



REEF
CASINO TRUST

ARSN 093 156 293



2011 ANNUAL REPORT
& FINANCIAL STATEMENTS

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Annual General Meeting

23 May 2012 at 2 pm
Michaelmas Cay Ballroom
35-41 Wharf Street
Cairns Qld Australia

Unit Distribution

Half year ended 31 December 2011

11.0 cents per unit
Payment date 20 March 2012
Total for 2011 20.0 cents per unit

Announcement Dates

Half year ended 30 June 2012

Estimated distribution mid June 2012
Results late August 2012

Half year ended 31 December 2012

Estimated distribution mid December 2012
Results late February 2013



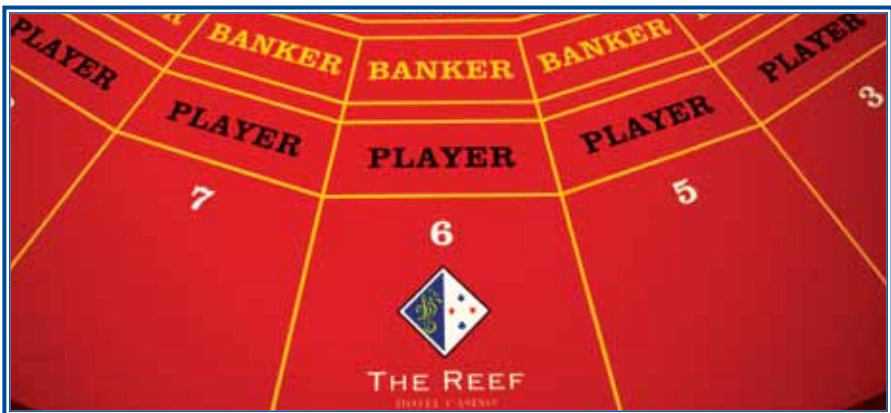
CHAIRMAN'S REVIEW

Dear Unitholders,

On behalf of the Board of Directors of Reef Corporate Services Limited, responsible entity of the Reef Casino Trust (the Trust), I present my review of the Reef Casino Trust for the year ended 31 December 2011.

Key points

- Trust distributable profit* was \$11.6 million, up 52% on last year. Unitholders' distributions classified as "finance costs" were \$5.8 million resulting in a net profit of \$5.8 million, up 52% on last year.
- Unit distribution of 11 cents per unit for the six months from July to December 2011, all from distributable profits for the period. Earnings per unit was 14.2 cents.
- Total unit distribution for the financial year 2011 was 20 cents per unit, all from distributable profit. Earnings per unit was 23.4 cents.
- Strong rental growth of 22.4% from the Reef Hotel Casino despite challenging and uncertain economic conditions in 2011. Trading conditions were particularly difficult in the first half – continuing weak Cairns economy due to the global financial crisis and natural disasters such as Cyclone Yasi, Queensland floods and Japanese earthquake having a negative impact on Cairns' tourism. In the second half year, trading conditions improved but still marked by considerable economic uncertainties arising from the economic and financial crisis in Europe.
- Operating costs at the Reef Hotel Casino and the Reef Casino Trust were held under tight control with savings made wherever possible.



Trust distributable profit

Trust distributable profit* was \$11.6 million for the year ended 31 December 2011. This compares with \$7.7 million in 2010 or 52.0% higher.

Total Trust revenue (comprising mainly of rental income from the Reef Hotel Casino) was \$22.0 million, 21.8% higher than 2010. This increase is due to good growth in revenues across casino and hotel operations at the Reef Hotel Casino. In addition, a better than “theoretical” win rate on premium casino play assisted in generating revenues growth.

The extra gaming tax introduced by the Queensland government for electronic gaming machines which came into effect on 1 July 2009 meant that the Reef Hotel Casino had an extra tax burden of \$2.8 million in 2011.

Trust project development costs of about \$350K were booked in the last quarter of 2011; otherwise operating expenses were well controlled.

Trust EBITDA (earnings before interest, tax, depreciation and amortisation) was \$16.9 million compared to \$13.4 million in 2010, 26.5% higher.

** Basis of preparation: Distributable profit is a non-IFRS measure that is determined in accordance with the Trust Constitution and used as the basis for determining distributions to unitholders. Distributable profit is determined as net profit for the year, adding back distributions to unitholders which have been treated as finance costs in accordance with IFRS. The distributable profit has been audited by KPMG. Refer to the auditor’s report on page 43 of the Annual Report for the year ended 31 December 2011.*



	2011	2010	
	\$'000	\$'000	
REVENUE AND OTHER INCOME			
Rental revenue	21,808	17,814	+22.4%
Other revenue and income	218	267	
TOTAL REVENUE AND OTHER INCOME	22,026	18,081	+21.8%
EXPENSES			
Operating	5,949	5,630	+5.6%
Depreciation and amortisation	4,439	4,795	
TOTAL EXPENSES	10,388	10,425	-0.4%
PROFIT BEFORE FINANCE COSTS' ATTRIBUTABLE TO UNITHOLDERS (DISTRIBUTABLE PROFIT*)	11,638	7,656	+52.0%
FINANCE COSTS ¹ ATTRIBUTABLE TO UNITHOLDERS	5,819	3,828	
PROFIT FOR THE PERIOD	5,819	3,828	+52.0%

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

	2011	2010	
	cents per	cents per	
	unit	unit	
Earnings per unit	23.4	15.4	+52.0%
Distribution per unit	20.0	20.0	



Unit distribution

The Trust has declared a distribution of 11 cents per unit or a total of \$5.48 million for the six months from 1 July to 31 December 2011. As indicated previously, Trust losses have been used up during the 2011 financial year. A portion of this distribution will be paid on a “tax deferred” basis and the balance may be taxable in the hands of the unitholders. This will depend on the unitholders’ individual tax circumstances. The Trust had paid an interim distribution of 9 cents per unit for the six months from 1 January to 30 June 2011.

For the 2011 financial year, the total distribution declared was 20 cents per unit compared to the distributable earnings per unit of 23.4 cents. 3.4 cents per unit (total of \$1.6 million) has been transferred to the undistributed income account which now stands at 13.23 cents per unit or \$6.6 million.

The actual distribution for the 2011 financial year is less than the Trust’s policy to pay out “100% of distributable profits” because of ongoing economic uncertainties and the undertaking of Project L2 which includes a complete renovation of level 2 of the casino in 2012.

Independent valuation of Trust property

In accordance with the requirements of the Trust Constitution to obtain an independent valuation of The Reef Hotel Casino complex at least once every 3 years, such an independent valuation of The Reef Hotel Casino complex was commissioned as at 31 December 2011.

The independent valuer, Jones Lang LaSalle Hotels, valued The Reef Hotel Casino complex at \$125 million as at 31 December 2011. As The Reef Hotel Casino complex is measured at cost, this latest independent valuation is shown only as a note to the financial statements. This latest valuation of \$125 million (\$143 million as at 30 June 2009) reflects the current economic and market uncertainties in Australia and globally.

The Trust will continue to obtain an independent valuation of The Reef Hotel Casino complex at least once every 3 years in accordance with the requirements of the Trust Constitution.



