

MFS LIVING AND LEISURE GROUP

Comprising:

MFS Living and Leisure Trust

(Responsible Entity: MFS L & L Management Limited
ABN 60 101 634 315 AFSL 280985) and

MFS Living and Leisure Limited

ABN 92 107 863 445

Half Year Results to 31 December 2004

The MFS Living and Leisure Group (comprising the MFS Living and Leisure Trust and MFS Living and Leisure Limited) present the attached Appendix 4D and Financial Report for the half year ended 31 December, 2004.

The Group has reported a net operating profit of \$445,892 for the half year ended 31 December, 2004. The result is primarily attributed to the sale of the Rockhampton property which was identified as non-performing. Proceeds of the sale were used to reduce the level of debt and supplement working capital. The sale of the property should improve the overall performance of the Group going forward. The remaining hotels have traded in line with budget.

Net tangible asset (NTA) backing per security as at 31 December, 2004 of \$1.14 reflects an increase compared to the NTA as at 30 June, 2004 of \$1.03 (being the combined NTA of the Trust and Company which were separately reported).

A distribution will not be made for the six months, however, the Group is confident the outlook for the future is positive.



PHILIP ADAMS
Executive Chairman

28 February 2005

MFS LIVING AND LEISURE GROUP

ARSN 092 701 589

Appendix 4D

Half year report for the Half Year Ending 31 December 2004

(the previous corresponding period is the "Trust" Half Year Ended 31 December 2003)

Results for announcement to the market

				A\$
Revenues from ordinary activities (<i>item 2.1</i>)	Up	204.36%	to	\$4,191,552
Profit (loss) from ordinary activities after tax attributable to members (<i>item 2.2</i>)	Up	179.76%	to	\$445,892
Net profit (loss) for the period attributable to members (<i>item 2.3</i>)	Up	179.76%	to	\$445,892
Distributions		Amount per Security		s Previous Corresponding Period per Security
Interim distribution (<i>item 2.4</i>)		\$nil		\$nil
Record date for determining entitlements to the distribution (<i>item 2.5</i>) - N/A no distribution payable				
Explanatory notes to items 2.1 to 2.4 above: The Group's December 2004 trading result of \$445,892 improved from the "Trust" December 2003 loss of \$(559,025) primarily due to a profitable sale of the investment property at Rockhampton. The property was sold in November for a net profit of \$422,947, with all proceeds used to reduce the level of debt. There were no property revaluations during the period. There have been no significant changes in the nature of activities during the period for the Group.				

The attached Financial Report for the half-year ended 31 December 2004 forms part of this document. This half yearly report is to be read in conjunction with the MFS Living and Leisure Trust 2004 annual financial report and the notes contained therein.

NTA backing (item 3)	31 Dec 2004	31 Dec 2003
Net tangible asset backing per ordinary security	\$1.1459	*\$1.3900

* On the 8th June 2004 a capital restructure in the Trust, by a ratio equal to 5:1 resulted in the number of stapled securities after reduction to be 4,188,622. For comparative reference only, the 31 December 2003 NTA backing calculation has been adjusted to reflect the equity restructure.

Amount per security (item 5)	Amount per security	
Interim distribution:	Current year	nil
	Previous year	nil

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 Living and Leisure Group

Half-Year Financial Report

31 December 2004

MFS Living and Leisure Group

CONTENTS

Director's Report	1
Lead auditor's independence declaration	4
Combined Statement of Financial Performance	5
Combined Statement of Financial Position	6
Combined Statement of Cash Flows	7
Notes to the Combined Financial Statements	8
Director's Declaration	13
Independent Review to the stapled security holders	14

MFS Living and Leisure Group

Directors' Report

The Directors of MFS Living and Leisure Limited ("the Company") and MFS L&L Management Limited ("the Responsible Entity") as the Responsible Entity for the MFS Living and Leisure Trust ("the Scheme") present their report together with the combined financial report of the MFS Living and Leisure Group (the "Group") for the half-year ended 31 December 2004 and the auditor's review report thereon. The stapling of Units in the Scheme to Shares in the Company form the stapled group called the MFS Living and Leisure Group. The shares and units cannot be traded or dealt with separately. The stapled securities were listed on the Australian Stock Exchange ("ASX") on 6 July 2004.

