertainty of the outcome in relation to this matter at the current time no adjustment has been made against the carrying value of The Reef Hotel Casino building and site lease at 31 December 2008. This matter will be considered, along with the need for an independent valuation at a later date when the full implications of the Government's taxation proposal are clearer.

Notes to the Financial Statements

For the year ended 31 December 2008

Dec	Dec
2008	2007
\$'000	\$'000

8. Property, plant and equipment (cont)

Carrying amounts that would have been recognised if the building and integral plant were stated at cost
If the building and integral plant were stated on the historical cost basis, the amounts would be as follows:

Building and integral plant

Cost	113,217	111,080
Less: Accumulated depreciation and impairment	(29,414)	(27,086)
Net carrying amount	83,803	83,994

Capital expenditure commitments

Contracted but not provided for and payable:

Not longer than one year	924	229
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Operating leases as lessor

The Trust leases out The Reef Hotel Casino under an operating lease.

The future minimum lease payments under non-cancellable leases are as follows:

Less than one year	934	896
Between one and five years	3,736	3,583
More than five years	1,946	2,762
	6,616	7,241

The casino, hotel and ancillary facilities leases to the lessee have a twenty year term, expiring 24 January 2016. Base rent is set out in the lease (and is indexed annually) and additional rent is based on financial performance. Options exist to renew the leases at the end of the existing term until 26 October 2029. The future minimum lease payments shown do not include rentals which are contingent on revenue of the operator, and do not include recovery of outgoings.

Dec
2008
\$'000

Dec
2007
\$'000

9. Intangible assets

COMPUTER SOFTWARE

AT 1 JANUARY

At cost	428	457
Accumulated depreciation	(268)	(261)
Net carrying amount	160	196

YEAR ENDED 31 DECEMBER

Opening net carrying amount	160	196
Additions	35	36
Amortisation charge	(80)	(72)
Closing net carrying amount	115	160

AT 31 DECEMBER

At cost	463	428
Accumulated depreciation	(348)	(268)
Net carrying amount	115	160

10. Site lease – rental in advance

Original cost	53,000	53,000
Less: Accumulated amortisation	(10,628)	(9,922)
	42,372	43,078
Site lease as shown in the financial statements:		
Current	706	706
Non-current	41,666	42,372
Total site lease – rental in advance	42,372	43,078

At 31 December 2008, the remaining term of the site lease was 60 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. Also refer to note 8 regarding the possible impact on the carrying value of the site lease due to the Queensland Government's proposal to increase taxes on gaming machine revenue.

Notes to the Financial Statements

For the year ended 31 December 2008

	Dec 2008 \$'000	Dec 2007 \$'000
11. Payables		
CURRENT		
Trade creditors and accruals – unsecured	2,129	1,528
Accrued distributions (note 15)	3,585	3,066
	5,714	4,594

12. Loans and borrowings

This note provides information about the contractual terms of the Trust's loans and borrowings, which are measured at amortised cost. For more information about the Trust's exposure to interest rate and liquidity risk, see note 22.

	Nominal Interest rate	Year of maturity		
NON-CURRENT				
Bank loan – Bank of Queensland Limited	6.97%	2012	16,500	16,500

The nominal interest rate for 2007 was 8.11%.

The bank loan is secured by a registered first mortgage over the Special Lease (a Crown lease for a term of 75 years under which the Trust occupies the site on which the complex is built) and a first ranking fixed and floating equitable charge over the whole of the assets and undertakings of the Trust.

Interest is payable at 7.99% (2007: 7.99%) for \$8,250,000 and at a fixed margin over Bank of Queensland's cost of funds for \$8,250,000.

Financing Arrangements

The Trust also has access to the following overdraft facility:

Amount of credit unused	2,000	2,000
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13. Deferred income

Government grant	51	39
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In 2006, the Trust was awarded two government grants in relation to the car park ventilation and control system.

One of the grants amounted to \$35,000 and was conditional upon the proof of purchase, installation and commissioning of the system, and submission of historical electricity consumption data. The second grant was conditional upon a log of electricity savings, a final project report, and a project summary. The conditions of both the grants were fulfilled.

In 2008, the Trust was awarded another two government grants under the Business Water Efficiency Program. The first grant amounted to \$12,253 for the replacement of the swimming pool. The second grant amounted to \$3,489 for the replacement of a commercial washing machine.

All grants are being amortised over the useful lives of the assets.

	Dec 2008 \$'000	Dec 2007 \$'000
14. Issued units		
49,801,036 (December 2007: 49,801,036) units		
Issued units – equity portion	85,051	85,051
Issued units – liability portion	85,051	85,051
	170,102	170,102

The number of issued units includes 740,000 (December 2007: 740,000) restricted founder units. Founder units can only be transferred with consent of the founders and the Governor of Queensland and by making a binding covenant to be bound by the Foundation Agreement. Founder units can not be encumbered.

15. 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 11).