Trust balance sheet

The overall position remains strong and healthy. The Trust's cash flows remain positive and the Trust continues to have adequate working capital. The Trust's interest only loan facility remains unchanged at \$16.5 million. This term loan extends to December 2015. As at 31 December 2011, the Trust has drawn down \$10.25 million. The Trust also has an overdraft facility of \$2 million which has not been used to date.

Review of strategy and performance at Reef Hotel Casino

Continuing with its key priority to protect the Reef Hotel Casino's operational bottom line, management's approach to operating costs remained careful, prudent and conservative and focussed on cost saving opportunities wherever possible.

Given the difficult trading conditions in 2010 and continuing into 2011, particularly the first half year management positioned the complex for a return to growth in 2011 and hopefully beyond. Management's strategy has been successful with rental payments to the Trust 22.4% higher in 2011.

Management targeted marketing and promotional activities to known local and regional casino patrons via the Reef Club, the casino's loyalty club. This worked particularly well in the first half year when in-bound tourism was soft.

Our casino consolidated its premium player market during a difficult time by extra focus on the markets closest to us.

Café China, the best Chinese restaurant in Cairns became a tenant of the Reef Hotel Casino in mid 2010. The addition of Café China has assisted our hotel profitability in 2011 besides being an important part of our casino's China strategy. While we think direct flights from mainland China are about a couple of years away, in 2011 we continued to see a steady increase in the number of Chinese visitors to Cairns, particularly in the second half year following the spate of natural disasters in Queensland and in Japan.

Casino visitations during the year were down by 3% because the natural disasters mentioned earlier caused a drop in tourist numbers including mainland Chinese, Japanese and domestic tourists. The ongoing economic and financial uncertainties arising from the Euro zone also contributed to the softer number.

In the casino, grind (main floor) table games revenues were up 6.1% while electronic machine revenues were up 7% reflecting higher spending by patrons. Premium play revenues were up 35.9% in part due to a higher than "theoretical" win rate. Overall, casino rentals paid to the Trust were up 23.2%.

In the hotel, accommodation revenues were up 7.6% due mainly to a better average room rate being achieved. Our Pullman Reef Hotel Casino continues to lead the 5 star market in Cairns in terms of revenue per available room. Food and beverage revenues were also higher with better profit margins being achieved. Overall, hotel rentals paid to the Trust were up 22.4%.

At the Trust's annual general meeting held on 25 May 2011, our CEO flagged that he had initiated an internal mini project to be run over the next 18 months designed to improve profitability of the Reef Hotel Casino over the next 2 to 3 years. His mini project includes various efficiency measures as well as capital works proposals to enhance the attractiveness of the Reef Hotel Casino complex as the premier entertainment venue in Cairns.

Project L2 consists of a number of main elements - a complete refurbishment of the Michaelmas Cay ballroom and conference area (already completed in 2011), a complete renovation of level 2 of the casino (commenced on 2 January 2012 and expected to be completed by mid year), lighting up ANZAC Park which adjoins the complex and a special re launch of the complex planned for the early part of the second half of 2012.

Pre-commitment for gaming machines

A key condition of independent Tasmanian Federal MP Andrew Wilkie's support for the federal Labour government was for the government to implement a "mandatory pre-commitment" system at all gaming venues in 2014.

This matter is complex in many aspects and continues to be played out in the political arena. While the federal government has broken its agreement with Mr Wilkie in early 2012, it has indicated that it would introduce its own policy which includes the trial of a pre-commitment system. We are unable to say how this matter will pan out in the end.



Outlook for 2012

The Reef Hotel Casino's strategy for 2011 was to improve its profitability compared to 2010. This strategy has been successful. Management's strategy has at its core the achievement of success by ensuring that the Reef Hotel Casino remains the best entertainment venue in Cairns and Far North Queensland. This strategy will carry forward into 2012.

As the Trust revenues are the rentals paid by the Reef Hotel Casino, its results will reflect the performance of the Reef Hotel Casino. Trust costs remain under control and are expected to remain stable during 2012.

In 2011, rentals paid by the Reef Hotel Casino to the Trust have recorded strong growth. Consequently, Trust distributable profits are 52.0% higher. Given this, in 2012, while there is some reason for the Reef Hotel Casino and the Trust to be optimistic, our view is that 2012 will remain challenging for the Reef Hotel Casino.

On one hand there are some positive signs that Cairns' and the Far North Queensland region are slowly recovering from the global financial crisis and that tourism is generally improving from a sluggish 2010 and the natural disasters in the first half of 2011. The growth in the China tourist market is encouraging. On the other hand, consumer sentiment in Australia remains very weak whilst there are global headwinds in the form of a continuing weak US economy and the debt crisis in Europe.

Overall then, it is difficult to forecast the Trust's performance in 2012. Coming off strong profit growth in 2011, the Trust would hope to at least maintain its profitability in 2012 and perhaps add a little to it.

Barring exceptional circumstances, the Trust intends to distribute 100% of its distributable income.

New global financial turmoil in 2012 may affect our results in 2012. However, the Trust successfully managed the last global financial crisis. The Trust is in a good financial position and remains positive about its future.



Ben Macdonald

Chairman

Reef Corporate Services Limited

Responsible Entity of Reef Casino Trust

DIRECTORS' REPORT

Mr Ben Macdonald
Non-executive Chairman



Mr Julian Hercus
Non-executive Director



Mr Michael Issenberg
Non-executive Director



Mr Allan Tan
Executive Director,
CEO Reef Hotel Casino



Mr Alex Tucek
Alternate for Dr Stoss



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



Dr Karl Stoss
Non-executive Director



Mr Kim Mooney
Non-executive Director



Mr Simon McGrath
Non-executive Director



Mr Philip Basha
Alternate for
Mr Issenberg &
Mr Mooney



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 2011 and the auditor's report thereon.

Responsible Entity

The directors of Reef Corporate Services Limited during the financial year and until the date of this report (except as otherwise stated) are:

Mr Benjamin W Macdonald (Chairman)

Hon Keith DeLacy

Mr Julian Hercus

Dr Karl Stoss - appointed 8 February 2012

Mr Michael Issenberg

Mr Kim Mooney

Mr Allan Tan (director and alternate for Mr Macdonald)

Mr Simon McGrath

Mr Alexander Tucek (alternate for Dr Stoss) - appointed 8 February 2012

Mr Philip Basha (alternate for Mr Mooney & Mr Issenberg) - appointed 23 August 2011

Mr Paul Herzfeld was a director until his resignation on 6 June 2011. Mr Josef Leutgeb also resigned as Mr Herzfeld's alternate on the same date.

Ms Louise Daley was a director and an alternate director for Mr Mooney until her resignation on 23 August 2011. Mr Simon McGrath was appointed as a director on 23 August 2011 and resigned as alternate director for Mr Issenberg on the same date.

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 \$5.48 million (11.0 cents per unit – tax deferred) in respect of the six month period ended 31 December 2010 as reported in the 2010 annual report was paid on 24 March 2011.

The distribution of \$4.48 million (9.0 cents per unit) in respect of the six month period ended 30 June 2011 was paid on 23 September 2011 (note 17).

