



REEF
CASINO TRUST

Half Year Report 2008

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Unit distribution
Six months to 30 June 2008
10.5 cents per unit tax deferred
Payment date 26 September 2008



Electronic Gaming Machines (left) and (right from top) Casino Table Games and Sofitel Guest Suite

CHAIRMAN'S REVIEW

Dear Unitholders,

On behalf of the board of directors of Reef Corporate Services Limited, responsible entity of Reef Casino Trust (Trust), I present my review of the Reef Casino Trust for the six months ended 30 June 2008.

Key points

- Net profit of \$5 million, up 27.8% (on an "operating" basis and before distributions to unitholders) compared to the same period last year
- A strong improvement in first half rental revenue as a result of a strong operating performance at the Reef Hotel Casino
- A first half distribution to unitholders of 10.5 cents per unit, tax deferred

Trust distributable profit

The Trust reported a distributable profit of just over \$5 million for the six months ended 30 June 2008. Compared to the \$3.9 million profit reported in the same period last year, this was an improvement of \$1.1 million or 27.8%.

On a "like for like" basis, without the extra building and site lease depreciation and amortisation charge in 2008 due to the increase in value of the Reef Hotel Casino property, the distributable profit would have been \$5.4 million or an increase of 38.0%.

	2008	2007	
	\$'000	\$'000	
REVENUE			
Rental revenue	11,027	9,333	+18.2%
Other revenue	165	195	
TOTAL REVENUE	11,192	9,528	
EXPENSES			
Operating	3,191	3,055	+4.5%
Depreciation and amortisation	2,995	2,555	
TOTAL EXPENSES	6,186	5,610	
PROFIT BEFORE IMPAIRMENT REVERSAL AND FINANCE COSTS ¹			
ATTRIBUTABLE TO UNITHOLDERS	5,006	3,918	+27.8%
	cents	cents	
	per unit	per unit	
Earnings per unit ²	10.1	7.9	
Distribution per unit	10.5	15.5	

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

² Before unit distributions and reversal of impairment



CHAIRMAN'S REVIEW

Rental revenue from the Reef Hotel Casino improved by 18.2% compared to the same period last year. This follows a strong overall operating performance at the complex. A more detailed analysis of the performance of the Reef Hotel Casino is provided below.

Trust operating costs were well controlled and showed an increase of 4.5% reflecting an increase in interest rates. There was no change in the level of external loans.

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

Unit distribution

The Trust has declared a distribution of 10.5 cents per unit for the six months ended 30 June 2008. This distribution is paid on a tax deferred basis. The record date was 30 June 2008 and payment to all unitholders will be made on 26 September 2008.

Source	Cents per unit	Total amount \$'000
"Normal" distribution of 100% of distributable profits	10.05	5,006
From the "undistributed income" account	0.45	223
Total	10.50	5,229

Following this distribution, the balance in the "undistributed income" account is \$2.65 million.

Balance sheet, bank loan

The balance sheet as at 30 June 2008 remains robust and is very much the same as compared to the position as at 31 December 2007.

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

Review of trading performance at the Reef Hotel Casino, Cairns

General economic and trading conditions

The Australian dollar continued to be strong and this has affected in-bound tourism into Cairns. Consequently and continuing on a trend, there were fewer Japanese tourist arrivals into Cairns and Far North Queensland in the first six months of this year.

High fuel prices, interest rate and inflationary worries have also resulted in interstate and intrastate tourism remaining flat.

Complex input costs have increased markedly adding to cost pressures especially on hotel operations.

Reef Hotel Casino complex

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

Just over 590,000 casino visitations were recorded in the first half year, a decline of 5.2% compared to the same period last year mainly due to fewer Japanese tourists in Cairns. Despite this, the Reef Casino reported a strong first half performance reflecting higher revenue per visitation.



CHAIRMAN'S REVIEW

Casino operations

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

Table games gross gaming revenue increased by 37.1% with "drop" (a measure of activity) holding steady. Both the "grind" (main floor) segment and the premium player segment performed strongly. Overall, a superior win rate was posted.

Electronic gaming machines gross gaming revenue increased by 2% while "handle" (a measure of activity) increased by 6.7%.