The proposed distribution for the six months ended 31 December 2008 was declared on 17 February 2009, and accounted for as follows:

DISTRIBUTION ACCOUNT (refer to statement of changes in equity)		
Balance relating to issued units – equity portion	3,138	3,657
ACCRUED DISTRIBUTION (payables – note 11)		
Balance relating to issued units – liability portion	3,585	3,066
TOTAL OF DISTRIBUTION ACCOUNTS	6,723	6,723

	Dec 2008		Dec 2007	
	Total \$'000	Cents per unit	Total \$'000	Cents per unit
<i>Distributions paid and payable</i>				
Half year ended 30 June paid September	5,229	10.50	7,719	15.50
Half year ended 31 December				
paid/payable March	6,723	13.50	6,723	13.50
	11,952	24.00	14,442	29.00

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

Notes to the Financial Statements

For the year ended 31 December 2008

16. 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.

	Dec 2008 \$'000	Dec 2007 \$'000
17. (a) Cash and cash equivalents		
Cash (held in interest bearing accounts, at call)	1,087	3,199
Bank short term deposits, maturing within 30 days	5,500	1,000
	6,587	4,199

17. (b) Reconciliation of cash flows from operating activities

PROFIT FOR THE YEAR	6,088	7,793
ADJUSTMENTS FOR:		
Loss/(profit) on sale of property, plant and equipment	31	(5)
Finance costs attributable to unitholders	6,088	5,024
Reversal of impairment	—	(2,769)
Depreciation and amortisation	5,975	5,508
NET CASH FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	18,182	15,551
Changes in operating assets and liabilities		
(Increase)/decrease in receivables and other assets	(126)	231
(Increase)/decrease in payables	(10)	127
Increase/(decrease) in deferred income	12	(3)
NET CASH FROM OPERATING ACTIVITIES	18,058	15,906

18. Related party information

The Responsible Entity

The Responsible Entity of Reef Casino Trust is Reef Corporate Services Limited (ABN 66 057 599 621) which is jointly controlled by Casinos Austria International Limited and Accor Casino Investments (Australia) Pty Ltd.

Key Management Personnel

	Short-term Salary & Fees \$	Post-employment Superannuation Benefits \$	Total \$
2008			
Specified directors			
Non-executive			
Benjamin Macdonald (Chairman)	75,000	—	75,000
Keith De Lacy	50,000	4,500	54,500
Julian Hercus	48,000	4,320	52,320
Paul Herzfeld	—	—	—
David Baffsky	—	—	—
Michael Issenberg	—	—	—
Kim Mooney	—	—	—
Ronald John Hickey	—	—	—
Josef Leutgeb	—	—	—
Executive			
Allan Tan (Director and Chief Executive Officer - Operator)	59,543	—	59,543
Alison Galligan (Company Secretary)	82,259	—	82,259
Total	314,802	8,820	323,622
2007			
Total	316,153	8,820	324,973

Only directors who are not full time executives of Casinos Austria International Limited group or Accor Asia Pacific group receive remuneration from the Trust.

The Trust has no employees and pays no amounts directly to executives. The amounts disclosed above have been reimbursed by the Trust to Casinos Austria International Limited, the employer of executives involved in the management of the Trust. The amount is based on an allocation of the executive's time spent on managing the affairs of the Trust (and includes on costs).

The Responsible Entity determines remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced directors. This is determined by given trends in other public companies in the same industry.

Notes to the Financial Statements

For the year ended 31 December 2008

18. Related party information (cont)

None of the directors of the Responsible Entity has or has had any interest in the promotion of the Trust or in the property acquired for the purposes of the Trust other than the directors of the Responsible Entity who are entitled to receive directors' fees from the Trust, as set out above.

During the financial year the Trust has paid premiums to insure current and former directors and officers of the Responsible Entity against liabilities arising as a result of work performed in their capacity as directors or officers of the Responsible Entity.

The insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Unit holdings of directors of the Responsible Entity

Name	Balance at start of the year	Changes during the year	Balance at end of the year
Benjamin Macdonald	263,750	—	263,750
Keith De Lacy	39,609	(34,609)	5,000
Julian Hercus	250,000	—	250,000
Paul Herzfeld	—	—	—
David Baffsky	—	—	—
Michael Issenberg	221,000	—	221,000
Kim Mooney	122,583	—	122,583
Allan Tan	—	—	—
Josef Leutgeb	—	—	—
John Hickey	100,000	—	100,000
Total	996,942	(34,609)	962,333

Responsible Entity's remuneration

	Transaction value Dec 2008 \$	Dec 2007 \$	Balance outstanding Dec 2008 \$	Dec 2007 \$
Fees paid or payable by the Trust to Reef Corporate Services Limited during the year				
Responsible Entity fee	1,292,027	1,294,178	647,091	645,924
Reimbursement of trust expenses	41,999	60,878	—	—

Details of the basis of the Responsible Entity's fees are set out in note 3(i).