The directors have declared a distribution of \$5.48 million (11.0 cents per unit) in respect of the six month period ended 31 December 2011 to be paid on 20 March 2012.

Significant changes in the state of affairs

There were no 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 21 February 2012, the board of directors of the Responsible Entity, Reef Corporate Services Limited, declared an 11 cent per unit distribution payable on 20 March 2012. This distribution totals \$5,478,114.

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 36,701,044 units at 31 December 2011 (2010: 36,701,044 units). The total number of units on issue in 2010 and 2011 was 49,801,036.

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 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.

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 2011	Dec 2010
	\$	\$
Responsible Entity fees	1,044,541	1,107,972
Reimbursement of Trust expenses	46,635	51,731

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	Hon Keith DeLacy	5,000
Mr Julian Hercus	250,000	Dr Karl Stoss	-
Mr Michael Issenberg	221,000	Mr Kim Mooney	122,583
Mr Allan Tan	-	Mr Simon McGrath	-
Mr Alexander Tucek	-	Mr Philip Basha	-

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 Audit and Risk 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), Queensland Cotton Holdings Ltd (Chairman) and FKP 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 agricultural 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).

Keith DeLacy AM

Non-executive independent director; director since 1 December 1999.

Keith DeLacy is one of Queensland's best known company directors and public figures. He is currently President of the Queensland Division of the Australian Institute of Company Directors (AICD), and is also on the AICD national Board.

He 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.

Keith is Chairman of Nimrod Resources and is a director of Queensland Energy Resources (QER). He retired as Chairman of Macarthur Coal in October last year when it was taken over by Peabody Resources.

Over the years he has been Chairman of Australia's largest cotton producer Cubbie Group, COFCO Australia, Queensland Sugar (QSL) and the Global Sugar Alliance, Ergon Energy and the Trinity Group, as well as a range of not-for profits.

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 (DUUniv), and the Gatton Gold medal from the University of Queensland.

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.

Dr Karl Stoss

Non-executive director; director since 8 February 2012

Dr Stoss is the Chairman of the Managing Board of Casinos Austria AG and Osterreichische Lotterien GmbH. Studying business administration and graduating from University of Innsbruck, he then worked in various roles within the insurance and banking sector. Dr Stoss was appointed Deputy Chairman and Deputy Director General of Osterreichische Postsparkasse savings bank before becoming a director of the Managing Board of Raiffeisen Zentralbank Osterreich AG from 2001, and then on to the Managing Board of Generali Holding Vienna AG becoming Chairman in early 2005.

Dr Stoss succeeded Dr Wallner as Director General and Chairman of the Managing Board of Casinos Austria AG and Osterreichische Lotterien GmbH in 2007. He is also currently the President of the Austrian Olympic Committee.

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 15 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 is based in Singapore but works from Sydney and Singapore offices.

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

Allan Tan

Executive director; director since 28 March 2006.

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

Mr Tan is the CEO of The Reef Hotel Casino and Executive Director of Casinos Austria International – Australia, Asia Pacific. He 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 and Regional Manager (Australia, Asia Pacific) for Casinos Austria Group.

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.

Simon McGrath

Non-executive director; director since 23 August 2011

(alternate director 23 March 2010 to 23 August 2011).

In December 2006 Simon McGrath was appointed to the position of Vice President Australia responsible for all Accor's Australian hotels.

Simon joined Accor in 2005 as General Manager, Sofitel Reef Casino Cairns and was later appointed Regional General Manager, overseeing all hotel operations in Northern Australia and Western Australia in addition to his role at the Sofitel.

Simon's career has allowed him to work in Thailand, Malaysia, Hamilton Island, Ayers Rock, Gold Coast, Cairns and Sydney. Resorts feature as a key element of Simon's background; having worked at Ayers Rock Resort and Hamilton Island Resort in Executive roles.

Simon currently sits on a number of Boards including Sydney Convention and Exhibition Centre (SCEC) and Tourism and Transport Forum (TTF). Simon is a Director of AAPC and AVC.

Alexander Tucek

Alternate for Dr Stoss; alternate director since 8 February 2012

Alexander Tucek joined Casinos Austria AG in 1971 and moved to Casinos Austria International in 1978, where he initially served as Casino Manager in a number of land based and shipboard casinos around the globe. Following an extensive international career, he returned to Head Office and was appointed Senior Vice President Human Resources in 2002.

In July 2005, he transferred to the USA as Managing Director of Casinos Austria Maritime and Regional Director for The Americas, where he was responsible for all Casinos Austria International Casinos in the region, including the flagship Great Blue Heron Charity Casino near Toronto, Ontario.

In 2011, his career path took him back to Vienna as Executive Vice President Operations of Casinos Austria International. In this position, he manages the Casinos Austria Group's extensive international activities, including its existing operations and development projects in Canada, Argentina, Australia, Chile, Denmark, Egypt, Switzerland, Belgium, Germany and the UK.

Philip Basha

Alternate for Mr Issenberg and Mr Mooney; alternate director since 23 August 2011.

Mr Basha joined the Accor finance team in 2003 and is currently the Director of Finance Australia – Corporate. He commenced his accounting career at KPMG in 1999 and spent five years as an auditor in its Consumer and Industrial Markets group. He holds a Bachelor of Economics (Accounting) from Macquarie University and is a member of the Australian Institute of Chartered Accountants.

Units on issue

Units on issue and movements in issued units are detailed in note 16 to the financial statements.

Assets

The Trust had total assets of \$112,116,000 as at 31 December 2011 (2010: \$112,600,000). 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 45 and forms part of the directors' report for the year ended 31 December 2011.

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 DeLacy

Director

Brisbane

21 February 2012

STATEMENT OF FINANCIAL POSITION

as at 31 December 2011

	Note	Dec 2011 \$'000	Dec 2010 \$'000
ASSETS			
Cash and cash equivalents	19	4,490	4,640
Receivables	10	1,811	1,069
TOTAL CURRENT ASSETS		6,301	5,709
Receivables	10	750	750
Property, plant and equipment	11	104,949	106,033
Intangible assets	12	116	108
TOTAL NON-CURRENT ASSETS		105,815	106,891
TOTAL ASSETS		112,116	112,600
LIABILITIES			
Payables	13	4,987	3,322
TOTAL CURRENT LIABILITIES		4,987	3,322
Loans and borrowings	14	10,250	12,750
Deferred income	15	74	82
Issued units – liability portion	16	85,051	85,051
TOTAL NON-CURRENT LIABILITIES		95,375	97,883
TOTAL LIABILITIES		100,362	101,205
EQUITY			
Issued units – equity portion	16	85,051	85,051
Distribution account	17	1,958	3,276
Undistributed income		6,588	4,911
Accumulated losses		(81,843)	(81,843)
TOTAL EQUITY		11,754	11,395
TOTAL EQUITY AND LIABILITIES		112,116	112,600
MEMORANDUM NOTE – ISSUED UNITS			
Issued units – liability portion		85,051	85,051
Issued units – equity portion		85,051	85,051
		170,102	170,102