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

The Reef Casino continued to invest in the newest and latest electronic gaming machines that our patrons want besides continuing to offer the best player club program in Cairns.

Hotel operations

Largely as a result of the downturn in Japanese tourists, hotel room accommodation revenue decreased by 8.3% compared to the same period last year with our average rate holding up well. Alternate markets such as mainland China have been successfully developed in recent years but these have not been sufficient to completely replace the softening Japanese market.

We do not expect the Japanese market to improve in the second half of this year and management will continue on the one hand to actively develop alternate replacement markets, and on the other

to restructure and cut costs from the operation. The in house residential conference market is also being targeted.

Food and beverage revenues have increased slightly representing more sales because overall prices have not increased. However, input costs have gone up such that margins have been eroded. The Reef Hotel Casino offers an array of food and beverage options and this plays an integral part in the overall success of the complex. In the coming months, management initiatives are aimed at lifting margins by adjusting the overall pricing structure while making sure that input costs including labour are kept under tight control.

Capital projects at the Reef Hotel Casino

The exterior of the Reef Hotel Casino building has just been completely repainted and an on going repainting program has been put in place for the next 5 years to maintain the paint work.

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

Further enhancements and refurbishments to the Reef Hotel Casino property costing about \$3 million, are planned. We expect this capital investment to be entirely funded from the Trust's own cash flows. Work is scheduled to commence in September and we are expecting completion by the end of this year/early next year.

The popular Flinders Bar and Grill located in the Reef Casino will undergo a complete makeover with increased seating and a larger food preparation area for better and faster service to our casino patrons.

The casino complex entrances will be renovated to create a higher level, more exciting visual street presence. New design elements will include new awnings, driveway, water feature, lighting, signage and supergraphics.



CHAIRMAN'S REVIEW

Second half year

If the Australian dollar remains high, and uncertainties continue over high interest rates, high fuel prices and inflationary pressures, then the tourism industry in Cairns and Far North Queensland is expected to remain flat for the rest of the year. Should these economic fundamentals improve, then we can look forward to a more favourable tourism outlook.

The Qantas group (including Jetstar) has announced earlier in the year that they will be consolidating their flights between Japan and Cairns with the net result being a reduction in flight frequencies but effective only from December this year. Our own view is that the reduction in flight frequencies is a response to the downturn in the number of Japanese tourists travelling to Cairns and therefore, we do not expect this change to negatively affect Japanese tourism much further.

Recent domestic flight changes announced by both Qantas group and Virgin do not really affect Cairns.

The Tropical Tourism North Queensland organisation expects that there are some growth markets for Cairns in the next 12 months including mainland China and domestic tourism is expected to remain somewhat resilient. Cairns continues to rank at, or near the top of population growth cities in Australia in percentage terms.

The Reef Casino, the main driver of profits at the Reef Hotel Casino complex is expected to continue to perform at about the same level as the second half of last year with some growth in gross gaming revenues especially from electronic gaming machines, to hopefully more than offset rising input costs.

Hotel operations revenue on the whole will generally reflect the first half year conditions but the second half year is the "high" season and initiatives to lift operating margins should assist in a better overall result than the first half year.

For the Trust then, the second half year result is likely to be similar to the second half of last year with the full year results expected to be better than last year.



Ben Macdonald
Chairman

Reef Corporate Services Limited
Responsible Entity of Reef Casino Trust

DIRECTORS' REPORT

The directors of Reef Corporate Services Limited, ABN 66 057 599 621, the Responsible Entity of Reef Casino Trust present their half year report together with the interim financial report of the Trust for the half year ended 30 June 2008 and the audit report thereon.

Responsible Entity

The directors of Reef Corporate Services Limited at any time during or since the end of the half year are:

NAME	PERIOD OF DIRECTORSHIP
Mr Benjamin W Macdonald (Chairman)	Director since 20 September 1995
Hon Keith De Lacy	Director since 1 December 1999
Mr Julian Hercus	Director since 31 October 2000
Mr Paul Herzfeld	Director since 23 February 2005
Mr David Baffsky	Director since 28 March 2006
Mr Michael Issenberg	Director since 21 January 2002
Mr Kim Mooney	Director since 21 January 2002
Mr Allan Tan	Director since 28 March 2006
	Alternate director since 10 July 1997 (alternate for Mr Macdonald)
Mr Ronald John Hickey	Alternate director since 25 March 2003 (alternate for Mr Baffsky, Mr Issenberg and Mr Mooney)
Mr Josef Leutgeb	Alternate director since 23 February 2005 (alternate for Mr Herzfeld)

Review of operations

The review of operations is contained in the Chairman's Review on pages 1 to 4.