Current Responsible Entity

The Responsible Entity of the Scheme at the date of this report is MFS L&L Management Limited (the "Responsible Entity"). MFS L&L Management Limited was appointed Responsible Entity of the Scheme upon the retirement of McLaughlins Financial Services Limited on 10 February 2005.

Directors

The directors of MFS L&L Management Limited ("MLLM") as Responsible Entity and of MFS Living and Leisure Limited during or since the end of the financial period are:

Name	Period of directorship of MLLM	Period of directorship of MFS Living and Leisure Limited
Mr Philip William Adams	Appointed 8 August 2002	Appointed 4 February 2004
Mr Spencer Martin Young	Appointed 15 May 2003	Appointed 4 February 2004
Mr Michael Christodoulou King	Appointed 8 August 2002	Appointed 4 February 2004
Mr Michael Gordon Hiscock	Appointed 15 May 2003	Appointed 4 February 2004
Mr Paul Joseph Manka	Appointed 15 May 2003	Appointed 4 February 2004

Former Responsible Entity

McLaughlins Financial Services Limited (the "Former Responsible Entity") had been the Responsible Entity of the scheme until 10 February 2005.

Directors

The directors of McLaughlins Financial Services Limited ("MFSL") and MFS Living and Leisure Limited during or since the end of the financial period are:

Name	Period of directorship of MFSL	Period of directorship of MFS Living and Leisure Limited
Mr Philip William Adams	Appointed 15 July 1999	Appointed 4 February 2004
Mr Spencer Martin Young	Appointed 15 July 1999	Appointed 4 February 2004
Mr Michael Christodoulou King	Appointed 7 October 1999	Appointed 4 February 2004
Mr Michael Gordon Hiscock	Appointed 15 July 1999	Appointed 4 February 2004
Mr Paul Joseph Manka	Appointed 15 July 1999	Appointed 4 February 2004

MFS Living and Leisure Group

Directors' Report

Review of operations

The Group's principal activity for the financial period was the ownership and management of investment properties.

The Group did not have any employees during the period.

There have been no significant changes in the nature of those activities during the period.

The results of the Group's operations and its performance for the half-year period were as follows:

Results	Half-year ended 31 December 2004
Net operating profit	\$ 445,892
Distributions paid and payable for the period	-

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

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half-year ended 31 December 2004.

Events subsequent to balance date

MFS L&L Management Limited was appointed Responsible Entity of the Scheme on 10 February 2005 upon the retirement of McLaughlins Financial Services Limited.

In the interval between the end of the financial period and the date of this report there have not been any transactions or events of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Indemnities and insurance premiums for Officers or Auditors

Indemnification in relation to the Trust

Under the Scheme constitution the Responsible Entity, including its officers and employees, is indemnified out of the Scheme's assets for any loss, damage, expense or other liability incurred by it in performing or exercising any of its powers, duties or rights in relation to the Scheme.

The Scheme has not indemnified any auditor of the Scheme.

No insurance premiums are paid out of Scheme assets in relation to insurance cover for the Responsible Entity, its officers and employees, the Compliance Committee or the auditors of the Scheme.

MFS Living and Leisure Group

Directors' Report

Indemnification and insurance premiums in relation to the Company

The Company has not indemnified or made a relevant agreement for indemnifying against a liability, any person who is or has been an officer of the Company, or an auditor of the Company.

MFS Administration Pty Ltd, a related entity has paid or agreed to pay in respect of the Company, premiums in respect of directors and officers' liability and legal expenses insurance contracts for the period ended 31 December 2004. Such insurance contracts insure against certain liability (subject to specific exclusions) for persons who are or have been the Directors or executive officers of the Company.

Details of the nature of the liabilities covered or the amount of the premium paid has not been included, as such disclosure is prohibited under the terms of the contracts.

Signed in accordance with a resolution of the directors of the MFS Living and Leisure Limited and MFS L&L Management Limited as responsible entity of the MFS living and Leisure Trust.