The statement of financial position is to be read in conjunction with the accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	Note	Dec 2011 \$'000	Dec 2010 \$'000
REVENUE AND OTHER INCOME			
Revenue	6	22,012	18,073
Other income	7	14	8
TOTAL REVENUE AND OTHER INCOME		22,026	18,081
EXPENSES			
Depreciation and amortisation	8	4,439	4,795
Property outgoings		1,104	1,052
Rates and taxes		686	679
Responsible Entity fees		1,045	1,108
Repairs and maintenance		867	705
Insurance		318	319
Other expenses		1,065	831
TOTAL EXPENSES		9,524	9,489
RESULTS FROM OPERATING ACTIVITIES		12,502	8,592
Finance costs attributable to unitholders		5,819	3,828
Interest expense on financial liabilities measured at amortised cost		864	936
TOTAL FINANCE COSTS		6,683	4,764
PROFIT FOR THE YEAR		5,819	3,828
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5,819	3,828
Basic and diluted earnings per unit (cents)	23	23.4	15.4

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	Issued units \$'000	Distribution account \$'000	Undistributed income \$'000	Accumulated losses \$'000	Total \$'000
1 JANUARY 2010	85,051	3,348	7,215	(81,843)	13,771
Total comprehensive income for the period	-	-	-	3,828	3,828
Transfer to distribution account	-	3,828	-	(3,828)	-
Transfer from undistributed income income	-	2,304	(2,304)	-	-
Distributions paid	-	(6,204)	-	-	(6,204)
31 DECEMBER 2010	85,051	3,276	4,911	(81,843)	11,395
1 JANUARY 2011	85,051	3,276	4,911	(81,843)	11,395
Total comprehensive income for the period	-	-	-	5,819	5,819
Transfer to distribution account	-	5,819	-	(5,819)	-
Transfer to undistributed income account	-	(1,677)	1,677	-	-
Distributions paid	-	(5,460)	-	-	(5,460)
31 DECEMBER 2011	85,051	1,958	6,588	(81,843)	11,754

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

STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

	Note	Dec 2011 \$'000	Dec 2010 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		23,218	20,465
Cash payments in the course of operations		(6,875)	(6,475)
Interest received		163	201
Interest and other finance costs paid		(936)	(930)
NET CASH FROM OPERATING ACTIVITIES	19(b)	15,570	13,261
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(3,271)	(2,410)
Proceeds from disposal of property, plant and equipment		11	4
NET CASH FROM INVESTING ACTIVITIES		(3,260)	(2,406)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment)/ redraw of borrowings		(2,500)	1,250
Distributions paid (equity portion and liability portion)		(9,960)	(10,956)
NET CASH FROM FINANCING ACTIVITIES		(12,460)	(9,706)
Net increase/(decrease) in cash held		(150)	1,149
Cash and cash equivalents at 1 January		4,640	3,491
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	19(a)	4,490	4,640

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

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. The Trust is a registered managed investment scheme under the Corporations Act 2001. 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) 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) adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the board of directors of the Responsible Entity on 21 February 2012.

(b) Basis of measurement

The financial report is prepared on the historical cost basis.

(c) Functional and presentation currency

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

The Trust is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with 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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 11 – 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 assets

The Trust initially recognises trade and other receivables and cash and cash equivalents on the date that they are originated.

The Trust derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

financial assets that is created or retained by the Trust is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Trust has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

The Trust initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Trust becomes a party to the contractual provisions of the instrument. The Trust derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Trust has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables. Bank overdrafts form an integral part of the Trust's

cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Such financial liabilities are recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

(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.

3. Significant accounting policies (continued)

(b) Leased assets

Leases in terms of which the Trust assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Trust's statement of financial position.

(c) Property, plant and equipment

(i) Recognition and measurement

Site lease, buildings, integral plant, plant and equipment and work in progress are measured at cost or deemed cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a component 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 component 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 based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Trust will obtain ownership by the end of the lease term. The estimated useful lives for the current and comparative periods are as follows:

- Site lease 75 years
- 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 and adjusted if appropriate.

Items of property, plant and equipment are depreciated from the date they are installed and are ready for use, or in respect of internally constructed assets, from the date the asset is completed and ready for use.

(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.

Amortisation is based on the cost of an asset less its residual value.

3. Significant accounting policies (continued)

(d) Intangible assets (continued)

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

Amortisation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(e) Impairment

(i) Non-derivative Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired include default or delinquency by a debtor, restructuring of an amount due to the Trust on terms that the Trust would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers and economic conditions that correlate with defaults.

Financial assets measured at amortised cost

The Trust considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity investment securities) at a specific asset level. All assets are assessed for specific impairment.

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 asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(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 CGU 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually 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 CGUs.

Impairment losses are recognised if the carrying amount of the asset or its CGU exceeds the recoverable amount. Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount on a pro rata basis.

3. Significant accounting policies (continued)

(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. The unwinding of the discount is recognised as a finance cost.

(g) Revenue

Rent revenue is brought to account when earned and, if not received at reporting date, is reflected in the statement of financial position as a receivable. Rent is determined in accordance with the lease agreements relating to The Reef Hotel Casino and is made up of two components; a base rent and a contingent rental component. The base rental component is recognised on a straight-line basis over the lease term and indexed on a yearly basis. The contingent rental component is based on the performance of the lessee and is recognised when contractually due.

(h) 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.

(i) Finance income and finance costs

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

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

(j) 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.

(k) 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 unitholders each year. Tax allowances for building and plant and equipment depreciation are distributed in the form of tax deferred benefits.

At 31 December 2011, there are no carried forward losses available to offset future assessable income of the Trust. At 31 December 2010 there were \$4,000,000 carried forward losses available to offset future assessable income of the Trust but these were not recognised in the financial statements.

3. Significant accounting policies (continued)

(l) 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.

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.

(m) 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.

(n) Segment reporting

An operating segment is a component of the Trust that engages in business activities from which it may earn revenues and incur expenses. The Trust determines and presents operating segments based on the information that internally is provided to the board.

(o) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Trust.

4. Determination of fair values

A number of the Trust's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment, site lease and licences

The Trust Constitution requires the Trust to obtain independent valuations of the complex at least once during every 3 years. The valuation is used for disclosure purposes, and also assists the Trust in determining whether there is any impairment of the cash generating unit (note 3e(ii)).

The valuation is based on the price at which a property might reasonably be expected to be sold at the date of valuation, assuming:

4. Determination of fair values (continued)

(i) Property, plant and equipment, site lease and licences (continued)

- (i) a willing, but not anxious, buyer and seller; and
- (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; and
- (iii) that the property was reasonably exposed to that market; and
- (iv) that, except in relation to the Casino Licence, no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of property being valued; and
- (v) that the Trust has sufficient resources to allow a reasonable period for the exposure of the property for sale; and
- (vi) that the Trust has sufficient resources to negotiate an agreement for the sale of the property; and; only takes into account instructions given by Reef Corporate Services Limited.

(ii) Current receivables

Due to the short-term nature of the Trust's current receivables, their carrying value is assumed to approximate their fair value.

(iii) Non-current receivables

The fair value of the Trust's non-current receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(iv) Current payables

Due to the short-term nature of the Trust's current payables, their carrying value is assumed to approximate their fair value.

(v) Loans and borrowings

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Financial risk management

The Trust has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, and market risk.