Distribution

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

The directors have declared a distribution of \$5.23 million (10.5 cents per unit tax deferred) in respect of the six month period ended 30 June 2008 to be paid on 26 September 2008 (refer note 10). The distribution in respect of the six month period ended 30 June 2007 was 15.5 cents per unit tax deferred.



DIRECTORS' REPORT

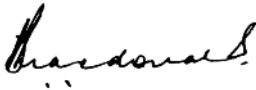
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 23 and forms part of the directors' report for the half year ended 30 June 2008.

Rounding off

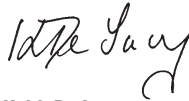
The trust is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the half year financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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



Ben Macdonald
Director

Brisbane
19 August 2008



Keith De Lacy
Director

BALANCE SHEET

As at 30 June 2008

	Note	30 June 2008 \$'000	31 Dec 2007 \$'000
ASSETS			
Cash and cash equivalents		3,118	4,199
Receivables		2,442	1,921
Site lease – rental in advance	8	706	706
TOTAL CURRENT ASSETS		6,266	6,826
Receivables		750	750
Property, plant and equipment	6	125,817	126,779
Intangible assets	7	144	160
Site lease – rental in advance	8	42,019	42,372
TOTAL NON-CURRENT ASSETS		168,730	170,061
TOTAL ASSETS		174,996	176,887
LIABILITIES			
Payables	9	3,858	4,594
TOTAL CURRENT LIABILITIES		3,858	4,594
Loans and borrowings		16,500	16,500
Deferred income		38	39
Issued units – liability portion		85,051	85,051
TOTAL NON-CURRENT LIABILITIES		101,589	101,590
TOTAL LIABILITIES		105,447	106,184
EQUITY			
Issued units – equity portion		85,051	85,051
Distribution account	10	2,726	3,657
Undistributed income		2,653	2,876
Asset revaluation reserve		61,452	61,452
Accumulated losses		(82,333)	(82,333)
TOTAL EQUITY		69,549	70,703
TOTAL EQUITY AND LIABILITIES		174,996	176,887
Memorandum note – issued units			
Issued units – liability portion		85,051	85,051
Issued units – equity portion		85,051	85,051
		170,102	170,102

The balance sheet is to be read in conjunction with the accompanying notes.

INCOME STATEMENT

For the half year ended 30 June 2008

	Note	30 June 2008 \$'000	30 June 2007 \$'000
REVENUE AND OTHER INCOME			
Revenue	4	11,190	9,524
Other income	4	2	2,773
TOTAL REVENUE AND OTHER INCOME		11,192	12,297
EXPENSES			
Depreciation and amortisation	5	2,995	2,555
Property outgoings		524	466
Rates and taxes		294	292
Responsible Entity fees		645	641
Repairs and maintenance		541	539
Legal and consulting fees		39	65
Insurance		161	164
Other expenses from ordinary activities		309	294
TOTAL EXPENSES		5,508	5,016
RESULTS FROM OPERATING ACTIVITIES		5,684	7,281
Finance costs attributable to unitholders	3(a)	2,503	1,959
Interest expense		678	594
TOTAL FINANCE COSTS		3,181	2,553
PROFIT FOR THE PERIOD		2,503	4,728
Basic and diluted earnings per unit (cents)	14	10.1	19.0
PROFIT BEFORE REVERSAL OF IMPAIRMENT AND FINANCE COSTS ATTRIBUTABLE TO UNITHOLDERS		5,006	3,918