Director

24 February 2005

Date



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

To: The Directors of MFS L&L Management Limited and MFS Living and Leisure Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2004 there have been:

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

KPMG

DM Scammell

Partner

Place: Melbourne

Date: 24/2/05

MFS Living and Leisure Group

**Statement of Financial Performance
for the half-year ended 31 December 2004**

	Half-year ended 31 December 2004 \$
Revenue from ordinary activities	
Lease income	931,954
Gross proceeds on sale of investment property	3,252,447
Interest	7,151
	<hr/>
Total Revenue from ordinary activities	4,191,552
	<hr/>
Expenses from ordinary activities	
Rates, taxes and other property outgoings	323,869
Borrowing costs	408,707
Responsible Entity costs	29,339
Depreciation – furniture, plant and equipment	56,072
Other expenses from ordinary activities	98,172
Carrying amount of investment property sold	2,829,501
	<hr/>
Total expenses from ordinary activities	3,745,660
	<hr/>
Net profit from ordinary activities	445,892
	<hr/>
Basic earnings per stapled security/unit (cents per unit)	10.56
Diluted earnings per stapled security / unit (cents per unit)	10.56

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

MFS Living and Leisure Group

**Statement of Financial Position
as at 31 December 2004**

	31 December 2004 Group \$	30 June 2004 Scheme \$
Current assets		
Cash and cash equivalents	563,595	131,363
Receivables	26	171,272
Total current assets	<u>563,621</u>	<u>302,635</u>
Non-current assets		
Investment properties	8,554,589	10,830,751
Furniture, plant and equipment	870,460	1,212,501
Borrowing costs	17,625	52,951
Total non-current assets	<u>9,442,674</u>	<u>12,096,203</u>
TOTAL ASSETS	<u>10,006,295</u>	<u>12,398,838</u>
Current liabilities		
Payables	461,150	345,444
Non-current liabilities		
Interest bearing liabilities	<u>4,689,210</u>	<u>7,643,351</u>
TOTAL LIABILITIES	<u>5,150,360</u>	<u>7,988,795</u>
NET ASSETS	<u>4,855,935</u>	<u>4,410,043</u>
Equity		
Contributed equity	3(a) 15,967,103	15,967,103
Accumulated losses	3(b) (11,111,168)	(11,557,060)
TOTAL EQUITY	<u>4,855,935</u>	<u>4,410,043</u>

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

MFS Living and Leisure Group

**Statement of Cash Flows
for the half-year ended 31 December 2004**

	Half-year ended 31 December 004 \$
Cash flows from operating activities	
Cash receipts in the course of operations	1,011,439
Cash payments in the course of operations	(286,133)
Interest income received	7,151
	<hr/>
Net cash provided by operating activities	732,457
	<hr/>
Cash flows from investing activities	
Proceeds from sale of investment property	3,252,447
Cost of sale of investment property	(265,618)
Payment for furniture, plant and equipment	(1,750)
	<hr/>
Net cash provided by investing activities	2,985,079
	<hr/>
Cash flows from financing activities	
Borrowing costs paid	(373,382)
Repayment of borrowings	(2,954,142)
Proceeds issue of securities	42,220
	<hr/>
Net cash used in financing activities	(3,285,304)
	<hr/>
Net increase in cash held	432,232
Cash at beginning of financial period	131,363
	<hr/>
Cash at end of financial period	563,595
	<hr/>

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

MFS Living and Leisure Group

Notes to the half-year financial statements for the half-year ended 31 December 2004

1. Statement of significant accounting policies

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 Standard AASB 1029 *Interim Financial Reporting*, the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act 2001 and the requirements of the Scheme's Constitution.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this half-year financial report is to be read in conjunction with the 30 June 2004 Annual Financial Report of MFS Living and Leisure Trust and MFS Living and Leisure Limited; and any public announcements made in respect of MFS Living and Leisure Group during the half-year ended 31 December 2004 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

This half-year financial report 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 have been consistently applied by each entity in the Group and are consistent with those applied in the 30 June 2004 Annual Financial Report of the MFS Living and Leisure Trust.