This note presents information about the Trust's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and its management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The board has overall responsibility for the establishment and oversight of the risk management framework. The board has established a Compliance, Audit and Risk Committee, with responsibilities including the review of risk management policies and reports. The committee reports regularly to the board on its activities.

5. Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Trust's receivables from customers. There is a significant concentration of credit risk in so far as the Trust receives rental income from one complex, The Reef Hotel Casino.

Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Trust's approach to managing liquidity is to use cash flow management and forecasts to ensure there is enough cash to meet liabilities when due. In addition to maintaining sufficient liquid assets to meet short-term payments, at balance date, the Trust has \$6.25 million (2010: \$5.75 million) of unused loan facilities available for its immediate use as well as an overdraft facility of \$2 million (2010: \$2 million).

Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Trust's income. The Trust manages 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.

Capital management

The Trust policy is to maintain the current level of issued units (\$170,102,000; 2010: \$170,102,000) plus an interest only loan facility (\$16,500,000; 2010: \$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 unitholders 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.

	Dec 2011 \$'000	Dec 2010 \$'000
6. Revenue		
<i>Rental</i>		
Base rent	987	957
Contingent rent	20,821	16,857
	21,808	17,814
<i>Interest received and receivable from</i>		
Other persons	73	129
Related parties	79	77
	152	206
<i>Other revenue</i>		
Sundry	52	53
	22,012	18,073

7. Other income

Net gain on disposal of plant and equipment	6	-
Government grants	8	8
	14	8

8. Expenses

Net profit includes the following specific expenses:

<i>Depreciation</i>		
Building	1,440	1,733
Plant and equipment	2,244	2,295
	3,684	4,028
<i>Amortisation</i>		
Computer software	48	60
Site lease	707	707
	755	767
	4,439	4,795
Net loss on disposal of plant and equipment	-	3

**Dec
2011
\$'000** **Dec
2010
\$'000**

9. Finance income and expense

Recognised in profit or loss

Interest income on bank deposits	73	129
Interest income on loans and receivables	79	77
FINANCE INCOME	152	206
Interest expense on financial liabilities measured at amortised cost	(864)	(936)
Finance costs attributable to unitholders	(5,819)	(3,828)
FINANCE EXPENSE	(6,683)	(4,764)
NET FINANCE INCOME AND EXPENSE	(6,531)	(4,558)

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	152	206
Total interest expense on financial liabilities	(6,683)	(4,764)

10. Receivables

CURRENT

Rent receivable from lessee	1,764	1,012
Other debtors	47	57
	1,811	1,069

NON-CURRENT

Loans to lessee, bearing an interest rate of 10.39% (2010: 10.64%)	750	750
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	Site Lease \$'000	Building & Integral Plant \$'000	Plant & Equipment \$'000	Work In Progress \$'000	Total \$'000
11. Property, plant and equipment					
AT JANUARY 2010					
At cost or deemed cost	53,000	69,301	54,424	-	176,725
Accumulated depreciation/amortisation	(11,335)	(9,959)	(46,565)	-	(67,859)
Net carrying amount	41,665	59,342	7,859	-	108,866
YEAR ENDED 31 DECEMBER 2010					
Opening net carrying amount	41,665	59,342	7,859	-	108,866
Additions	-	-	1,909	-	1,909
Disposals	-	-	(7)	-	(7)
Depreciation/amortisation charge	(707)	(1,733)	(2,295)	-	(4,735)
Closing net carrying amount	40,958	57,609	7,466	-	106,033
AT 31 DECEMBER 2010					
At cost or deemed cost	53,000	69,301	55,813	-	178,114
Accumulated depreciation/amortisation	(12,042)	(11,692)	(48,347)	-	(72,081)
Net carrying amount	40,958	57,609	7,466	-	106,033
YEAR ENDED 31 DECEMBER 2011					
Opening net carrying amount	40,958	57,609	7,466	-	106,033
Additions	-	-	2,864	449	3,313
Disposals	-	-	(6)	-	(6)
Depreciation/amortisation charge	(707)	(1,440)	(2,244)	-	(4,391)
Closing net carrying amount	40,251	56,169	8,080	449	104,949
AT 31 DECEMBER 2011					
At cost or deemed cost	53,000	69,262	57,126	449	179,837
Accumulated depreciation/amortisation	(12,749)	(13,093)	(49,046)	-	(74,888)
Net carrying amount	40,251	56,169	8,080	449	104,949

11. Property, plant and equipment (continued)

An independent valuation of the Trust's interest in The Reef Hotel Casino Complex was carried out by Jones Lang LaSalle Hotels as at 31 December 2011. The Trust's interest in the complex, which is considered to be a cash generating unit, comprises the building, site lease, casino licence and plant and equipment. The complex was valued at \$125 million. The casino licence has an amortised cost of nil (2010: nil).

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 (75 years) for the site on which The Reef Hotel Casino complex is situated. Even though the lease is not eligible for conversion to freehold tenure, the Trust determined that the site lease is a finance lease. At 31 December 2011, the remaining term of the site lease was 57 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.

	Dec 2011 \$'000	Dec 2010 \$'000
Capital expenditure commitments		
Contracted but not provided for and payable:		
Not longer than one year	2,144	171

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	1,011	987
Between one and five years	3,116	3,946
More than five years	-	82
	4,127	5,015

The casino, hotel and ancillary facilities lease agreements with 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. An option exists to renew the leases at the end of the existing term until 26 October 2029. Further extensions from year to year are subject to certain ownership conditions being met. 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 2011 \$'000	Dec 2010 \$'000
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12. Intangible assets

COMPUTER SOFTWARE

AT 1 JANUARY

At cost	583	544
Accumulated amortisation	(475)	(415)
Net carrying amount	108	129

YEAR ENDED 31 DECEMBER

Opening net carrying amount	108	129
Additions	56	39
Amortisation charge	(48)	(60)
Closing net carrying amount	116	108

AT 31 DECEMBER

At cost	638	583
Accumulated amortisation	(522)	(475)
Net carrying amount	116	108

13. Payables

CURRENT

Trade creditors and accruals – unsecured	1,467	1,120
Accrued distributions (note 17)	3,520	2,202
	4,987	3,322

14. 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 24.

	Nominal Interest rate	Year of maturity	Dec 2011 \$'000	Dec 2010 \$'000
NON-CURRENT				
Bank Loan – BOQ Limited	7.99%	2015	10,250	12,750

The nominal interest rate for 2010 was 7.38%.

The bank loans are 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 a fixed margin over Bank of Queensland's cost of funds for \$2,000,000 (2010: \$12,750,000) and at fixed rates of 8.05%, 8.22%, 8.43% over \$2,750,000 each (2010 nil).

15. Deferred income

Government Grant	74	82
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16. Issued units

49,801,036 (December 2010: 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 2010: 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.

17. Distributions

Distributable income

The Trust Constitution requires calculation of distributable income for each half yearly period commencing either on the first day of January or July and the amount transferred to a distribution account on the last day of such period. As the Trust must distribute at least 50% of net income for the period, this 50% is classified as a liability, and transferred from the distribution account to accrued liabilities on the statement of financial position (note 13).