18. Related party information (cont)

Other related parties

- Casinos Austria International Limited and Accor Casino Investments (Australia) Pty Limited jointly own the lessee.
- Reef Casino Investments Pty Ltd (jointly owned by Casinos Austria International Limited and Accor Casino Investments (Australia) Pty Ltd) directly owns 50.2% of Reef Casino Trust.
- Casinos Austria International Holding GmbH (the parent company of Casinos Austria International Limited) is incorporated in Austria and directly owns 10.75% of Reef Casino Trust.
- Casinos Austria International Limited directly owns 5.53% of Reef Casino Trust and Accor Casino Investments (Australia) Pty Ltd directly owns 4.86% of Reef Casino Trust.

Each of these entities is considered to be a related party and transactions and balances with these entities are summarised below.

	Transaction value		Balance outstanding	
	Dec	Dec	Dec	Dec
	2008	2007	2008	2007
	\$	\$	\$	\$
Aggregate amounts brought to account in relation to transactions with other related parties:				
Rental income received from lessee	24,175,089	21,349,084	1,967,768	1,871,261
Interest on loan to lessee	83,604	74,453	6,300	6,434
Operating expenses paid by the Trust to the lessee and entities related to the Responsible Entity	2,190,946	2,068,406	268,827	206,337
Management fee to lessee	155,754	118,662	38,938	29,666
Distribution paid or payable	8,527,832	11,192,780	2,557,784	2,186,835
Aggregate amounts receivable/payable with related parties at balance date:				
Current receivables			1,974,068	1,877,695
Non-current receivables			750,000	750,000
Current payables			954,856	881,927
Accrued distribution			2,557,784	2,186,835

All of the above transactions were conducted under normal commercial terms and conditions, and where applicable, in accordance with lease agreements.

Controlling entity

The ultimate chief parent entity is Reef Casino Investments Pty Ltd which is incorporated in Australia.

19. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Trust:

	Dec 2008 \$	Dec 2007 \$
<i>KPMG</i>		
Audit of statutory financial reports	49,950	48,070
Other assurance services	17,400	16,790
	67,350	64,860

20. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at reporting date.

21. Earnings per unit

	Dec 2008	Dec 2007
Basic and diluted earnings per unit (cents)	24.4	31.3
<i>Weighted average number of units (equity portion) for the year</i>		
(note 3(a) and note 14)	24,900,518	24,900,518
	\$'000	\$'000
Profit for the year	6,088	7,793

22. Financial instruments

Financial risk factors

Trust activities result in exposure to a number of financial risks, including market risk, credit risk and liquidity risk.

(a) Market risk (interest rate risk)

The Trust's future cash flows and profit or loss could fluctuate up or down because of changes in interest rates.

The Trust manages the interest rate exposure by having a balance of fixed interest debt to variable interest debt with some flexibility to adjust the ratio and investing excess cash at variable interest rates.

Sensitivity analysis

Fixed rate portion

The Trust does not account for the fixed rate borrowings at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Variable rate portion

A change of 100 basis points in interest rates would have increased or decreased the Trust's finance income by \$66,000 (2007: \$42,000), finance costs by \$82,000 (2007: \$82,000) and profit for the year by \$8,000 (2007: \$20,000).

22. Financial instruments (cont)

(b) Credit risk

The Trust has exposure to credit risk on the receivables in the balance sheet. There is a significant concentration of credit risk in so far as the Trust receives rental income from one complex, The Reef Hotel Casino. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. There is no collateral held as security or any other credit enhancements (2007: nil). None of the Trust's receivables are past due, and therefore, no impairment required (2007: nil). There are no significant financial assets that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired (2007: nil).

(c) Liquidity risk

The Trust uses cash flow management and forecasts to ensure there is enough cash to meet liabilities when due.

The contractual maturities of fixed and floating rate financial liabilities are shown in the table below. The amounts presented represent the future undiscounted principal and interest cash flows. For floating rate instruments, the amount disclosed is determined by reference to the interest rate at the last re-pricing date.

	2008				2007			
	Contractual maturity (nominal cash flows)				Contractual maturity (nominal cash flows)			
	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	Over 5 years \$'000	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	Over 5 years \$'000
NON-DERIVATIVE FINANCIAL LIABILITIES								
Trade creditors and accruals	2,129	—	—	—	1,528	—	—	—
Accrued distribution	3,585	—	—	—	3,066	—	—	—
Bank borrowings	1,150	1,150	18,800	—	1,337	1,337	20,511	—

(d) Capital management

The Trust policy is to maintain the current level of issued units (\$170,102,000; 2007: \$170,102,000) plus an interest only loan facility (\$16,500,000; 2007: \$16,500,000). Should new funding be required for enhancement or for investment in new opportunities the Trust will consider an appropriate balance of new equity and/or debt funding. Should surplus funds arise, some repayment of debt will also be considered.

The board sets the level of distributions to unit holders taking into account the requirements of the Trust Constitution which require that the Trust must distribute at least 50% of net distributable income for each half yearly period commencing either on the first day of January or July. It is the board's current policy to distribute all of the Trust's distributable income and a portion from out of the undistributed income account.

