

MFS HOTEL PROPERTY TRUST

ARSN 092 701 589

Appendix 4D

Half year report for the Half Year Ending 31 December 2003 (the previous corresponding period is the Half Year Ended 31 December 2002)

Results for announcement to the market

				A\$'000
Revenues from ordinary activities <i>(item 2.1)</i>	Up	1.17%	to	\$1,377
Profit (loss) from ordinary activities after tax attributable to members <i>(item 2.2)</i>	down	158.02%	to	\$(559)
Net profit (loss) for the period attributable to members <i>(item 2.3)</i>	down	158.02%	to	\$(559)
Dividends (distributions)	Amount per Security		Franked amount per Security	
Interim dividend <i>(item 2.4)</i>	\$nil		\$nil	
Record date for determining entitlements to the dividend <i>(item 2.5)</i>.	31 December 2003			
Explanatory notes to items 2.1 to 2.4 above:				
<p>MFS took over the management of the Trust in July 2003. MFS refinanced the loan facilities as part of the management change. Since taking over as Responsible Entity, MFS has reviewed the operation of each hotel and made an assessment as to the ongoing viability of the operation, and the relevance of the assets for the trust.</p> <p>MFS has taken steps to rebalance the portfolio, with an asset sales program now underway, and the announcement of a new strategy for the Trust which will be put to a unit holder vote in the near future.</p> <p>Subsequent to reporting date, the Toowoomba property has been sold resulting in a loss of \$546,042 being realised. This loss partly reverses a revaluation increment recorded in the 30 June 2002 financial report.</p> <p>The significant differences in the net operating profit results for the six months to December 2003 compared to the six months to December 2002 are a revaluation of the investment properties and an increase in borrowing costs for the six months to December 2003.</p>				

The attached Financial Report for the half-year ended 31 December 2003 forms part of this document. This half yearly report is to be read in conjunction with the MFS Hotel Trust 2003 annual financial report and the notes contained therein.

NTA backing (item 3)	31 Dec 2003	31 Dec 2002
Net tangible asset backing per ordinary security	\$0.2780	\$0.3022
Dividend Disclosures (item 5)		
Date the dividend (distribution) is payable	20 January 2004	
Record date to determine entitlements to the dividend (distribution) (i.e., on the basis of proper instruments of transfer received by 5.00 pm if securities are not CHES approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHES approved)	31 December 2003	
Amount per security (item 5)	Amount per security	
Interim dividend:	Current year	nil
	Previous year	nil
Total interim dividend (distribution) on all securities (item 5)	Current period A\$	Previous corresponding period - A\$
Ordinary securities (each class separately)	nil	nil
Preference *securities (each class separately)	nil	nil
Other equity instruments (each class separately)	nil	nil
Total	\$nil	\$nil

The dividend or distribution plans shown below are in operation

The last date(s) for receipt of election notices for the dividend or distribution plans.

31 December 2003

Any other disclosures in relation to dividends (distributions). (For half yearly reports, provide details in accordance with paragraph 7.5d of AASB 1029 Interim Financial Reporting.)

Nil

Details of associates and joint venture entities (item 7)

The economic entity has an interest (that is material to it) in the following entities.

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	Current period	Previous corresponding period	Current period A \$	Previous corresponding period A \$
Equity accounted associates and joint venture entities.				
	NA	NA	NA	NA
Total				

Review Opinion (item 9)

The unqualified review opinion of the company's auditors, KPMG is attached to this document, and highlights no areas of dispute.

Sign here:



(Director)

Print name:

Philip Adams

MFS HOTEL PROPERTY TRUST

ARSN 092 701 589

**HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2003**

Responsible Entity's Report

For the half-year ended 31 December 2003

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2003 and any public announcements made in respect of MFS Hotel Property Trust during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The directors of McLaughlins Financial Services Limited, the Responsible Entity of MFS Hotel Property Trust (the "Scheme") present their report together with the financial report of the Scheme, for the half-year ended 31 December 2003 and the review report thereon.

Current

The current Responsible Entity of MFS Hotel Property Trust is McLaughlins Financial Services Limited, which has been the Responsible Entity since 3 July 2003 when, on resolution of unitholders, it was appointed Responsible Entity. The change in Responsible Entity came about as a result of the former Responsible Entity, DDH Graham Limited, requesting to retire as Responsible Entity.

The following persons were directors of McLaughlins Financial Services Limited since the date of appointment as Responsible Entity and up to the date of this report:

Name	Period of directorship
Mr Philip William Adams	Appointed 15 July 1999
Mr Spencer Martin Young	Appointed 15 July 1999
Mr Michael Christodoulou King	Appointed 7 October 1999
Mr Michael Gordon Hiscock	Appointed 15 July 1999
Mr Paul Joseph Manka	Appointed 15 July 1999

The registered office of McLaughlins Financial Services Limited and the Scheme at the date of this report is MFS House, 5 Hicks Street, Southport, Queensland.