The proposed distribution for the six months ended 31 December 2011 was declared on 21 February 2012, and accounted for as follows:

	Dec 2011 \$'000	Dec 2010 \$'000
DISTRIBUTION ACCOUNT (refer to statement of changes in equity)		
Balance relating to issued units – equity portion	1,958	3,276
ACCRUED DISTRIBUTION (payables – note 13)		
Balance relating to issued units – liability portion	3,520	2,202
TOTAL OF DISTRIBUTION ACCOUNTS	5,478	5,478

	Dec 2011		Dec 2010	
	Total \$'000	Cents per unit	Total \$'000	Cents per unit
<i>Distributions paid and payable</i>				
Half year ended 30 June paid September	4,482	9.00	4,482	9.00
Half year ended 31 December paid/payable March	5,478	11.00	5,478	11.00
	9,960	20.00	9,960	20.00

18. Segment information

The results and financial position of the Trust's single operating segment are prepared for the board on a basis consistent with Australian Accounting Standards and thus no additional disclosures in relation to the revenues, profit or loss, assets and liabilities and other material items have been made. Entity-wide disclosures are detailed below:

	Dec 2011 \$'000	Dec 2010 \$'000
RENTAL INCOME		
Casino operations	19,145	15,533
Hotel and other non casino operations	2,663	2,281
	21,808	17,814

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

	Dec 2011 \$'000	Dec 2010 \$'000
19. (a) Cash and cash equivalents		
Cash (held in interest bearing accounts, at call)	4,490	4,640
19. (b) reconciliation of cash flows from operating activities		
PROFIT FOR THE YEAR	5,819	3,828
ADJUSTMENTS FOR:		
Loss/(profit) on sale of property, plant and equipment	(6)	3
Finance costs attributable to unitholders	5,819	3,828
Depreciation and amortisation	4,439	4,795
NET CASH FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	16,071	12,454
Changes in operating assets and liabilities		
(Increase)/decrease in receivables and other assets	(742)	726
(Increase)/decrease in payables	249	89
Increase/(decrease) in deferred income	(8)	(8)
NET CASH FROM OPERATING ACTIVITIES	15,570	13,261

20. 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 \$
2011			
Non-executive directors			
Benjamin Macdonald (Chairman)	75,000	-	75,000
Keith DeLacy	50,000	4,500	54,500
Julian Hercus	48,000	4,320	52,320
Paul Herzfeld (resigned 06/06/2011)	-	-	-
Michael Issenberg	-	-	-
Kim Mooney	-	-	-
Louise Daley (resigned 23/08/2011)	-	-	-
Simon McGrath	-	-	-
Josef Leutgeb (resigned 06/06/2011)	-	-	-
Philip Basha (appointed 23/08/2011)	-	-	-
Executive director			
Allan Tan (Chief Executive Officer - Operator)	62,680	-	62,680
Executive			
Alison Galligan (Company Secretary)	88,510	-	88,510
Total	324,190	8,820	333,010

20. Related party information (continued)

Key Management Personnel (continued)

	Short-term Salary & Fees \$	Post-employment Superannuation Benefits \$	Total \$
2010			
Non-executive directors			
Benjamin Macdonald (Chairman)	75,000	-	75,000
Keith DeLacy	50,000	4,500	54,500
Julian Hercus	48,000	4,320	52,320
Paul Herzfeld	-	-	-
David Baffsky (resigned 11/3/2010)	-	-	-
Michael Issenberg	-	-	-
Kim Mooney	-	-	-
Louise Daley	-	-	-
Josef Leutgeb	-	-	-
Simon McGrath (appointed 23/03/2010)	-	-	-
Executive Director			
Allan Tan (Chief Executive Officer - Operator)	76,914	-	76,914
Executive			
Alison Galligan (Company Secretary)	86,082	-	86,082
Total	335,996	8,820	344,816

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.

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.

20. Related party information (continued)

Unit holdings of directors of the Responsible Entity
Including directors who left the board during the year

Name	Balance at start of the year	Changes during the year	Balance at end of the year
Benjamin Macdonald	263,750	-	263,750
Keith DeLacy	5,000	-	5,000
Julian Hercus	250,000	-	250,000
Paul Herzfeld (resigned 06/06/2011)	-	-	-
Michael Issenberg	221,000	-	221,000
Kim Mooney	122,583	-	122,583
Allan Tan	-	-	-
Louse Daley (resigned 23/08/2011)	-	-	-
Simon McGrath	-	-	-
Josef Leutgeb (resigned 06/06/2011)	-	-	-
Philip Basha (appointed 23/08/2011)	-	-	-

Responsible Entity's remuneration

	Transaction value		Balance outstanding	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
	\$	\$	\$	\$
Fees paid or payable by the Trust to Reef Corporate Services Limited during the year				
Responsible Entity fee	1,044,541	1,107,972	488,302	552,697
Reimbursement of trust expenses	46,635	51,731	-	967

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

Other related parties

- Casinos Austria International Limited and Accor Casino Investments (Australia) Pty Limited jointly control 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 11.37% of Reef Casino Trust.
- Casinos Austria International Limited directly owns 5.53% of Reef Casino Trust and Accor Casino Investments (Australia) Pty Ltd directly own 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.

20. Related party information (continued)

	Transaction value Dec 2011 \$	Dec 2010 \$	Balance outstanding Dec 2011 \$	Dec 2010 \$
Aggregate amounts brought to account in relation to transactions with other related parties:				
Rental income received from lessee	21,807,901	17,814,107	1,757,447	1,005,420
Interest on loan to lessee	79,487	76,856	6,618	6,778
Operating expenses paid by the Trust to the lessee and entities related to the Responsible Entity	2,310,791	2,027,634	181,661	179,243
Management fee to lessee	130,490	103,489	32,507	32,368
Distribution paid or payable	7,167,742	7,167,742	2,980,515	4,413,003
Aggregate amounts receivable/payable with related parties at balance date:				
Current receivables			1,764,065	1,012,198
Non-current receivables			750,000	750,000
Current payables			702,470	764,308
Accrued distribution			2,593,898	1,622,908

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.

21. Remuneration of auditors

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

	Dec 2011 \$	Dec 2010 \$
<i>KPMG</i>		
Audit of statutory financial reports	57,108	85,885
Other assurance services	19,600	18,750
	76,708	104,635

22. Contingent liabilities and contingent assets

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

	Dec 2011	Dec 2010
23. Earnings per unit		
Basic and diluted earnings per unit (cents)	23.4	15.4
<i>Weighted average number of units (equity portion) for the year</i>		
(note 3(a) and note 16)	24,900,518	24,900,518
	\$'000	\$'000
Profit for the year	5,819	3,828

24. Financial instruments

Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Trust's most significant customer, Casinos Austria International (Cairns) Pty Ltd (lessee of The Reef Hotel Casino), accounts for \$2,514,000 of the receivables carrying amount at 31 December 2011 (2010: \$1,762,000). Details of the lease agreement are contained in note 11.

There is no collateral held as security or any other credit enhancements (2010: nil). None of the Trust's receivables are past due and no impairment is required (2010: nil). There are no significant financial assets that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired (2010: nil).