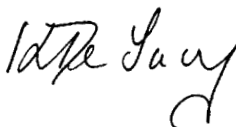
DIRECTORS' DECLARATION

- 1 In the opinion of the directors of Reef Corporate Services Limited, the Responsible Entity of Reef Casino Trust:
 - (a) the financial statements and notes that are contained on pages 16 to 39, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Trust's financial position as at 31 December 2008 and of their performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2; and
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The Trust has operated during the year ended 31 December 2008 in accordance with the provisions of the Trust Constitution dated 2 July 1993 (as amended).
- 3 The Register of Unitholders has, during the year ended 31 December 2008, been properly drawn up and maintained so as to give a true account of the Unitholders of the Trust.
- 4 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 31 December 2008.

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



Ben Macdonald
Director



Keith De Lacy
Director

Brisbane
17 February 2009

INDEPENDENT AUDITOR'S REPORT



We have audited the accompanying financial report of Reef Casino Trust (the Trust), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration set out on pages 16 to 40.

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 financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the 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 financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards (including the Australian Accounting Interpretations) 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.

Independence

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

Auditor's opinion

In our opinion, the 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 31 December 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) International Financial Reporting Standards as disclosed in note 2;
- (c) other mandatory professional reporting requirements in Australia; and
- (d) the provisions of the Trust Constitution dated 2 July 1993 (as amended)

Significant uncertainty regarding the impact of the Queensland Government's announcement to increase taxes on gaming machine revenue on the carrying value of the building and site lease

Without qualification to the opinion expressed above, we draw attention to note 8 to the financial statements. The Queensland Government has proposed that taxes on gaming machine revenue at The Reef Hotel Casino be increased from 10% to 20% from 1 July 2009. Legislation in respect of the Government's proposal is yet to be enacted. The Trust is reviewing and assessing the impact of the Government's proposal and is making submissions to the Queensland Government and also seeking legal advice. An increase in gaming machine taxes will have a direct impact on rental income received by the Trust from the lessee. The determination of the fair value of the building and site lease is sensitive to changes in future cash flows, including rental income. There is at present significant uncertainty regarding the ultimate outcome of any increase in taxes on gaming machine revenues and its possible impact on the carrying values of the building and site lease.



KPMG



Graham Coonan
Partner

Cairns
17 February 2009

LEAD AUDITOR'S INDEPENDENCE DECLARATION



I declare that, to the best of my knowledge and belief, during the year ended 31 December 2008 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 read 'KPMG', with a small flourish at the end.

KPMG

A handwritten signature in black ink, appearing to read 'Graham Coonan', written in a cursive style.

Graham Coonan
Partner

Cairns
17 February 2009

CORPORATE GOVERNANCE STATEMENT

The directors of Reef Corporate Services Limited, the Responsible Entity of Reef Casino Trust, support the principles of corporate governance developed by the ASX Corporate Governance Council.

The following statement is by reference to the revised Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council in August 2007 which applied to the Responsible Entity from 1 January 2008 and illustrates that the Responsible Entity complies with the majority of the ASX Principles. Where it does not, reasons for the departure are noted in this statement.

The following corporate governance practices were in place throughout the financial year, unless otherwise stated. In this statement, "the board" means the board of directors of the Responsible Entity of the Trust.

This corporate governance statement and other related information is available on The Reef Hotel Casino website www.reefcasino.com.au/trust/home.htm.

Principle 1: Lay solid foundations for management and oversight

Reef Corporate Services Limited is jointly owned by Casinos Austria International Limited (CAIL) and Accor Casino Investments (Australia) Pty Ltd (Accor) which are also substantial shareholders in the Trust.

The Responsible Entity's role is provided for in the Trust Constitution. Its role covers the provision of all corporate services in connection with the Trust, including investor relations, government and operator liaison, secretarial and administrative services, maintenance of financial and taxation records and statutory compliance plus overall corporate governance of the Trust, including the protection of unitholders' interests.

The responsibilities of the board are set out in the board charter. The board's role includes:

- Final approval of the strategic plans of the lessee
- Final approval of the annual budgets including capital expenditure of the Trust and lessee
- Approving and monitoring the progress of major refurbishment programs, acquisitions or divestments
- Approving the issue of securities and establishment of debt facilities
- Approving the appointment of the CEO of the operator, the company secretary and the external auditor (taking guidance from the Compliance, Audit and Risk Committee)
- Distribution policy and approval of any distribution payment
- Approving (taking guidance from the Compliance, Audit and Risk Committee) all half yearly and annual financial reports including the directors' report and corporate governance statement and any related announcements to the ASX or communications with unitholders
- Instigation of corporate governance policies including Code of Conduct, continuous disclosure, trading in units
- Approving and monitoring compliance with the Trust internal control system and risk management systems
- Monitoring (taking guidance from the Compliance, Audit and Risk Committee) the Trust's obligations and compliance with relevant regulatory requirements
- Considering the competencies of directors, board succession plans and board evaluations
- Reviewing the remuneration framework for directors

Day to day management of the Trust and matters not specifically referred to have been delegated to the CEO of the lessee but are subject to oversight by the board. The separation of responsibilities between the board and management is clearly understood and respected.