(b) *Investment Properties*

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

Investment properties acquired are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Costs incurred on assets subsequent to initial acquisition are capitalized when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Scheme in future years. Costs that do not meet the criteria for capitalisation expensed as incurred.

Valuations

Investment properties are measured at fair value and revalued with sufficient regularity to ensure the carrying amount of each property does not differ materially from its fair value at the reporting date.

The Entity's Constitution requires the Responsible Entity to have the Entity's property investments independently valued (at intervals of not more than three years). These valuations are considered by the Directors of the Responsible Entity when determining fair value.

Revaluation increments, on a class of assets basis, are recognised in the asset revaluation reserve except for amounts reversing a decrement previously recognised as an expense, which are recognised as revenues. Revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense.

Potential capital gains tax liability is only disclosed where there is an intention to dispose of the investment property at balance date.

MFS Living and Leisure Group

Notes to the half-year financial statements for the half-year ended 31 December 2004

1. Statement of significant accounting policies (cont)

(c) Comparatives

The stapled securities were listed on the Australian Stock Exchange ("ASX") on 6 July 2004.

Accordingly there is only comparative information for the Statement of Financial Position which reflects the scheme's operations only; and none for the Statement of Financial Performance and Statement of Cash flows.

2. Dividends and distributions

No dividends and distributions were paid or payable by any entity in the Group since the end of the previous financial year.

3. Equity

	Half year ended 31 December 2004 \$
<i>(a) Contributed equity</i>	
Opening balance	15,967,103
Units issued	-
Closing balance	<u>15,967,103</u>
<i>(b) Distributions in excess of income</i>	
Accumulated losses at beginning of period	(11,557,060)
Net profit	445,892
Closing balance	<u>(11,111,168)</u>

4. Investment Properties

Details of the individual properties comprising "Investment Properties" are set out below:

Description	Acquisition Date	Cost at Acquisition	Valuation date	Valuation **	Book value Half-year 2004	Book value June 2004
		\$		\$	\$	\$
Mercure Inn, Leichhardt, Rockhampton *	31.01.97	4,643,886	15.04.03	3,200,000	-	2,276,162
Mercure Inn Burke & Wills, Mt Isa	31.01.97	3,468,912	15.04.03	3,250,000	3,113,096	3,113,096
Mercure Inn Diplomat, Alice Springs	15.05.98	4,031,380	15.04.03	4,300,000	3,471,052	3,471,052
Mercure Inn Outback, Mt Isa	20.12.99	2,778,534	15.04.03	2,000,000	1,970,441	1,970,441
				<u>12,750,000</u>	<u>8,554,589</u>	<u>10,830,751</u>

* Property sold on 8 November 2004.

** Independently valued by Mr SC Trewin from the firm SC Trewin Pty Ltd

MFS Living and Leisure Group

Notes to the half-year financial statements for the half-year ended 31 December 2004

4. Investment Properties (cont)

The investment properties have been recorded at recoverable amount at 31 December 2004 in the accounting records, based on the valuations above.

The properties were valued on a fair market value basis. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The carrying value of the investment properties at 31 December 2004 of \$8,554,589 is arrived at by deducting the written down value of non-integral assets which are included in the valuation of investment properties of \$12,750,000. Non-integral assets are disclosed separately in the Statement of Financial Position.

5. Segment information

The Group's revenues are entirely derived from the ownership and leasing of hotels. All operations and assets are based in Australia.

6. Contingent liabilities and contingent assets

There have been no changes to contingent liabilities or contingent assets since 30 June 2004.

7. Events subsequent to balance date

MFS L&L Management Limited was appointed Responsible Entity of the Scheme on 10 February 2005 upon the retirement of McLaughlins Financial Services Limited.

In the interval between the end of the financial period and the date of this report there have not been any transactions or events of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

8. Impact of adopting International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the Entity must comply with the Australian equivalents to International Financial Reporting Standards (AIFRS) issued by the Australian Accounting Standards Board.

This half-year financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ending on 31 December 2004.