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

STATEMENT OF CHANGES IN EQUITY

For the half year ended 30 June 2008

	Issued units	Distribution account	Undistributed income	Asset revaluation reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1 JANUARY 2007	85,051	4,625	7,270	21,767	(85,103)	33,610
Profit for the period	–	–	–	–	4,728	4,728
Transfer to distribution account (note 10)	–	1,959	–	–	(1,959)	–
Transfer from undistributed income	–	3,801	(3,801)	–	–	–
Distributions paid	–	(4,625)	–	–	–	(4,625)
Revaluation of property, plant and equipment	–	–	–	39,685	–	39,685
30 JUNE 2007	85,051	5,760	3,469	61,452	(82,334)	73,398
1 JANUARY 2008	85,051	3,657	2,876	61,452	(82,333)	70,703
Profit for the period	–	–	–	–	2,503	2,503
Transfer to distribution account (note 10)	–	2,503	–	–	(2,503)	–
Transfer from undistributed income	–	223	(223)	–	–	–
Distributions paid	–	(3,657)	–	–	–	(3,657)
30 JUNE 2008	85,051	2,726	2,653	61,452	(82,333)	69,549

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



CASH FLOW STATEMENT

For the half year ended 30 June 2008

	30 June 2008 \$'000	30 June 2007 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	11,749	11,146
Cash payments in the course of operations	(3,833)	(3,665)
Interest received	144	153
Interest and other finance charges paid	(678)	(593)
NET CASH FROM OPERATING ACTIVITIES	7,382	7,041
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(1,740)	(1,521)
Proceeds from disposal of non-current assets	-	2
NET CASH FROM INVESTING ACTIVITIES	(1,740)	(1,519)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions paid	(6,723)	(7,968)
NET CASH FROM FINANCING ACTIVITIES	(6,723)	(7,968)
Net (decrease)/increase in cash held	(1,081)	(2,446)
Cash and cash equivalents at 1 January	4,199	7,368
CASH AND CASH EQUIVALENTS AT 30 JUNE	3,118	4,922

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



NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2008

1. THE TRUST

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

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The half year report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Trust as at and for the year ended 31 December 2007.

The half year financial report was approved by the directors of the Responsible Entity on 19 August 2008.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Trust in this half year financial report are the same as those applied by the Trust in its financial report as at and for the year ended 31 December 2007.

(a) Financial instruments

(i) Non-derivative financial instruments

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

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

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

Financial liabilities are derecognised if the Trust's obligations specified in the contract expire or are discharged or cancelled.



NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

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

(ii) Derivative financial instruments

The Trust holds no derivative financial instruments.

(iii) Compound financial instruments – issued units

Compound financial instruments issued by the Trust comprise issued units.

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

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

(b) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Property, plant and equipment (continued)

(iv) Revaluations

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

The Trust is required to assess the fair value of property, plant and equipment on an annual basis and determine whether there is any impairment (note 3(c)). However, an appraisal by a professional qualified valuer is only required if the fair value of an asset is materially different from the carrying value.

The Trust will continue with its policy of obtaining valuations of the complex in accordance with the Trust Constitution which requires the complex to be valued at least once during every 3 years.

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

- (i) a willing, but not anxious, buyer and seller;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market;
- (iv) that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued; and

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

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

(c) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Impairment (continued)

(i) Financial assets (continued)

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

(ii) Non-financial assets

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

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

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

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.



NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2008

	30 June 2008 \$'000	30 June 2007 \$'000
4. REVENUE AND OTHER INCOME		
REVENUE		
<i>Rental</i>		
Base rent	447	325
Contingent rent	10,580	9,008
	11,027	9,333
<i>Interest received and receivable from</i>		
Other persons	106	147
Related parties	42	37
	148	184
<i>Other revenue</i>		
Sundry	15	7
	11,190	9,524
OTHER INCOME		
Reversal of impairment of site lease	–	2,769
Net gain on disposal of plant and equipment	–	2
Government grant	2	2
	2	2,773

5. EXPENSES

Net profit includes the following specific expenses:

<i>Depreciation</i>		
Building	1,459	1,098
Plant and equipment	1,145	1,091
	2,604	2,189
<i>Amortisation</i>		
Computer software	38	35
Site lease – rental in advance	353	331
	391	366
	2,995	2,555



NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2008

	30 June 2008 \$'000	31 Dec 2007 \$'000
6. PROPERTY, PLANT AND EQUIPMENT		
Building and integral plant – at valuation	120,975	120,664
Less: Accumulated depreciation	(2,916)	(1,458)
	118,059	119,206
Plant and equipment – at cost	52,581	51,406
Less: Accumulated depreciation	(44,823)	(43,833)
	7,758	7,573
Total property, plant and equipment – net carrying amount	125,817	126,779

CAPITAL EXPENDITURE COMMITMENTS

Contracted but not provided for and payable:

Not longer than one year	545	229
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ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2008, the Trust acquired assets with a cost of \$1,229,097 (six months ended 30 June 2007: \$1,613,384). Assets with a net book value of nil were disposed of during the six months ended 30 June 2008 (six months ended 30 June 2007: \$770), resulting in no gain or loss on disposal (six months ended 30 June 2007: gain of \$1,638).

REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

An independent valuation of the Trust's interest in the Reef Hotel Casino Complex was carried out by Jones Lang LaSalle Hotels as at 30 June 2007. The Trust's interest in the complex, which comprises the building, site lease and plant and equipment, was valued at \$171 million (with no residual value). The site lease is classified as a prepayment (note 8).



NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2008

	30 June 2008 \$'000	31 Dec 2007 \$'000
7. INTANGIBLE ASSETS		
Computer software – at cost	449	428
Less: Accumulated amortisation	(305)	(268)
Total intangible assets – net carrying amount	144	160

8. SITE LEASE – RENTAL IN ADVANCE

Original cost	53,000	53,000
Less: Accumulated amortisation	(10,275)	(9,922)
	42,725	43,078
Site lease as shown in the financial statements:		
<i>Current</i>	706	706
<i>Non-current</i>	42,019	42,372
Total site lease – rental in advance	42,725	43,078

The remaining term of the site lease is 60 years. The conditions of the lease are set out in the Cairns Casino Agreement which forms part of the Cairns Casino Agreement Act 1993. Negotiations for a further lease can take place during the last 10 years. The lease cannot be assigned or sublet without consent of the Minister. The site is required to be used for commercial purposes only.

9. PAYABLES

CURRENT		
Trade creditors and accruals – unsecured	1,355	1,528
Accrued distributions (note 10)	2,503	3,066
	3,858	4,594



NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2008

10. DISTRIBUTIONS

DISTRIBUTABLE INCOME

The Trust Constitution requires calculation of distributable income for each half yearly period commencing either on the first day of January or July and the amount transferred to a distribution account on the last day of such period. As the Trust must distribute at least 50% of net income for the period, this 50% is classified as a liability, and transferred from the distribution account to accrued liabilities on the balance sheet (note 9).

The proposed distribution was declared on 19 August 2008, and accounted for as follows:

	30 June 2008 \$'000	31 Dec 2007 \$'000
DISTRIBUTION ACCOUNT (refer to statement of changes in equity)		
Balance relating to issued units – equity portion	2,726	3,657
ACCRUED DISTRIBUTION (payables – note 9)		
Balance relating to issued units – liability portion	2,503	3,066
TOTAL OF DISTRIBUTION ACCOUNTS	5,229	6,723

	2008		2007	
	Total \$'000	Cents per unit	Total \$'000	Cents per unit
DISTRIBUTIONS PAID AND PAYABLE				
Half year ended 31 December				
paid March	6,723	13.50	7,968	16.00
Half year ended 30 June				
paid/payable September	5,229	10.50	7,719	15.50
	11,952	24.00	15,687	31.50

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



NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2008

11. SEGMENT INFORMATION

The Trust operates in one business segment, that of property ownership and rental in the tourism, leisure and gaming industry, and in one geographical segment, Australia.

12. RELATED PARTY INFORMATION

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

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets.

14. EARNINGS PER UNIT

	30 June 2008	30 June 2007
Basic and diluted earnings per unit (cents)	10.1	19.0 ⁽ⁱ⁾
<i>Weighted average number of units for the half year (note 3(a))</i>	24,900,518	24,900,518
	\$'000	\$'000
<i>Profit for the half year</i>	2,503	4,728

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

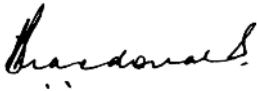


DIRECTORS' DECLARATION

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

- (a) the financial statements and notes set out on pages 7 to 19 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Trust as at 30 June 2008 and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001.
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



Ben Macdonald
Director

Brisbane
19 August 2008



Keith De Lacy
Director



INDEPENDENT AUDIT REPORT

To the Unitholders of Reef Casino Trust

We have audited the accompanying interim financial report of Reef Casino Trust (the Trust), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the half year ended on that date, and a summary of significant accounting policies and other explanatory notes and the directors' declaration set out on pages 7 to 20.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

We performed these procedures to assess whether, in all material respects, the interim financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the provisions of the Trust Constitution dated 2 July 1993 (as amended), a view which is consistent with our understanding of the Trust's financial position and of its performance.