The board continuously reviews the performance of executive management. For the CEO, an annual review is done by the Chairman against agreed performance targets. For the Company Secretary an annual review is done by the CEO against agreed performance targets. The evaluation for the year ended 31 December 2007 was conducted as described. The review for the year ended 31 December 2008 will be completed following the finalisation of the annual results for the Trust.

Principle 2: Structure of the board to add value

The board comprises seven non-executive directors (including the Chairman) and one executive director. The names and skills, experience and expertise of the directors in office at the date of this statement, and the period of office of each director, are set out in the directors' report.

The Responsible Entity does not meet ASX Recommendation 2.1: *A majority of the board should be independent directors*. The constitution of the Responsible Entity reflects its joint ownership by CAIL and Accor and requires directors to be appointed as follows:

- two directors appointed by the unitholders - Mr De Lacy and Mr Hercus, who are independent after consideration of their business and other relationships with the Trust including their unitholding and receipt of their annual confirmation of independence;

- three directors appointed by CAIL - Mr Macdonald, Mr Herzfeld and Mr Tan, who are not considered independent; and
- three directors appointed by Accor - Mr Issenberg, Mr Mooney and Mr Baffsky, who are not considered independent.

Materiality is assessed on a case-by-case basis and having regard to each director's individual circumstances. No director is a professional adviser, supplier or customer of the Trust or Responsible Entity.

The composition also reflects the majority ownership of the Trust by CAIL and Accor.

The Responsible Entity's constitution provides that each of the directors shall have regard to the following interests (in descending order of priority):

- the interests of the unitholders of the Trust as a whole;
- the interests of the person who has a right to appoint and remove the director except to the extent those interests conflict with the interests of unitholders as a whole; and
- the interests of the members of the Company except to the extent those interests conflict with either or both of the interests of the unitholders of the Trust as a whole or the appointer.

The board believes that it has an appropriate mix of skills and experience and the current composition does not affect the proper functioning of the board. It is complimented by the Compliance, Audit and Risk Committee which comprises a majority of independent directors.

Each director is able to seek independent professional advice at the Trust's expense, with prior approval of the Chairman.

The Chairman of the board of directors of Reef Corporate Services Limited is appointed by agreement of the directors. Any of the directors may be appointed Chairman. The Responsible Entity does not comply with ASX Recommendation 2.2: *The chair should be an independent director*. The Chairman, Mr Benjamin Macdonald is appointed as a director by CAIL and therefore is not independent. The board believes that he has the appropriate skills and experience and fulfils the responsibilities of the Chairman as outlined in ASX Recommendation 2.2.

The Trust has no Chief Executive Officer, although similar roles are carried out by the Chief Executive Officer of the lessee. These functions have always remained separate from the functions performed by the Chairman as are set out in the board charter.

Directors appointed by the unitholders remain in office for a term of 3 years (unless removed earlier) and are then subject to re-election. All other directors remain in office until removed by their appointers. All director appointments must be approved by the Queensland Treasurer. The Responsible Entity does not comply with ASX Recommendation 2.4 *The board should establish a nomination committee* as given the limited involvement by the board in the appointment of directors a separate committee is not considered necessary. Instead considering the competencies of directors, board succession plans and board evaluations is performed by the full board as set out in the board charter.

The board continuously reviews its performance. On an annual basis the Chairman leads a formal discussion during a board meeting on the performance of the board, the Compliance, Audit and Risk Committee and the directors. This was held on 2 December 2008.

Each new director appointed undergoes an induction with the Chairman, and management is available for discussions as required. In addition, management presents to the board regular financial and corporate updates which are relevant to the Trust.

Principle 3: Promote ethical and responsible decision making

Code of Conduct

The board supports the ongoing need for directors and employees to demonstrate the highest level of behaviour and ethics as set out in the Code of Conduct which applies to all employees and directors of the Responsible Entity, the Trust and the lessee. The Code of Conduct is available from The Reef Hotel Casino website www.reefcasino.com.au/trust/home.htm.

Unit trading policy

Trust policy requires directors to discuss a proposed trade in Trust units with the Chairman prior to any trade. Unless there are unusual circumstances, directors should not trade in Trust units except during the period of one month after the lodgement of the Trust's half-year and annual profit announcements with the ASX and in the period of one month after the holding of the Trust's annual general meeting, provided that directors are not at the time in possession of price sensitive information which is not generally available to the market.

A copy of the unit trading policy is available from The Reef Hotel Casino website www.reefcasino.com.au/trust/home.htm.

Principle 4: Safeguard integrity in financial reporting

Compliance, Audit and Risk Committee

The Compliance, Audit and Risk Committee complies with ASX Recommendation 4.2. and comprises:

	*Meetings Attended
Mr Keith De Lacy (Chair) Independent, non-executive director	4
Mr Julian Hercus Independent, non-executive director	4
Mr Kim Mooney Non-executive director	2
Mr R John Hickey Alternate for Mr Mooney	2

*4 meetings held during the year

Details of directors' qualifications are set out in the directors' report.