Implementation project

The Responsible Entity and the Company have established a project to achieve transition to AIFRS reporting. The implementation project consists of three phases: Assessment and Planning; Design; and Implementation. The Responsible Entity's implementation project is currently in progress and is expected to be completed during the upcoming financial year.

MFS Living and Leisure Group

Notes to the half-year financial statements for the half-year ended 31 December 2004

8. Impact of adopting International Financial Reporting Standards (cont)

Assessment and planning phase

An assessment and planning phase aims to produce a high level overview of the impacts of conversion to AIFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff.

This phase included:

- High level identification of key differences in accounting policies and disclosures that are expected to arise from adopting AIFRS;
- Assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes;
- Evaluation of the implication for staff, for example training requirements; and
- Preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

Design phase

The design phase aims to formulate the changes required to existing accounting policies and procedures and systems and processes in order to transition to AIFRS.

The design phase incorporates:

- Formulating revised accounting policies and procedures for compliance with AIFRS requirements;
- Identifying potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of AIFRS;
- Developing revised AIFRS disclosures;
- Designing accounting and business processes to support AIFRS reporting obligations;
- Identifying and planning required changes to financial reporting and business source systems; and
- Developing training programs for staff.

Implementation phase

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the Scheme to generate the required disclosures of AASB 1 as it progresses through its transition to AIFRS.

MFS Living and Leisure Group

Notes to the half-year financial statements for the half-year ended 31 December 2004

8. Impact of adopting International Financial Reporting Standards (cont)

Impact of transition to AIFRS

The differences between Australian Generally Accepted Accounting Policies (Australian GAAP) and AIFRS identified to date as potentially having a significant impact on the Scheme's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all differences between current Australian GAAP and AIFRS. No attempt has been made to identify all disclosures, presentation or classification differences that would affect the manner in which transactions or events are presented.

The Responsible Entity has not completed its project to assess the impact of adoption of AIFRS and has not quantified the effects of all the differences discussed below. Where work streams have been completed, accounting policies have been determined and the transitional elections available under AASB 1 First Time Adoption of Australian equivalents to International Financial Reporting Standards have been considered.

The key potential implication of the conversion to AIFRS on the Scheme are as follows:

- Changes in the fair values of investment properties will be adjusted through the statement of financial performance rather than through reserves;
- Impairments of assets will be determined on a discounted basis, with strict tests for determining whether goodwill and cash-generating operations have been impaired; and
- Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

MFS Living and Leisure Group

Directors' Declaration

In the opinion of the directors of MFS L&L Management Limited, the Responsible Entity of MFS Living and Leisure Trust (the "Scheme") and the MFS Living and Leisure Limited (the "Company"):

- (1) the financial statements and notes, set out on pages 5 to 12:
 - (a) present fairly the financial position of the MFS Living and Leisure Group ("the Group") as at 31 December 2004 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
 - (b) comply with Australian Accounting Standard AASB 1029 "Interim Financial Reporting"; and
- (2) there are reasonable grounds to believe that the Group 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, MFS L&L Management Limited and the directors of MFS Living and Leisure Limited.



Director

24 February 2005

Date

Place: Southport

Independent review report to the Stapled Security Holders of MFS Living and Leisure Group

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 5 to 13 for MFS Living and Leisure Group ("the Group") for the half-year ended 31 December 2004.

The directors of both the responsible entity for MFS Living and Leisure Trust (the "Scheme"), MFS L&L Management Limited, and the company, MFS Living and Leisure Limited are responsible for the fair presentation of the financial report. 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 Group to lodge the financial report with the Australian Securities Exchange. 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 Australian Accounting Standard AASB1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Group'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:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit 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, 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.

**Independent review report to the Stapled Security holders of
MFS Living and Leisure Group**

Statement

Based on our review, which is not an audit, we have not become aware of any matters that make us believe that the half-year financial report of the MFS Living and Leisure Group for the half-year ended 31 December 2004:

- (i) does not present fairly the Group's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
- (ii) is not presented in accordance with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia.

KPMG

KPMG



D M Scammell
Partner

Place: Melbourne

Date: *24/02/05*