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000
31 DECEMBER 2011					
NON-DERIVATIVE FINANCIAL LIABILITIES					
Trade creditors and accruals	1,467	(1,467)	(1,467)	-	-
Accrued distribution	3,520	(3,520)	(3,520)	-	-
Bank borrowings	10,250	(13,525)	(819)	(819)	(11,887)
Issued units – liability portion*	85,051	-	-	-	-

	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000
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24. Financial instruments (continued)

31 DECEMBER 2010

NON-DERIVATIVE

FINANCIAL LIABILITIES

Trade creditors and accruals	1,120	(1,120)	(1,120)	-	-
Accrued distribution	2,202	(2,202)	(2,202)	-	-
Bank borrowings	12,750	(22,875)	(1,275)	(1,275)	(20,325)
Issued units – liability portion*	85,051	-	-	-	-

* Future cash flows from the liability portion of issued units are dependent on the future income of the Trust (refer to note 3(a)(iii)). Finance costs attributable to unitholders for the year ended 31 December 2011 totalled \$5,819,000 (2010: \$3,828,000).

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Interest rate risk

At the reporting date the interest rate profile of the Trust's interest-bearing financial instruments was:

	Dec 2011 \$'000	Dec 2010 \$'000
<i>Fixed rate instruments</i>		
Financial liabilities	(8,250)	-
	(8,250)	-
<i>Variable rate instruments</i>		
Financial assets	5,240	5,390
Financial liabilities	(2,000)	(12,750)
	3,240	(7,360)

Fair value sensitivity analysis for fixed rate instruments

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.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased or decreased the Trust's finance income by \$52,000 (2010: \$54,000), finance costs by \$20,000 (2010: \$128,000) and profit for the year by \$16,000 (2010: \$37,000).

24. Financial instruments (continued)

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	31 December 2011	31 December 2010		
	Carrying	Fair	Carrying	Fair
	amount	value	amount	value
	\$'000	\$'000	\$'000	\$'000
<i>Assets carried at amortised cost</i>				
Cash and cash equivalents	4,490	4,490	4,640	4,640
Receivables	2,561	2,561	1,819	1,819
	7,051	7,501	6,459	6,459
<i>Liabilities carried at amortised cost</i>				
Payables	4,987	4,987	3,322	3,322
Loans and borrowings	10,250	11,189	12,750	13,889
Issued units – liability portion*	85,051	43,576	85,051	46,066
	100,288	59,752	101,123	63,277

* Fair value of issued units – liability portion is based on the quoted market price per unit at the reporting date.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows are as follows:

	2011	2010
Receivables	10.39%	10.64%
Loans and borrowings	6.97%	7.22%


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 set out in pages 16 to 41, 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 2011 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.
- 2 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 2011.
- 3 The directors draw attention to note 2(a) to the financial statements which includes a statement of compliance with International Financial Reporting Standards.

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



Ben Macdonald
Director



Keith DeLacy
Director

Brisbane
21 February 2012

INDEPENDENT AUDITOR'S REPORT

to the unitholders of Reef Casino Trust



Report on the financial report

We have audited the accompanying financial report of Reef Casino Trust (the Trust), which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of Reef Corporate Services Limited (the Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2, the directors of the Responsible Entity also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply 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 of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the 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 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Trust's financial position and of its performance.

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

Independence

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

INDEPENDENT AUDITOR'S REPORT

to the unitholders of Reef Casino Trust



Auditor's opinion

In our opinion:

- (a) the financial report of Reef Casino Trust is 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 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on non-IFRS financial information

We have audited the non-IFRS financial information disclosed as distributable profit included on pages 1 to 3 of the chairman's review for the year ended 31 December 2011. The directors of the Trust are responsible for the preparation and presentation of the non-IFRS financial information in accordance with the basis of preparation set out on page 2 of the chairman's review and for having regard to the guidelines set out in ASIC Regulatory Guide 230: Disclosing non-IFRS Financial Information. Our responsibility is to express an opinion on the non-IFRS financial information, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the non-IFRS financial information disclosed as distributable profit included on pages 1 to 3 of the chairman's review for the year ended 31 December 2011, is prepared, in all material respects, in accordance with the basis of preparation set out in page 2 of the chairman's review.

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

KPMG

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

Gerry Mier
Partner

Cairns
21 February 2012

LEAD AUDITOR'S INDEPENDENCE DECLARATION

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



I declare that, to the best of my knowledge and belief, during the year ended 31 December 2011 there have been:

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

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

KPMG

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

Gerry Mier
Partner

Cairns
21 February 2012

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 ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments 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 our website www.reefcasino.com.au/trust/corporategovernance.php.

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 and management are set out in the board charter which is available on www.reefcasino.com.au/trust/corporategovernance.php.

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 reviews for the year ended 31 December 2010 were conducted as described. The reviews for the year ended 31 December 2011 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 relevant 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 DeLacy and Mr Hercus, who are considered independent following review of their annual independence declarations against the criteria for independence set out in the board charter; and
- three directors appointed by CAIL - Mr Macdonald, Mr Stoss and Mr Tan, who are not considered independent; and
- three directors appointed by Accor - Mr Issenberg, Mr Mooney and Mr McGrath, who are not considered independent.

In determining independent status of a director, 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 board composition also reflects the majority ownership of the Trust by CAIL and Accor. With support from CAIL and Accor the board seeks to achieve a mix of skills, experience and diversity that will best compliment the board's effectiveness.

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, Mr Allan Tan. These functions have always remained separate from the functions performed by the Chairman as are set out in the board charter.

A description of the structure of the board including the method of appointment of directors is included in the board charter which is available on www.reefcasino.com.au/trust/corporategovernance.php.

Directors appointed by the unitholders remain in office for a term of 3 years (unless removed earlier) and are then subject to re-election. The directors appointed by the unitholders may be nominated by unitholders holding not less than 5% of the total number of units on issue other than restricted units or by the board of directors. Before a candidate is nominated by the Board consideration is given to the range of skills, experience, expertise and diversity that will best compliment the board's effectiveness. All other directors remain in office until removed by their appointers. All director appointments must be approved by the Minister responsible for the administration of the Casino Control Act 1982 (Queensland).

The Responsible Entity does not comply with ASX Recommendation 2.4: The board should establish a nomination committee. As the board has limited involvement in the appointment of directors a separate committee is not considered necessary. Instead considering the competencies of directors, board succession plans and board evaluations are 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 23 November 2011.

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 has established a 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 at www.reefcasino.com.au/trust/corporategovernance.php. The Code of Conduct includes the practices necessary to maintain confidence in the integrity of the Responsible Entity, the Trust and the operator and covers conflicts of interest, insider trading, confidentiality, privacy, treatment of others, political contributions and gambling at The Reef Hotel Casino. It also sets out the practices necessary to ensure compliance with legislation relevant to an employee's responsibilities. Employees are encouraged to report any actual or potential breaches of the code to management or the board without fear of retribution in accordance with the whistleblower's policy.

Diversity

The board established a Diversity Policy in February 2011 which is available at www.reefcasino.com.au/trust/corporategovernance.php.