The Committee charter is available from
The Reef Hotel Casino website
www.reefcasino.com.au/trust/home.htm.

The responsibilities of the Compliance, Audit and Risk Committee include:

- Exercising a high level of due diligence in relation to the accuracy and completeness of the Trust's half-year and annual financial reports and any reports lodged with the ASX, as well as the Company's annual financial report and Australian Financial Services Licence (AFSL) audit requirements

- Reviewing the performance, independence and timing of rotation of the external auditor
- Recommending to the board the selection or replacement of the external auditor
- Monitoring the audit plan, auditor's findings and provision of non-audit services
- Performing the functions of a compliance committee identified in the Corporations Act and Compliance Plan
- Reviewing the risk management plan and policy and keeping the board informed of material business risks
- Reviewing reports from management on the effectiveness of the management of material business risks
- Reviewing the external audit reports and any findings in respect of any breaches or weaknesses in internal controls relating to the compliance plan, Trust bank account, AFSL and any other external audit reports relating to risk management and consider the adequacy of management's planned corrective action
- Considering the need for internal audit

The external auditors, Company Secretary / Executive Manager Finance, the Chief Executive Officer and other relevant experts attend committee meetings at the invitation of the committee. The committee meets at least twice per year. It is authorised to take such independent professional advice as it considers necessary.

The external auditor, KPMG, has a policy for rotating audit partners in accordance with the Corporations Act.

Principle 5: Make timely and balanced disclosure

The board has established policies and procedures, which are regularly reviewed, to ensure the Trust complies with legal obligations and ASX Listing Rules. A copy of the continuous disclosure policy is available from The Reef Hotel Casino website www.reefcasino.com.au/trust/home.htm.

The CEO has primary responsibility for making sure that the Responsible Entity complies with its disclosure obligations for the Trust. The Company Secretary is responsible for communications with the ASX.

Principle 6: Respect the rights of unitholders

The board aims to ensure that the unitholders are informed of all major developments affecting the Trust's state of affairs.

Communication with unitholders occurs by a range of means:

- annual report and half year report available on the website, by email or by mail (on request);
- annual general meeting;
- website;
- through the unit registry (Computershare);
- ASX announcements; and
- other mail outs, eg. distribution statements, notice of meetings.

Annual general meeting

An Annual General Meeting (AGM) is convened each year, usually in May. The board encourages full participation of unitholders to ensure a high level of accountability.

A representative of the external auditor, KPMG, attends the AGM and is available to answer questions from unitholders concerning the audit. Transcripts of the Chairman's address are released to the ASX upon the commencement of the AGM.

Website

The website of the Trust is located at www.reefcasino.com.au/trust/home.htm. The website enables unitholders to obtain a range of information, and includes links to the unit registry and ASX.

Principle 7: Recognise and manage risk

In July 2008 the board formalised the existing risk management arrangements by adoption of a risk management policy which is available from The Reef Hotel Casino website www.reefcasino.com.au/trust/home.htm.

The board also adopted a risk management plan which sets out the detailed risk management process which is based on AS/NZS 4360: Risk Management and identifies the material business risks. The risk management plan has adopted the following risk categories:

- Reef Hotel Casino complex
- Compliance risks, including the Australian Financial Services Licence (AFSL)
- Financial reporting risks

As a registered managed investment scheme the Trust has a compliance plan which has been lodged with ASIC. The compliance plan sets out measures to ensure compliance with the Trust Constitution, the Corporations Act, the AFSL and other material legislation and contracts. The compliance officers provide a written report to the Compliance, Audit and Risk Committee twice yearly regarding compliance with the plan. The external auditor, KPMG, conducts an annual audit of compliance with the compliance plan.

Management maintain risk registers and are responsible for ongoing identification, assessment, monitoring and management of risk and reporting to the board via the Compliance, Audit and Risk Committee on the effective management of the Responsible Entity's and Trust's material business risks by interim and final (coinciding with sign off of the annual financial statements) reports on the effectiveness of the Responsible Entity's management of the material business risks.

The board received and reviewed management's report on the effectiveness of the Responsible Entity's management of the material business risks for the year ended 31 December 2008.

The board received the written assurance from the Chief Executive Officer of the lessee and the Company Secretary / Executive Manager Finance that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

Details of the directors' remuneration are set out in note 18 of the Annual Report. The Trust pays directors fees only to non-executive directors who are not full time executives of Casinos Austria International group or Accor Asia Pacific group. Other non-executive directors receive no remuneration from the Trust. The Trust has no direct employees. Executives involved in the management of the Trust are employed by CAIL. The Trust reimburses a portion of the payroll related costs based on time spent on Trust management.

The Responsible Entity does not comply with ASX Recommendation 8.1: *The board should establish a remuneration committee*. A separate remuneration committee is not considered necessary due to the relatively small number of people remunerated by the Trust. Instead the entire board fulfils the role of the remuneration committee with the board charter setting out the board's responsibility for reviewing the remuneration framework for directors. Independent advice is obtained, as needed, on the appropriateness of the directors' remuneration.