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

INDEPENDENT AUDIT REPORT

To the Unitholders of Reef Casino Trust


Auditor's opinion

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

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Trust's financial position as at 30 June 2008 and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) the provisions of the Trust Constitution dated 2 July 1993 (as amended).



KPMG



Graham Coonan
Partner

Cairns
19 August 2008

LEAD AUDITOR'S INDEPENDENCE DECLARATION

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

I declare that, to the best of my knowledge and belief, during the half year ended 30 June 2008 there have been:

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



KPMG



Graham Coonan
Partner

Cairns
19 August 2008

TRUST DIRECTORY

Registered office of the Responsible Entity

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

Directors of the Responsible Entity

Mr Benjamin W Macdonald (Chairman)
Hon Keith De Lacy
Mr Julian Hercus
Mr Paul Herzfeld
Mr David Baffsky
Mr Michael Issenberg
Mr Kim Mooney
Mr Allan Tan

Alternate directors

Mr Allan Tan (alternate for Mr Macdonald)
Mr Ronald John Hickey (alternate for Mr Baffsky,
Mr Issenberg and Mr Mooney)
Mr Josef Leutgeb (alternate for Mr Herzfeld)

Secretary of the Responsible Entity

Ms Alison Galligan

Compliance, Audit & Risk Committee of the Responsible Entity

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

Solicitors to the Responsible Entity

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

Unit registry

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

Bankers

Bank of Queensland Limited
259 Queen Street
BRISBANE QLD 4000

Auditors of the Trust

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

Securities exchange listing

Official list of the Australian
Securities Exchange Limited
Home Exchange: Brisbane

Sub-lessee of Reef Hotel Casino Complex

Casinos Austria International (Cairns) Pty Ltd
Level 1
Mercure Hotel
85-87 North Quay
BRISBANE QLD 4000
Telephone: (07) 3211 3000
Facsimile: (07) 3211 4777

Reef Hotel Casino

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



“MUST SEE, MUST VISIT”



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 535 gaming machines, 43 gambling tables, plus Club Privé, TAB and Keno. Open Monday – Thursday 10am - 3am and Friday – Sunday 10am - 5am.



Sofitel Cairns Reef Casino

The Sofitel Cairns Reef 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. Sofitel facilities include swimming pool and spa, health club, shops and tour desk.



Tamarind

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



Car Park

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



Pacific Flavours

Start your day with a delicious 5 star breakfast buffet and choose from a wide range of light lavish dishes for lunch. Tantalise your tastebuds with our ever changing dinner buffet. Open daily from 6.30am - 10pm.



Café China

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



Flinders Bar & Grill

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



Casino Sportz Arena

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



Vertigo Bar and Lounge

Ultra modern bar with all your favourite drinks and cocktails. Great live entertainment on Thursday, Friday and Saturday nights. Open daily from 4pm until late.



Velvet Rope

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



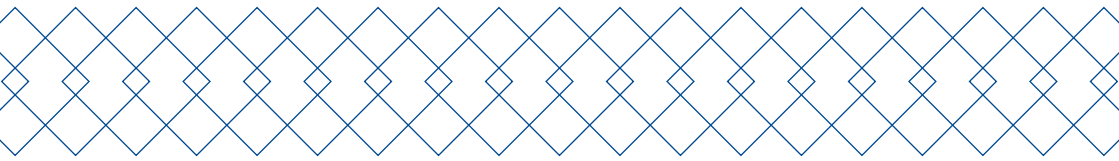
Cairns Wildlife Dome

Discover the rainforest in the heart of Cairns. A real wildlife experience! Open daily from 8am to 6pm



Conference & Banqueting

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



CASINOS AUSTRIA INTERNATIONAL

S O F I T E L
LUXURY HOTELS