The board, with the support of shareholders CAIL and Accor who between them directly appoint 6 out of 8 directors, has set the following objective for gender diversity at board level: When considering candidates for nomination to board positions efforts will be

made to identify and consider candidates who have a diverse range of attributes, including but not be limited to gender. There are currently no women on the board following Louise Daley's resignation on 23 August 2011.

The Trust has no direct employees. The following measurable objectives for achieving gender diversity for the lessee were reviewed and approved by the board:

Objective	Progress to date
Create and launch diversity policy	Done, increased staff awareness of diversity
Create and implement online diversity training program	Done, 513 employees trained
Enhance reporting of diversity statistics	Done

At the end of the financial year women comprise 50% of total employees of the lessee and 29% of the executive leadership team of the lessee.

Principle 4: Safeguard integrity in financial reporting

Compliance, Audit and Risk Committee

The board has established a Compliance, Audit and Risk Committee which complies with ASX Recommendation 4.2 with the following members:

		Meetings Attended	Meetings Held
Mr Keith DeLacy (Chair)	Independent, non-executive director	4	4
Mr Julian Hercus	Independent, non-executive director	4	4
Mr Kim Mooney	Non-executive director	-	4
Ms Louise Daley	Alternate for Mr Mooney until 23 August 2011	3	3
Mr Philip Basha	Alternate for Mr Mooney from 23 August 2011	1	1

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

The Committee Charter is available from www.reefcasino.com.au/trust/corporategovernance.php. 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 Committee Charter includes procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners. The external auditor KPMG, has a process 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 and to ensure accountability at a senior level for that compliance. 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.

A copy of the continuous disclosure policy is available from www.reefcasino.com.au/trust/corporategovernance.php.

**Principle 6:
Respect the rights of unitholders**

The board has established the unitholder communications policy which is available from www.reefcasino.com.au/trust/corporategovernance.php. The policy aims to

ensure that the unitholders are informed of all major developments affecting the Trust’s state of affairs and to encourage participation at general meetings.

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/corporategovernance.php. The website enables unitholders to obtain a range of information, and includes links to the unit registry and ASX as well as a copy of this Corporate Governance Statement.

**Principle 7:
Recognise and manage risk**

The board has established a risk management policy for the oversight and management of material business risks. This was reviewed by the board during the year and is available from www.reefcasino.com.au/trust/corporategovernance.php. The board also reviewed the risk management plan which sets

out the detailed risk management process which is based on AS/NZS/ISO 31000:2009 Risk Management – Principles and guidelines and which identifies the material business risks. The risk management plan has adopted the following risk categories:

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

The board requires management to maintain risk registers and be 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. These reports include summaries of management's monitoring of internal controls and detail any external or Casinos Austria group / Accor Asia Pacific group internal audit report findings.

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.

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 2011.

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 20 to the financial statements. 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 (available on www.reefcasino.com.au/trust/corporategovernance.php) 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.

There are no equity based remuneration schemes in operation. No retirement benefits are payable to directors.

SECURITIES EXCHANGE INFORMATION

SUBSTANTIAL UNITHOLDERS

Substantial unitholders as at 29 February 2012 are:

Unitholder	Number	%
Casinos Austria Group	20,916,908*	42.00
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 29 February 2012)

Range	Holders	Public Units	% Issued Capital
1 - 1,000	1,884	569,252	1.14
1,001 - 5,000	535	1,339,735	2.69
5,001 - 10,000	126	984,952	1.98
10,001 - 100,000	124	2,996,006	6.02
100,001 - and over	21	43,911,091	88.17
	2,690	49,801,036	100.00

The number of unitholders holding less than a marketable parcel of units (266 units) at 29 February 2012 was 1,061.

RESTRICTED FOUNDERS UNITS (as at 29 February 2012)

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 29 February 2012)

Unitholder	Number % of of units	Number % of total units
Reef Casino Investments Pty Ltd	25,000,000	50.20
Casinos Austria International Holding GmbH	5,661,193	11.37
Casinos Austria International Limited	2,755,715	5.53
Accor Casino Investments (Australia) Pty Limited	2,421,803	4.86
RBC Dexia Investor Services Australia Nominees Pty Ltd <bkcust a/c>	2,065,000	4.15
Mr Gary Mauric	1,785,000	3.58
HSBC Custody (Australia) Limited	835,576	1.68
Mr Gary Mauric	555,000	1.11
Angueline Investments Pty Ltd <Angueline a/c>	458,927	0.92
Mr Frank McFadden	316,684	0.64
Greenwich Stud Pty Ltd	259,871	0.52
Julian Hercus & Associates Pty Ltd <super fund a/c>	250,000	0.50
Mrs Elspeth Macdonald	250,000	0.50
Mr Michael Issenberg	220,000	0.44
JP Morgan Nominees Australia Limited	217,327	0.44
JP Morgan Nominees Australia Limited <cash income a/c>	211,419	0.42
Mr William Coates Gair & Mrs June Verna Gair	150,100	0.30
Mrs Rita Agata Mauric	150,000	0.30
Contemplator Pty Ltd <ARG pension fund a/c>	128,397	0.26
Goh Super Pty Ltd <The Goh super fund a/c>	110,079	0.22
	43,802,091	87.95

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.

TRUST DIRECTORY

Registered office of the Responsible Entity

Reef Corporate Services Limited
Level 1
Mercure Hotel
85-87 North Quay
BRISBANE QLD 4000
Telephone: (07) 3211 3000
Facsimile: (07) 3211 4777
www.reefcasino.com.au/trust

Directors of the Responsible Entity

Mr Benjamin W Macdonald (Chairman)
Hon Keith DeLacy
Mr Julian Hercus
Dr Karl Stoss
Mr Michael Issenberg
Mr Kim Mooney
Mr Allan Tan
Mr Simon McGrath

Alternate directors

Mr Allan Tan (alternate for Mr Macdonald)
Mr Alexander Tucek (alternate for Dr Stoss)
Mr Philip Basha (alternate for Mr Issenberg
& Mr Mooney)

Secretary of the Responsible Entity

Ms Alison Galligan

Compliance, Audit and Risk Committee of the Responsible Entity

Hon Keith DeLacy (Chairman)
Mr Julian Hercus
Mr Kim Mooney
Mr Philip Basha (alternate for Mr Mooney)

Solicitors to the Responsible Entity

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

Unit registry

Computershare Investor Services Pty Ltd
117 Victoria Street
WEST END QLD 4101
GPO Box 2975
MELBOURNE VIC 3001
Telephone: 1300 850 505

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

Unitholder enquiries

Please contact the unit registry if you have any questions about your unitholding or distributions.

MUST SEE MUST VISIT

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

CASINOS AUSTRIA INTERNATIONAL

Reef Casino

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

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

Pullman Reef Hotel Casino

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



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



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



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



Ultra modern bar with all your favourite drinks and cocktails. Great live entertainment on Wednesday through Sunday nights. Open every day from 4pm until late.



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.



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



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



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.



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



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

MUST SEE

MUST VISIT

QUEENSLAND'S
BIGGEST AND PREMIER LEISURE
& ENTERTAINMENT COMPLEX
NORTH OF BRISBANE




CASINOS AUSTRIA INTERNATIONAL



REEF
CASINO TRUST