No shares or options are issued to directors and no retirement benefits are payable to directors.



Gaming Tables



Pullman Reef Hotel Casino Swimming Pool

SECURITIES EXCHANGE INFORMATION

Substantial unitholders

Substantial unitholders as at 28 February 2009 are:

Unitholder	Number	%
Casinos Austria Group	20,610,832*	41.39
Accor Group	14,921,803*	29.96

* Includes 50% (12,500,000 units) of the total units owned by Reef Casino Investments Pty Ltd, which is jointly controlled by Casinos Austria Group and Accor Group.

Distribution of unitholders (as at 28 February 2009)

Range	Holders	Public Units	% Issued Capital
1 – 1,000	2,035	631,550	1.27
1,001 – 5,000	630	1,559,050	3.13
5,001 – 10,000	124	978,230	1.96
10,001 – 100,000	110	2,809,158	5.64
100,001 – and over	21	43,823,048	88.00
	2,920	49,801,036	100.00

The number of unitholders holding less than a marketable parcel of units (271 units) at 28 February 2009 was 1,123.

Restricted Founders units (as at 28 February 2009)

Unitholder	Number of units	% of total units
Casinos Austria International Limited	370,000	0.74%
Accor Casino Investments (Australia) Pty Ltd	370,000	0.74%

Twenty largest unitholders of listed units (as at 28 February 2009)

Unitholder	Number of units	% of total units
Reef Casino Investments Pty Ltd	25,000,000	50.20
Casinos Austria International Holding GmbH	5,355,117	10.75
Casinos Austria International Limited	2,755,715	5.53
Accor Casino Investments (Australia) Pty Limited	2,421,803	4.86
Mr Gary Mauric	1,775,000	3.56
RBC Dexia Investor Services Australia Nominees Pty Ltd	1,598,244	3.21
JP Morgan Nominees Australia Ltd	1,051,231	2.11
ANZ Nominees Limited	634,798	1.27
Citicorp Nominees Pty Ltd	601,756	1.21
Cogent Nominees Pty Ltd	338,283	0.68
Mr Frank McFadden	316,684	0.64
Greenwich Stud Pty Ltd	259,871	0.52
HSBC Custody Nominees (Australia) Limited	253,869	0.51
Julian Hercus & Associates Pty Ltd	250,000	0.50
Mrs Elspeth Macdonald	250,000	0.50
Mr Michael Issenberg	220,000	0.44
Mr Leslie Charles Smith	204,000	0.41
Mrs Rita Agata Mauric	150,000	0.30
Mr William Coates Gair & Mrs June Verna Gair	138,000	0.28
Citicorp Nominees Pty Ltd	130,802	0.26
	43,705,173	87.76

Voting rights

The voting rights, as set out in Clause 29.9 of the Trust Constitution, are:

On a show of hands every unitholder who is present in person or by proxy and who was recorded on the register at the books closing date for that meeting as a holder of a unit carrying the right to vote at that meeting shall have one vote and;

On a poll every such unitholder shall have:

- (a) one vote for each fully paid unit of which he is the registered holder; and
- (b) a fraction of a vote equivalent to the proportion of the total selling price paid-up for each partly paid unit for which he is the registered holder.

On-market buy-back

There is no current on-market buy-back.

TRUSTDIRECTORY

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 R 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 and Risk Committee of the Responsible Entity

Hon Keith De Lacy (Chairman)
Mr Julian Hercus
Mr Kim 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
Home Exchange: Brisbane

Sub-lessee of The 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

The Reef Hotel Casino

35 – 41 Wharf Street
CAIRNS QLD 4870
Telephone: (07) 4030 8888
Facsimile: (07) 4030 8777
www.reefcasino.com.au

MUST SEE MUST VISIT

CASINOS AUSTRIA INTERNATIONAL

Reef Casino

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

Offers 540 gaming machines, 45 gambling tables, plus Club Privé, TAB and Keno.

Open Monday – Thursday 10am - 3am and Friday – Sunday 10am - 5am.



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.



Tamarind

Indulge in the fusion of Asian and Western cuisine – a contemporary award winning dining experience unique to Cairns. Open daily 6pm - 10.30pm.



Pacific Flavours

Pacific Flavours is open every day and features an extensive breakfast buffet as well as an exciting new lunch and dinner menu of bistro style meals.

Open daily from 6.30am - 10pm.



Flinders Bar & Grill

Choose from a great range of light meals, snacks and beverages.

Great value – all meals \$12 and under. Open during Casino operating hours.



Urchins Lounge



Pacific Flavours

MUST SEE MUST VISIT



Vertigo Bar and Lounge

Ultra modern bar with all your favourite drinks and cocktails. Great live entertainment Wednesday to Saturday nights. Open Wednesday to Sunday from 4pm until late.



Conference & Banqueting

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.