Former

The Responsible Entity of the Scheme during the period from 1 July 2003 to 3 July 2003 was DDH Graham Limited.

The directors of DDH Graham Limited during the period in which they acted as Responsible Entity, were:

Name	Period of directorship
Mr David D H Graham	Appointed 21 October 1986
Mr Peter B Lockhart	Appointed 21 August 1998
Mr Ugo C Di Girolamo	Appointed June 2000.

Review of operations

MFS took over the management of the Trust in July 2003. MFS refinanced the loan facilities as part of the management change.

Since taking over as Responsible Entity, MFS has reviewed the operation of each hotel and made an assessment as to the ongoing viability of the operation, and the relevance of the assets for the Trust.

MFS has taken steps to rebalance the portfolio, with an asset sales program now underway, and the announcement of a new strategy for the Trust which will be put to a unitholder vote in the near future.

The significant differences in the net operating profit results for the six months to December 2003 compared to the six months to December 2002 are: a revaluation decrement of the investment properties totalling \$546,042 (2002 : increment of \$854,998); and an increase in borrowing costs due to refinancing the borrowing facilities.

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Responsible Entity's Report

For the half-year ended 31 December 2003

The performance of the Scheme, as represented by the results of its operations, was as follows:

	2003	2002
	\$	\$
Net operating profit / (loss)	(559,025)	963,451
Distribution paid and payable	-	-

Review of operations (cont.)

	2003	2002
	cents	cents
Distribution (cents per unit)	-	-

Signed in accordance with a resolution of the
Directors of the Responsible Entity, McLaughlins Financial Services Limited



Director

Southport

27.02.04

Date

MFS Hotel Property Trust

Statement of Financial Performance

ARSN 092 701 589

For the half-year ended 31 December 2003

	Note	31 Dec 2003 \$	31 Dec 2002 \$
Revenue from ordinary activities			
Rent from investment properties		1,377,158	1,361,188
Interest income		22	999
Revaluation of investment property		-	854,998
Total revenue from ordinary activities		1,377,180	2,217,185
Expenses from ordinary activities			
Rates, taxes and other property outgoings		470,855	501,003
Responsible entity fees		79,967	82,906
Auditors remuneration		7,000	10,150
Custodian and registry fees		17,332	12,670
Borrowing costs		597,134	499,561
Legal fees		37,294	7,601
Other expenses		180,581	139,843
Revaluation decrement of investment property	4	546,042	-
Total expenses from ordinary activities		1,936,205	1,253,734
Net profit/(loss)		(559,025)	963,451
Reconciliation of net profit/(loss)			
Undistributed income		-	-
Distributions	2	-	-
		(559,025)	963,451
Distribution per unit (cents)		-	-
Earnings Per Unit			
Basic Earnings / (Loss) per unit (cents per unit)		(2.67)	4.60
Distributed Earnings / (Loss) per unit (cents per unit)		-	4.60

The statement of financial performance is to be read in conjunction with the notes to the half year financial statements.

MFS Hotel Property Trust

Statement of Financial Position

ARSN 092 701 589

As at 31 December 2003

	31 Dec 2003 \$	30 Jun 2003 \$
Current assets		
Cash assets	255,053	2,645
Receivables	170,263	122,721
Borrowing Costs	70,590	123,900
Other assets	4,167	91,350
Total current assets	500,073	340,616
Non-current assets		
Investment properties	16,112,498	16,696,122
Receivables	141,535	191,105
Total non-current assets	16,254,033	16,887,227
Total assets	16,754,106	17,227,843
Current liabilities		
Bank Overdraft	-	11,050
Payables	421,228	324,890
Total current liabilities	421,228	335,940
Non-current liabilities		
Interest-bearing liabilities	10,440,000	10,440,000
Total non-current liabilities	10,440,000	10,440,000
Total liabilities	10,861,228	10,775,940
Net assets	5,892,878	6,451,903
Members' funds		
Members' funds contributed	15,917,105	15,917,105
Distributions in excess of income	(956,357)	(956,357)
Accumulated losses	(9,067,870)	(8,508,845)
Total Members' funds	5,892,878	6,451,903

The statement of financial position is to be read in conjunction with the notes to the half year financial statements.

MFS Hotel Property Trust

ARSN 092 701 589

Statement of Cash Flows

For the half-year ended 31 December 2003

	31 Dec 2003	31 Dec 2002
	\$	\$
Cash flows from operating activities		
Receipts in the course of operations	1,416,799	1,576,733
Payments in the course of operations	(692,677)	(700,120)
Interest received	22	999
Net cash inflow from operating activities	<u>724,144</u>	<u>877,612</u>
Cash flows from investing activities		
Payments for investment properties	-	(23,764)
Payments for furniture and fixtures	(6,112)	(216,608)
Net cash inflow / (outflow) from investing activities	<u>(6,112)</u>	<u>(240,372)</u>
Cash flows from financing activities		
Borrowing costs paid	(465,624)	(501,100)
Net cash outflow from financing activities	<u>(465,624)</u>	<u>(501,100)</u>
Net increase in cash held	252,408	136,140
Cash at the beginning of the financial period	<u>2,645</u>	<u>235,930</u>
Cash at the end of the financial period	<u><u>255,053</u></u>	<u><u>372,070</u></u>

The statement of cash flows is to be read in conjunction with the notes to the half year financial statements.

MFS Hotel Property Trust

Notes to the Financial Statements

ARSN 092 701 589

For the half-year ended 31 December 2003

1. Summary of significant accounting policies

The Scheme is established under the Constitution as a unit trust. The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The half-year financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards AASB 1029 *Interim Financial Reporting*, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the Corporations Act 2001.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2003 and any public announcements made in respect of MFS Hotel Property Trust during the half-year period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of non-current assets.

The accounting policies are consistent with those applied in the 30 June 2003 Annual Financial Report.

(b) Investment property

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of letting to produce lease income.

Valuation Method

Under the provisions of the Scheme's Constitution, the Responsible Entity shall cause a valuation to be carried out for all or any of the investments on the Scheme when required to do so by the Corporations Act 2001, and may cause a valuation to be carried out at any time.

The valuations are based on the price at which the 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 within which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for the property of the same kind;
- III that the property will be reasonably exposed to the market;
- IV that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued;
- V the Scheme has sufficient resources to allow a reasonable period for the exposure of the property for sale; and
- VI that the Scheme has sufficient resources to negotiate an agreement for the sale of the property.

Revaluation increments are credited directly to the asset revaluation account. Revaluation decrements are taken to the asset revaluation account to the extent that such losses are covered by amounts previously credited to the account and are still available in that account. Revaluation decrements in excess of amounts available in the account are charged to the Statement of Financial Performance.

MFS Hotel Property Trust

Notes to the Financial Statements (cont.)

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For the half-year ended 31 December 2003

Subsequent revaluation increments that recover amounts previously charged to the Statement of Financial Performance are to that extent, credited to the Statement of Financial Performance and then transferred to the asset revaluation account. In any particular year increments and decrements are netted off.

The gain or loss on disposal of re-valued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the results in the year of disposal.

Any related revaluation increments standing in the asset revaluation account at the time of disposal is transferred to the realisation account.

In determining the increment or decrement on revaluation, no account has been taken of the potential impact on Unitholders of taxation resulting from any capital gain which may arise on the subsequent sale of the investment.

	31 Dec 2003	31 Dec 2002
	\$	\$
2. Distributions		
During the reporting period the Scheme has paid or provided for distributions as follows:		
Distribution paid	-	-
	<u>-</u>	<u>-</u>

3. Segment information

The Scheme operates in the property investment industry in Australia. The investment income, net operating income and segment assets, relate to operations in the property investment industry in Australia.

4. Events subsequent to the reporting date

Subsequent to the reporting date the Toowoomba Property has been sold resulting in a loss of \$546,042 being realised.

The financial effect of the above transaction has been brought to account in the financial statements for the half year ended 31 December 2003 as a revaluation decrement pertaining to the investment property.

5. Contingent liabilities

The Scheme did not have any material contingent liabilities as at 31 December 2003.

MFS Hotel Property Trust

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Directors' Declaration

For the half-year ended 31 December 2003

The directors of McLaughlins Financial Services Limited, the Responsible Entity of MFS Hotel Property Trust, declare that the financial statements and notes set out on pages 2 to 7 :

- (a) comply with Australian Accounting Standard AASB 1029 "Interim Financial Reporting", the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Scheme's financial position as at 31 December 2003 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and
- (c) there are reasonable grounds to believe that MFS Hotel Property 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 the Responsible Entity, McLaughlins Financial Services Limited**



Director

Southport

27.02.04

Director



Independent review report to the unitholders of MFS Hotel Property Trust

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration set out on pages 2 to 8 for the MFS Hotel Property Trust ("the Scheme") for the half-year ended 31 December 2003.

The directors of McLaughlins Financial Services Limited, the Responsible Entity of the Scheme, are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the Responsible Entity to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Scheme's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MFS Hotel Property Trust is not in accordance with:

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Scheme's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" issued in Australia and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.

KPMG

D M Scammell
Partner

Melbourne
27 February 2004