Car Park

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



Café China

Café China Noodle Bar offers a tempting array of traditional Chinese noodle dishes 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.



Velvet Rope

Night Club with live music and entertainment. Open Friday and Saturday nights till late.



Cairns Wildlife Dome

Discover the rainforest in the heart of Cairns. A real wildlife experience! Open daily from 9am to 7pm

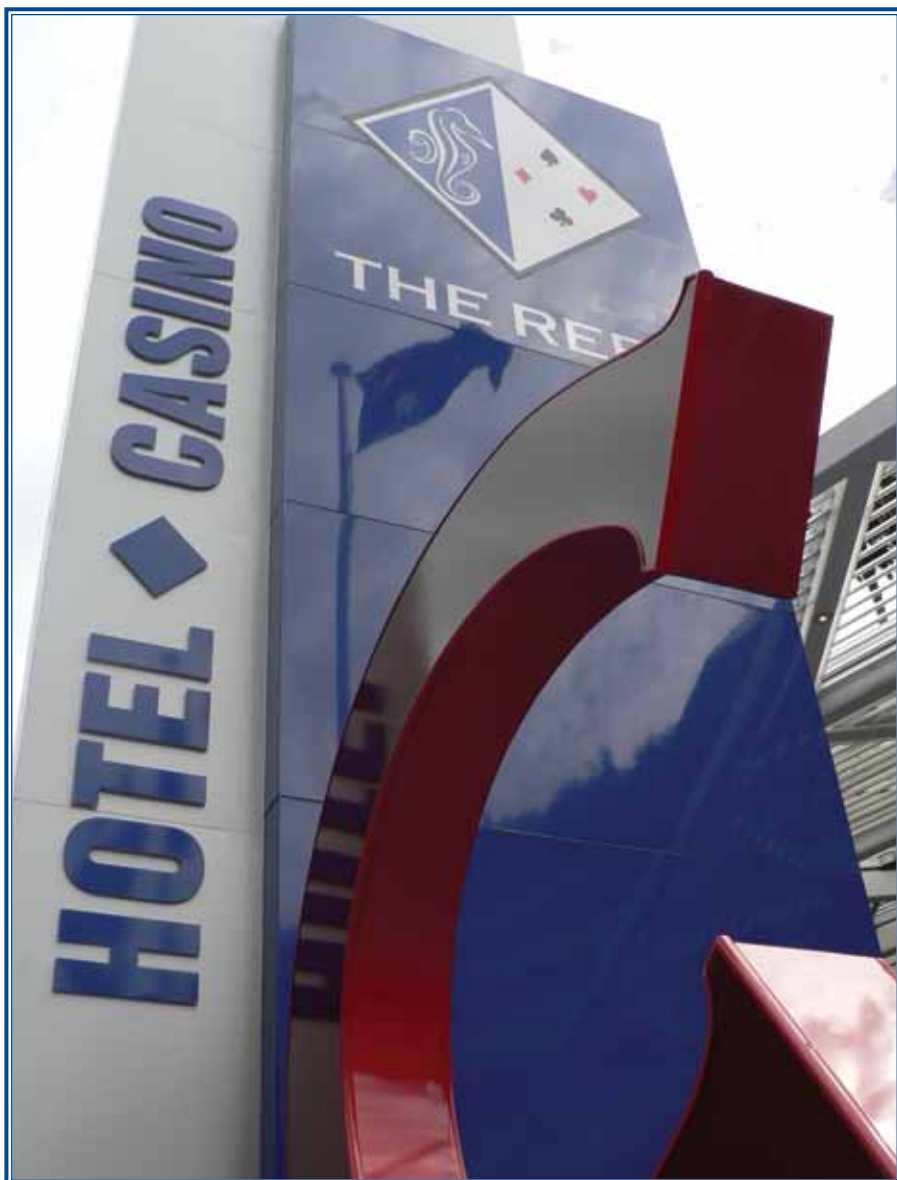


Cairns Wildlife Dome

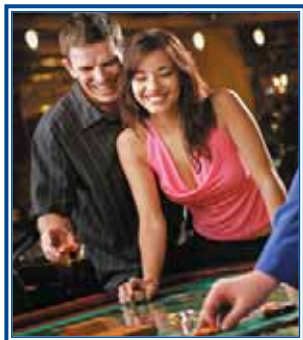


Café China Noodle Bar

MUST SEE MUST VISIT



MUST SEE MUST VISIT



International Casino



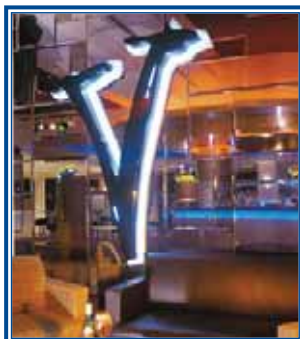
Tamarind Restaurant



Luxury Accommodation



Casino Table Games



Vertigo Bar and Lounge



REEF
CASINO TRUST




CASINOS AUSTRIA INTERNATIONAL


HOTELS AND RESORTS